

**LAZARD FUND MANAGERS LIMITED
(FORMERLY LAZARD UNIT TRUST MANAGERS LIMITED)**

FOR THE YEAR ENDED 31 DECEMBER, 1999

REGISTERED NUMBER: 1970853

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LAZARD FUND MANAGERS LIMITED
(FORMERLY LAZARD UNIT TRUST MANAGERS LIMITED)

BOARD OF DIRECTORS

R P A Tyer (Managing Director)
M R Chapman
M A D Holden
A R Jupp
R F Smith
C W Wilson (Appointed 1st February 2000)

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December, 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The Company is regulated by the Investment Management Regulatory Organisation and the Personal Investment Authority.

RESULTS FOR THE YEAR

The profit for the year after taxation was £438,975 (1998 £1,516,713). There have been no dividends (1998 £1,500,000) paid during the year, a dividend of £88,975 (1998 £16,713) has been declared payable. £350,000 (1998 nil) was transferred from profit and loss account to reserves.

DIRECTORS

The present directors are listed above.

A D Hanson resigned as a director on 30 July, 1999.

DIRECTORS' INTERESTS

None of the directors had any interests in the shares of the company.

LAZARD FUND MANAGERS LIMITED
(FORMERLY LAZARD UNIT TRUST MANAGERS LIMITED)


REPORT OF THE DIRECTORS (Continued)

DIRECTORS' RESPONSIBILITIES

The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing those financial statements, the directors confirm that suitable accounting policies have been used and applied consistently and have made estimates that are reasonable and prudent and prepared the financial statements on the going concern basis.

The directors also confirm that applicable accounting standards have been followed. The directors are responsible for keeping proper accounting records and 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.

BY ORDER OF THE BOARD

T E Rice 
Secretary

21 Moorfields
London EC2P 2HT

4 April, 2000

LAZARD FUND MANAGERS LIMITED
(FORMERLY LAZARD UNIT TRUST MANAGERS LIMITED)

REPORT OF THE AUDITORS TO THE MEMBERS OF
LAZARD UNIT TRUST MANAGERS LIMITED

We have audited the financial statements on pages 4 to 9 which have been prepared under the historic cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

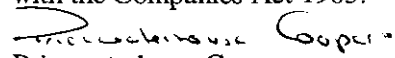
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December, 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London
4 April, 2000

LAZARD FUND MANAGERS LIMITED
(FORMERLY LAZARD UNIT TRUST MANAGERS LIMITED)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>Note</u>	<u>1999</u> £	<u>1998</u> £
Turnover	2	10,433,037	11,395,022
Administrative expenses	3	(10,028,272)	(9,597,462)
		<hr/>	<hr/>
Operating profit		404,765	1,797,560
Interest receivable		224,551	400,605
		<hr/>	<hr/>
Profit on Ordinary Activities Before Taxation		629,316	2,198,165
Taxation on profit on ordinary shares	4	(190,341)	(681,452)
		<hr/>	<hr/>
Profit on Ordinary Activities After Taxation		438,975	1,516,713
Dividends - paid during the year		-	(1,500,000)
- declared payable		(88,975)	(16,713)
		<hr/>	<hr/>
Transfer to Reserves	8	350,000	NIL
		<hr/>	<hr/>

No gains or losses have been recognised in these financial statements other than those reflected in the Profit and Loss Account above and therefore no separate statement of total recognised gains and losses has been presented.

A reconciliation of the movement in shareholders' funds is shown in note 9.

All activities of the company are regarded as continuing.

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

The notes on pages 6 to 9 form an integral part of these financial statements.

LAZARD FUND MANAGERS LIMITED
(FORMERLY LAZARD UNIT TRUST MANAGERS LIMITED)

BALANCE SHEET AT 31 DECEMBER 1999

	<u>Note</u>	<u>1999</u> £	<u>1998</u> £
Current Assets			
Debtors	5	3,253,520	3,033,492
Cash at Bank		867,948	2,945,208
		<hr/>	<hr/>
		4,121,468	5,978,700
Current liabilities			
Creditors due within one year	6	(2,509,068)	(4,716,300)
		<hr/>	<hr/>
Net Assets		1,612,400	1,262,400
		<hr/>	<hr/>
Capital and Reserves			
Called up share capital	7	50,000	50,000
Profit and loss account	8	1,562,400	1,212,400
		<hr/>	<hr/>
		1,612,400	1,262,400
		<hr/>	<hr/>

The financial statements on pages 4 to 9 were approved by the Board of Directors on 4 April, 2000 and were signed on its behalf by:

R P A Tyer)
) Directors
 M R Chapman)

The notes on page 6 to 9 form an integral part of these financial statements.

LAZARD FUND MANAGERS LIMITED
(FORMERLY LAZARD UNIT TRUST MANAGERS LIMITED)

NOTES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention.

(b) Turnover.

Net income from transactions in units is reflected in the profit and loss account in accordance with note 2.

2. TURNOVER

	<u>1999</u> £	<u>1998</u> £
Transactions in units of the unit trusts under management		
Units sold	138,664,477	248,458,427
Units liquidated	259,365,105	335,267,152
	<hr/>	<hr/>
	398,029,582	583,725,579
Costs of units sold and liquidated	(397,870,645)	(583,266,265)
Stamp duty	(68,713)	(181,627)
	<hr/>	<hr/>
Net income from transactions in units	90,224	277,687
Management fees	10,342,813	11,117,335
	<hr/>	<hr/>
	10,433,037	11,395,022
	<hr/>	<hr/>

LAZARD FUND MANAGERS LIMITED
(FORMERLY LAZARD UNIT TRUST MANAGERS LIMITED)

NOTES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (continued)

3. ADMINISTRATIVE EXPENSES

- a) The Company has no direct employees. The directors receive no emoluments in respect of their services as directors of the company. The directors, and other staff involved in the company's operations, are employed by Lazard Asset Management Limited, are remunerated by that company and that remuneration is included in a management charge levied by that company.
- b) Profit on ordinary activities before taxation is stated after charging audit fees of £13,200 (1998 £11,884) and auditors' remuneration for non-audit services of £217,800 (1998-£8,684).

4. TAXATION

<u>1999</u>	<u>1998</u>
£	£

UK Corporation Tax

Current at 30.25% (1998 – 31.49%)	(190,347)	(681,437)
Prior year adjustment	6	(15)
	<hr/>	<hr/>
	(190,341)	(681,452)
	<hr/>	<hr/>

5. DEBTORS

<u>1999</u>	<u>1998</u>
£	£

Amounts due within one year:

Trade debtors	<u>3,253,520</u>	<u>3,033,492</u>
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LAZARD FUND MANAGERS LIMITED
(FORMERLY LAZARD UNIT TRUST MANAGERS LIMITED)

NOTES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (continued)

6. CREDITORS	<u>1999</u> £	<u>1998</u> £
Amounts due within one year:		
Trade creditors	(1,885,068)	(3,602,092)
Taxation	(105,767)	(681,437)
Other creditors	(29,258)	(16,058)
Dividend payable	(88,975)	(16,713)
Amounts due to ultimate holding company	(400,000)	(400,000)
	<hr/>	<hr/>
	(2,509,068)	(4,716,300)
	<hr/>	<hr/>
7. SHARE CAPITAL	<u>1999</u> £	<u>1998</u> £
Authorised, allotted, called up and fully paid: 50,000 ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
8. RESERVES	<u>1999</u> £	<u>1998</u> £
Profit and Loss Account		
At 1 January	1,212,400	1,212,400
Profit for the year	350,000	-
	<hr/>	<hr/>
At 31 December	1,562,400	1,212,400
	<hr/>	<hr/>

LAZARD FUND MANAGERS LIMITED
(FORMERLY LAZARD UNIT TRUST MANAGERS LIMITED)

NOTES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (continued)

9.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	<u>1999</u> £	<u>1998</u> £
	Opening shareholders' funds	1,262,400	1,262,400
	Profit for the financial year	438,975	1,516,713
		<hr/>	<hr/>
		1,701,375	2,779,113
	Dividends	(88,975)	(1,516,713)
		<hr/>	<hr/>
	Closing shareholders' funds	1,612,400	1,262,400
		<hr/>	<hr/>

10. **CASH FLOW STATEMENT**

The company's immediate holding company is a wholly-owned subsidiary of an EU company which publishes consolidated financial statements that include a consolidated cash flow statement. It is, therefore, not required to produce a cash flow statement as part of these financial statements.

11. **RELATED PARTY DISCLOSURES**

The company is exempt from disclosing transactions with related parties as it is part of a group whose ultimate holding company in the EU publishes consolidated financial statements.

12. **ULTIMATE HOLDING COMPANY**

The company's immediate holding company is Lazard Asset Management Limited, a company registered in England and Wales.

The Company's ultimate controlling company is Lazard Frères & Co., LLC, a company registered in the USA.