

**LAZARD ASSET MANAGEMENT LIMITED****Strategic Report, Report of the Directors and****Audited Financial Statements for the Year Ended 31 December 2017**

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

**LAZARD ASSET MANAGEMENT LIMITED**

**Contents of the Financial Statements**  
**for the Year Ended 31 December 2017**

	<b>Page</b>
Company Information	1
Strategic Report	2
Report of the Directors	4
Statement of Directors' Responsibilities	6
Report of the Independent Auditor	7
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12

**LAZARD ASSET MANAGEMENT LIMITED**

**Company Information**  
**for the Year Ended 31 December 2017**

**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)

**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 2017**

The directors present their strategic report for the year ended 31 December 2017.

#### **REVIEW OF BUSINESS**

The profit for the year after taxation was £26,408,128 (2016: £23,280,105).

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

#### **KEY PERFORMANCE INDICATORS**

Revenues were £26,397,635 (25%) higher than prior year at £134,117,670 (2016: £107,720,035). This growth in revenues included a £20,786,240 (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 increased by £759,606,000 (10%) on prior year at £8,505,065,000 (2016: £7,745,459,000), by consequence associated management fees grew by £2,136,908 (8%) to £29,795,181 (2016: £27,658,273).

#### **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 "FCA".

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.

**LAZARD ASSET MANAGEMENT LIMITED**

**Strategic Report**  
**for the Year Ended 31 December 2017**

**PRINCIPAL RISKS AND UNCERTAINTIES - continued**

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 2017, 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.

**ON BEHALF OF THE BOARD:**



T Russell - Secretary

25 April 2018

## **LAZARD ASSET MANAGEMENT LIMITED**

### **Report of the Directors** **for the Year Ended 31 December 2017**

The directors present their annual report with the audited financial statements of the company for the year ended 31 December 2017.

#### **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 £1.967 per share was paid on 27 April 2017, a further dividend of £0.396 per share was declared on 11 December 2017 and paid on 1 January 2018. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2017 was £21,631,012.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

W J Smith  
G Mazzari  
M D Allen  
J Reinsberg

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

#### **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.

#### **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.

**LAZARD ASSET MANAGEMENT LIMITED**

**Report of the Directors**  
**for the Year Ended 31 December 2017**

**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:**



T Russell - Secretary

25 April 2018

## **LAZARD ASSET MANAGEMENT LIMITED**

### **Statement of Directors' Responsibilities** **for the Year Ended 31 December 2017**

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.

The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **Independent auditor's report to the members of Lazard Asset Management Limited**

### **Report on the audit of 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Lazard Asset Management Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of accounting policies ; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report , other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

## **Independent auditor's report to the members of Lazard Asset Management Limited**

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters 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.

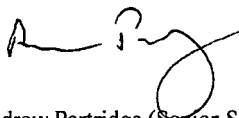
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Andrew Partridge (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

25 April 2018

**LAZARD ASSET MANAGEMENT LIMITED****Statement of Comprehensive Income**  
**for the Year Ended 31 December 2017**


	Notes	2017 £	2016 £
<b>TURNOVER</b>		134,117,670	107,720,035
Administrative expenses		<u>(105,787,693)</u>	<u>(82,205,162)</u>
		28,329,977	25,514,873
Other operating income	3	<u>1,762,623</u>	<u>110,892</u>
<b>OPERATING PROFIT</b>	6	30,092,600	25,625,765
Income from shares in group undertakings		2,200,000	3,000,000
Interest receivable and similar income		<u>20,547</u>	<u>39,238</u>
		32,313,147	28,665,003
Interest payable and similar expenses	8	<u>-</u>	<u>(7,252)</u>
<b>PROFIT BEFORE TAXATION</b>		32,313,147	28,657,751
Tax on profit	9	<u>(5,905,019)</u>	<u>(5,377,646)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		26,408,128	23,280,105
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Actuarial movements in pension schemes		1,760,670	(1,963,637)
Income tax relating to other comprehensive income/(loss)		<u>(118,563)</u>	<u>349,163</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX</b>		<u>1,642,107</u>	<u>(1,614,474)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>28,050,235</u>	<u>21,665,631</u>

The notes form part of these financial statements

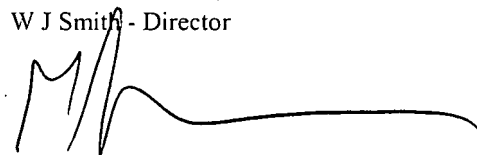
**LAZARD ASSET MANAGEMENT LIMITED (REGISTERED NUMBER: 00525667)****Statement of Financial Position**  
**31 December 2017**

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Tangible assets	11	1,038,578	1,246,967
Investments	12	<u>16,690,951</u>	<u>12,718,978</u>
		<u>17,729,529</u>	<u>13,965,945</u>
<b>CURRENT ASSETS</b>			
Debtors	13	20,800,674	13,963,130
Prepayments and accrued income		10,500,781	8,315,232
Cash at bank		<u>58,559,713</u>	<u>46,895,621</u>
		89,861,168	69,173,983
<b>CREDITORS</b>			
Amounts falling due within one year	14	<u>(64,235,134)</u>	<u>(46,153,669)</u>
<b>NET CURRENT ASSETS</b>		<u>25,626,034</u>	<u>23,020,314</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		43,355,563	36,986,259
<b>CREDITORS</b>			
Amounts falling due after more than one year	15	(5,081,561)	(4,195,064)
<b>PROVISIONS FOR LIABILITIES</b>	18	(4,158,007)	(3,116,673)
<b>PENSION LIABILITY</b>	20	<u>-</u>	<u>(1,977,750)</u>
<b>NET ASSETS</b>		<u>34,115,995</u>	<u>27,696,772</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	9,150,000	9,150,000
Retained earnings		<u>24,965,995</u>	<u>18,546,772</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>34,115,995</u>	<u>27,696,772</u>

The financial statements were approved by the Board of Directors on 25 April 2018 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 2017**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	9,150,000	16,881,141	26,031,141
Changes in equity			
Dividends	-	(20,000,000)	(20,000,000)
Total comprehensive income	-	21,665,631	21,665,631
Balance at 31 December 2016	9,150,000	18,546,772	27,696,772
Changes in equity			
Dividends	-	(21,631,012)	(21,631,012)
Total comprehensive income	-	28,050,235	28,050,235
Balance at 31 December 2017	9,150,000	24,965,995	34,115,995

The notes form part of these financial statements

## **LAZARD ASSET MANAGEMENT LIMITED**

### **Notes to the Financial Statements** **for the Year Ended 31 December 2017**

#### **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.

##### **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, which may be obtained from The Secretary, Lazard Asset Management (UK) Holdings Limited, 50 Stratton Street, London W1J 8LL.

##### **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.

##### **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 and distribution fees receivable during the year excluding value added tax. Turnover is recorded on an accrual basis.

##### **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.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2017**

**2. ACCOUNTING POLICIES - continued**

**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.

**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.

## **LAZARD ASSET MANAGEMENT LIMITED**

### **Notes to the Financial Statements - continued** **for the Year Ended 31 December 2017**

#### **2. ACCOUNTING POLICIES - continued**

##### **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. From a Lazard Limited group perspective these are treated as equity-settled. The fair value of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Lazard Limited estimate of shares that will eventually vest. Fair value is measured by use of the Lazard Limited share price at the statement of financial position date.

From the company's perspective these share-based payments are treated as cash settled as the company is obliged to settle the cash equivalent of the actual cost of the stock when the awards have vested. The company has recognised a liability equal to the portion of the goods or services received at the statement of financial position date based on the fair value of the liability 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.

#### **3. OTHER OPERATING INCOME**

	2017	2016
	£	£
Other Income	2,038	114
Other foreign exchange gains / (losses)	546,715	(1,813,532)
Fixed asset investments - revaluation	2,299,539	(126,294)
Fixed asset investments - exchange differences	(1,085,669)	2,050,604
	<u>1,762,623</u>	<u>110,892</u>

#### **4. EMPLOYEES AND DIRECTORS**

	2017	2016
	£	£
Wages and salaries	57,245,591	41,659,708
Social security costs	8,113,408	5,593,985
Other pension costs	1,132,994	1,079,468
	<u>66,491,993</u>	<u>48,333,161</u>

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

2017	2016
<u>132</u>	<u>131</u>

Other pension costs excludes £1,760,670 actuarial gain (2016: £1,963,637 loss) recognised in statement of other comprehensive income.



**LAZARD ASSET MANAGEMENT LIMITED****Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2017****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 2017 amounted to £2,611,271 (2016: £1,622,771). Further disclosure is provided in the Lazard Asset Management (UK) Holdings Limited group accounts. The directors of the company are also the directors of Lazard Asset Management (UK) Holdings.

**6. OPERATING PROFIT**

The operating profit is stated after charging:

	2017	2016
	£	£
Other operating leases	2,042,855	2,053,850
Depreciation - owned assets	<u>304,939</u>	<u>330,727</u>

**7. AUDITORS' REMUNERATION**

	2017	2016
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's financial statements	165,299	178,059
Auditor services relating to taxation	3,822	11,545
CASS Fees	4,000	4,000
Other non- audit services	<u>48,000</u>	<u>48,561</u>

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2017	2016
	£	£
Other interest expense	<u>-</u>	<u>7,252</u>

**LAZARD ASSET MANAGEMENT LIMITED****Notes to the Financial Statements - continued  
for the Year Ended 31 December 2017****9. TAXATION****Analysis of the tax charge**

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

	2017 £	2016 £
Current tax:		
Current year charge	6,267,817	6,263,376
Adjustment in respect of previous periods	<u>136,778</u>	<u>33,105</u>
Total current tax	<u>6,404,595</u>	<u>6,296,481</u>
Deferred tax:		
Current year credit	(686,517)	(900,405)
Adjustments in respect of previous periods	<u>186,941</u>	<u>(18,430)</u>
Total deferred tax	<u>(499,576)</u>	<u>(918,835)</u>
Tax on profit	<u><u>5,905,019</u></u>	<u><u>5,377,646</u></u>

UK corporation tax has been charged at 19.25% (2016: 20.00%).

**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:

	2017 £	2016 £
Profit before tax	<u>32,313,147</u>	<u>28,657,751</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	6,218,988	5,731,550
Effects of:		
Expenses not deductible for tax purposes	228,319	68,176
Adjustments to tax charge in respect of previous periods	97,809	33,105
Dividends not taxable	(423,425)	(600,000)
Deferred tax recognised at different rates	225,910	270,638
Pension contributions	-	(151,059)
Investment valuations	<u>(442,582)</u>	<u>25,236</u>
Total tax charge	<u><u>5,905,019</u></u>	<u><u>5,377,646</u></u>

**Tax effects relating to effects of other comprehensive income**

	Gross £	Tax £	2017 Net £
Actuarial movements in pension schemes	<u>1,760,670</u>	<u>(118,563)</u>	<u>1,642,107</u>

# **LAZARD ASSET MANAGEMENT LIMITED**

## **Notes to the Financial Statements - continued** **for the Year Ended 31 December 2017**

### 9. TAXATION - continued

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

### 10. DIVIDENDS

	2017 £	2016 £
Ordinary shares of £1 each		
<b>Paid:</b>		
Interim dividend for the year ended 31 December 2017 £1.967p (2016: £2.185p) per ordinary share	<u>18,000,000</u>	<u>20,000,000</u>
<b>Declared:</b>		
Interim dividend for the year ended 31 December 2017 £0.396p (2016: £Nil) per ordinary share	<u>3,631,012</u>	<u>-</u>

### 11. TANGIBLE FIXED ASSETS

	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>				
At 1 January 2017	2,026,561	1,245,026	1,332,548	4,604,135
Additions	<u>30,376</u>	<u>7,521</u>	<u>58,653</u>	<u>96,550</u>
At 31 December 2017	<u>2,056,937</u>	<u>1,252,547</u>	<u>1,391,201</u>	<u>4,700,685</u>
<b>DEPRECIATION</b>				
At 1 January 2017	1,142,838	1,062,385	1,151,945	3,357,168
Charge for year	<u>136,885</u>	<u>57,981</u>	<u>110,073</u>	<u>304,939</u>
At 31 December 2017	<u>1,279,723</u>	<u>1,120,366</u>	<u>1,262,018</u>	<u>3,662,107</u>
<b>NET BOOK VALUE</b>				
At 31 December 2017	<u>777,214</u>	<u>132,181</u>	<u>129,183</u>	<u>1,038,578</u>
At 31 December 2016	<u>883,723</u>	<u>182,641</u>	<u>180,603</u>	<u>1,246,967</u>

**LAZARD ASSET MANAGEMENT LIMITED****Notes to the Financial Statements - continued  
for the Year Ended 31 December 2017****12. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £	Listed investments £	Totals £
<b>COST OR VALUATION</b>			
At 1 January 2017	2,075,000	10,643,978	12,718,978
Additions	-	5,368,425	5,368,425
Disposals	-	(2,644,780)	(2,644,780)
Revaluations	-	2,333,997	2,333,997
Exchange differences	-	(1,085,669)	(1,085,669)
At 31 December 2017	2,075,000	14,615,951	16,690,951
<b>NET BOOK VALUE</b>			
At 31 December 2017	2,075,000	14,615,951	16,690,951
At 31 December 2016	2,075,000	10,643,978	12,718,978

Cost or valuation at 31 December 2017 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
Valuation in 2017	-	3,971,973	3,971,973
Cost	2,075,000	-	2,075,000
	2,075,000	14,615,951	16,690,951

**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.

The following are the principal subsidiary companies of the company:

Name	Registered Office	Share Description	Percentage Held
Lazard Fund Managers (Ireland) Limited	6th Floor, 2 Grand Canal Square, Dublin 2. Ireland	Ordinary £1	100%
Lazard Fund Managers Limited	50 Stratton Street, London. W1J 8LL. United Kingdom	Ordinary £1	100%

**Listed Investments:**

Listed investments include Lazard Fund Interest "LFI's" investments in order to satisfy the company's liability upon vesting of previously granted LFI's and other similar deferred compensation arrangements. LFI's 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.

# LAZARD ASSET MANAGEMENT LIMITED

## Notes to the Financial Statements - continued for the Year Ended 31 December 2017

### 13. DEBTORS

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	2,130,127	1,524,878
Amounts owed by group undertakings	14,096,503	8,071,750
Other debtors	190,275	165,539
Withholding taxes recoverable	-	91,999
	<u>16,416,905</u>	<u>9,854,166</u>
Amounts falling due after more than one year:		
Deferred tax asset	<u>4,383,769</u>	<u>4,108,964</u>
Aggregate amounts	<u>20,800,674</u>	<u>13,963,130</u>

### Deferred Tax Asset

	Pensions £	UK capital allowances £	Deferred Compensation £	Total £
At 1 January 2017	600,363	(82,294)	3,590,895	4,108,964
(Charge) / credit to profit and loss	(465,880)	9,332	688,755	232,207
Credit to OCI	-	-	42,598	42,598
At 31 December 2017	<u>134,483</u>	<u>(72,962)</u>	<u>4,322,248</u>	<u>4,383,769</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 (2016: 20%).

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

### 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade creditors	319,903	200,686
Amounts owed to group undertakings	28,399,297	16,904,770
Tax	3,126,101	5,846,030
Social security and other taxes	3,640,641	2,879,487
VAT	336,071	371,747
Accruals and deferred income	<u>28,413,121</u>	<u>19,950,949</u>
	<u>64,235,134</u>	<u>46,153,669</u>

### 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £	2016 £
Accruals and deferred income	<u>5,081,561</u>	<u>4,195,064</u>

**LAZARD ASSET MANAGEMENT LIMITED****Notes to the Financial Statements - continued  
for the Year Ended 31 December 2017****15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - continued**

Accruals and deferred income relates to the company's amortised liability of previously granted LFI's. LFI's 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.

**16. LEASING AGREEMENTS**

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

	2017	2016
	£	£
Within one year	2,048,160	2,048,160
Between one and five years	<u>7,115,252</u>	<u>9,163,412</u>
	<u>9,163,412</u>	<u>11,211,572</u>

**17. 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.

**18. PROVISIONS FOR LIABILITIES**

	NI on Deferred Remuneration £
Balance at 1 January 2017	3,116,673
Charged to statement of comprehensive income during the year	3,283,059
Utilised during the year	(1,885,511)
Foreign exchange movement	<u>(356,214)</u>
Balance at 31 December 2017	<u>4,158,007</u>

Provisions have been made for National Insurance ("NI") on deferred remuneration. This is based on the Lazard Ltd share price at 31 December 2017 of \$52.50 (2016: \$41.09) at an NI rate of 13.8% (2016: 13.8%). Outstanding RSUs at 31 December 2017 had a weighted average remaining contractual life of 0.78 (2016: 0.82) years, with the last vesting date in 2020. Refer to note 25 for RSUs.

**19. CALLED UP SHARE CAPITAL****Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2017 £	2016 £
9,150,000	Ordinary	£1	<u>9,150,000</u>	<u>9,150,000</u>

**Allotted and issued:**

Number:	Class:	Nominal value:	2017 £	2016 £
375,000	Ordinary	£1	<u>-</u>	<u>-</u>

## **LAZARD ASSET MANAGEMENT LIMITED**

### **Notes to the Financial Statements - continued** **for the Year Ended 31 December 2017**

#### **20. EMPLOYEE BENEFIT OBLIGATIONS**

During 2017, 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.

Both defined benefit schemes were closed to new members with effect from 1 January 2002. In 2005 the company made the decision to cease future accrual of benefit entitlements under the scheme with effect from 31 March 2006. 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 2017 using the projected unit method, taking assets at fair value. The major assumptions applicable were:

	2017	2016	2015
Discount rate	2.44%	2.61%	3.70%
Pension increase rate	3.81%	3.82%	3.80%
Indexation in deferment (based on CPI inflation % pa)	1.95%	2.10%	1.40%
Life expectancy of male/female aged 65 at accounting date	23.1/24.9	23.3/25.5	23.2/25.4
Life expectancy of male/female aged 65 in 20 years time	24.8/26.3	25.6/27.4	25.5/27.3

#### **Contributions**

On 21 December 2017, Lazard and the Trustees concluded the 31 December 2016 triennial valuations of the plan. In connection with such valuations, Lazard and the Trustees agreed upon pension funding terms pursuant to which Lazard Asset Management Limited will make contributions of £810,000 into the plan by 31 March 2018 and £540,000 by way of ten annual payments of £54,000 from 2021 to 2030. During 2017 contributions totalling £263,000 were paid into the scheme operated by Lazard Asset Management Limited.

In connection with the conclusion of the 31 December 2013 triennial valuation, on 31 March 2015 Lazard and the Trustees 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 £89,256 (2016: £64,727).

#### **Expenses recognised in the profit or loss**

	2017	2016
	£	£
Running costs	84,240	78,840
Interest expenses	51,570	-
	<u>135,810</u>	<u>78,840</u>

**LAZARD ASSET MANAGEMENT LIMITED****Notes to the Financial Statements - continued  
for the Year Ended 31 December 2017****20. EMPLOYEE BENEFIT OBLIGATIONS - continued****Amounts recognised outside of the profit or loss**

	2017 £	2016 £
Remeasurements	4,816,260	4,728,780
Change in asset limit other than interest	<u>3,055,590</u>	<u>(2,765,070)</u>
	<u>(1,760,670)</u>	<u>1,963,710</u>

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:

	2017 £	2016 £
Present value of scheme liabilities	79,172,100	82,461,780
Fair value of scheme assets	<u>(82,227,690)</u>	<u>(80,484,030)</u>
(Surplus) / deficit in the scheme	(3,055,590)	1,977,750
Surplus restriction	<u>-</u>	<u>-</u>
<b>Net (asset) / liability recognised in the statement of financial position</b>	<u>(3,055,590)</u>	<u>1,977,750</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**

	2017 £	2016 £
Opening liability	1,977,750	-
Expenses charged to the profit or loss	135,810	78,840
Amounts recognised outside the profit or loss	(1,760,670)	1,963,710
Employer contributions	<u>(352,890)</u>	<u>(64,800)</u>
<b>Closing liability</b>	<u>-</u>	<u>1,977,750</u>

**Movement in the present value of the defined obligation**

	2017 £	2016 £
Opening balance	82,461,780	65,299,500
Interest cost	2,103,840	2,364,390
Actuarial (gain) / loss	(1,665,090)	17,616,420
Benefits paid	<u>(3,728,430)</u>	<u>(2,818,530)</u>
<b>Closing balance</b>	<u>79,172,100</u>	<u>82,461,780</u>



**LAZARD ASSET MANAGEMENT LIMITED****Notes to the Financial Statements - continued  
for the Year Ended 31 December 2017****20. EMPLOYEE BENEFIT OBLIGATIONS - continued****Movement in the fair value of the schemes assets**

	2017	2016
	£	£
Opening balance	80,484,030	67,966,020
Interest on plan assets	2,052,270	2,462,940
Return on plan assets (excluding amounts included in net interest cost)	3,151,170	(12,887,640)
Contributions from the employer	352,890	64,800
Running costs	(84,240)	(78,840)
Benefits paid	(3,728,430)	(2,818,530)
<b>Closing balance</b>	<b><u>82,227,690</u></b>	<b><u>80,484,030</u></b>

**Fair value of scheme assets**

	Allocation	Value	Allocation	Value
	2017	2017	2016	2016
	%	£	%	£
Equities	28%	24,020,280	28%	22,235,580
Bonds/matching funds	55%	45,803,610	55%	44,073,990
Absolute return funds	10%	8,418,600	10%	8,329,230
Insurance policies	0%	140,130	0%	210,600
Other	7%	3,845,070	7%	5,634,630
<b>Total</b>	<b>100%</b>	<b><u>82,227,690</u></b>	<b>100%</b>	<b><u>80,484,030</u></b>

**21. 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.

**22. CAPITAL COMMITMENTS**

The company has no further commitment to acquire any investment.

**23. 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. The related party debtors and creditors balances as at year end have been disclosed within notes 13 and 14.

## **LAZARD ASSET MANAGEMENT LIMITED**

### **Notes to the Financial Statements - continued** **for the Year Ended 31 December 2017**

#### **24. POST BALANCE SHEET EVENTS**

On 1 January 2018 the Company transferred its holding in its 100% subsidiary Lazard Fund Managers (Ireland) Limited, amounting to 125,000 shares of £1 each valued at the net assets of the company as at 31 December 2017 amounting to £3,631,012, to its immediate parent company Lazard Asset Management (UK) Holdings representing full settlement of the distribution of that shareholding declared on 11 December 2018. Lazard Asset Management (UK) Holdings limited in turn transferred the holding to its immediate parent company, Lazard Asset Management LLC also in full settlement of its distribution of that shareholding declared 11 December 2017.

#### **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 2017	Market price 2017
Outstanding at 1 January 2017	720,811	\$41.09	-
Granted during the year	270,752	\$43.03	-
Forfeited during the year	-	-	-
Vested during the year	(230,836)	\$45.95	-
Outstanding at 31 December 2017	760,727	\$40.30	\$52.50
Exercisable at 31 December 2017	-	-	-

Outstanding RSU's at 31 December 2017 had a weighted average remaining contractual life of 0.78 years (2016: 0.82 years). The company recognised total expenses of £16,356,778 (2016: £8,473,962) 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 2017.