

LAZARD FUND MANAGERS LIMITED
FOR THE YEAR ENDED 31 DECEMBER, 2000
REGISTERED NUMBER: 1970853

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LAZARD FUND MANAGERS LIMITED

BOARD OF DIRECTORS

R P A Tyer (Managing Director)
M R Chapman
M A D Holden
A D Hanson (Appointed 4 September 2000)
A R Jupp
R F Smith
C W Wilson

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December, 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company trades as a unit trust manager and authorised corporate director to Lazard Investment Funds, an open ended investment company. The company expects to continue to trade in this way for the foreseeable future. At the end of the year there were three authorised unit trusts, one common investment fund and thirteen 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 £904,725 (1999 £438,975). A dividend of £500,000 (1999: £nil) has been paid during the year, no further dividend has been declared (1999: £88,975).

DIRECTORS

The present directors are listed above.

DIRECTORS' INTERESTS

None of the directors had any interests in the shares of the company. During the year Mr R F Smith acquired and disposed of 1,437 ordinary shares in Lazard Bank Limited and also acquired £10,472 Loan Notes in Lazard & Co., Holdings Limited, both fellow group undertakings.

LAZARD FUND 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 as at the end of the financial year and of its profit or loss for the period. In preparing those financial statements, the directors confirm that suitable accounting policies have been used and applied consistently, they have made estimates that are reasonable and prudent and prepared the financial statements on the going concern basis. The directors also confirm that applicable accounting standards have been followed. The directors are responsible for keeping proper accounting records 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

23 March 2001

LAZARD FUND MANAGERS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF LAZARD FUND MANAGERS LIMITED

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

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

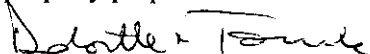
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December, 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

5 April 2001

LAZARD FUND MANAGERS LIMITED

PROFIT AND LOSS ACCOUNT **FOR THE YEAR ENDED 31 DECEMBER 2000**

	<u>Note</u>	<u>2000</u> £	<u>1999</u> £
Turnover	2	11,660,163	10,433,037
Administrative expenses	3	(10,611,151)	(10,028,272)
		<hr/>	<hr/>
Operating profit		1,049,012	404,765
Interest receivable		243,452	224,551
		<hr/>	<hr/>
Profit on Ordinary Activities Before Taxation		1,292,464	629,316
Taxation on profit on ordinary activities	4	(387,739)	(190,341)
		<hr/>	<hr/>
Profit on Ordinary Activities After Taxation		904,725	438,975
Dividends - paid during the year		(500,000)	-
- declared payable		-	(88,975)
		<hr/>	<hr/>
Transfer to Reserves	8	404,725	350,000
		<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.

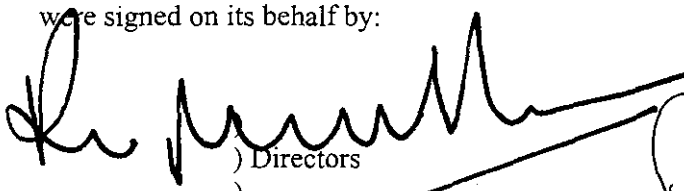
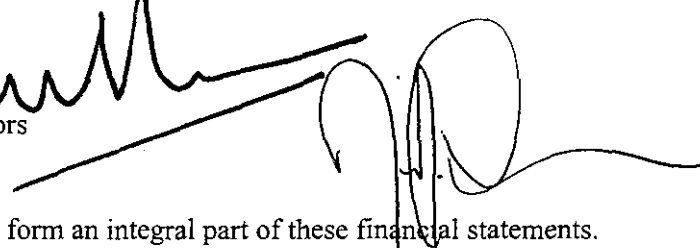
The notes on pages 6 to 9 form an integral part of these financial statements.

LAZARD FUND MANAGERS LIMITED

BALANCE SHEET AT 31 DECEMBER 2000

	<u>Note</u>	<u>2000</u> £	<u>1999</u> £
Current Assets			
Debtors	5	4,060,892	3,253,520
Cash at Bank		3,669,507	867,948
		<hr/>	<hr/>
		7,730,399	4,121,468
Current liabilities			
Creditors due within one year	6	(5,713,274)	(2,509,068)
		<hr/>	<hr/>
Net Assets		2,017,125	1,612,400
		<hr/>	<hr/>
Capital and Reserves			
Called up share capital	7	50,000	50,000
Profit and loss account	8	1,967,125	1,562,400
		<hr/>	<hr/>
Equity shareholders' funds		2,017,125	1,612,400
		<hr/>	<hr/>

The financial statements on pages 4 to 9 were approved by the Board of Directors on 23 March 2001 and were signed on its behalf by:


) Directors
) 

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

LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2000**

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>2000</u> £	<u>1999</u> £
Transactions in units of the unit trusts under management		
Units sold	235,834,038	138,664,477
Units liquidated	49,935,097	259,365,105
	<hr/>	<hr/>
	285,769,135	398,029,582
Costs of units sold and liquidated	(285,523,595)	(397,870,645)
Stamp duty	449	(68,713)
	<hr/>	<hr/>
Net income from transactions in units	245,989	90,224
Management fees	11,414,174	10,342,813
	<hr/>	<hr/>
	11,660,163	10,433,037
	<hr/>	<hr/>

LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (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) Audit fees are charged to and paid by Lazard Asset Management Limited.

4. TAXATION

	<u>2000</u> £	<u>1999</u> £
UK Corporation Tax		
Current at 30 % (1999 – 30.25%)	(387,739)	(190,347)
Prior year adjustment	-	6
	<hr/>	<hr/>
	(387,739)	(190,341)
	<hr/>	<hr/>

5. DEBTORS

	<u>2000</u> £	<u>1999</u> £
Amounts due within one year:		
Trade debtors	4,060,892	3,253,520
	<hr/>	<hr/>

LAZARD FUND MANAGERS LIMITED**NOTES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000 (continued)****6. CREDITORS****2000**
£**1999**
£

Amounts due within one year:

Trade creditors	(5,071,606)	(1,885,068)
Amounts owed to groups undertakings	(400,000)	(400,000)
Taxation	(241,669)	(105,767)
Other creditors	-	(29,258)
Dividend payable	-	(88,975)

(5,713,275)	(2,509,068)
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7. SHARE CAPITAL**2000**
£**1999**
£Authorised, allotted, called up and fully paid:
50,000 ordinary shares of £1 each

50,000	50,000
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8. RESERVES**2000**
£**1999**
£

Profit and Loss Account

At 1 January	1,562,400	1,212,400
Profit for the year	404,725	350,000

At 31 December

1,967,125	1,562,400
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LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2000** (continued)

9.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	<u>2000</u> £	<u>1999</u> £
	Opening shareholders' funds	1,612,400	1,262,400
	Profit for the financial year	904,725	438,975
		<hr/>	<hr/>
		2,517,125	1,701,375
	Dividends	(500,000)	(88,975)
		<hr/>	<hr/>
	Closing shareholders' funds	2,017,125	1,612,400
		<hr/>	<hr/>

10. CASH FLOW STATEMENT

The 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 PARENT COMPANY

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

The parent company of the smallest group, which includes the company and for which group accounts are to be prepared, is Lazard & Co., Holdings Limited a company incorporated in the United Kingdom and registered in England and Wales.

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

The Company's immediate controlling party is Lazard Asset Management Limited, a company incorporated in the United Kingdom and registered in England and Wales.