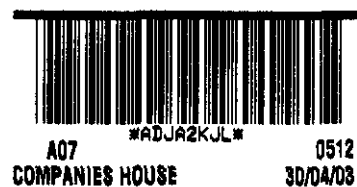


LAZARD FUND MANAGERS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER, 2002
REGISTERED NUMBER: 1970853

<u>Contents</u>	<u>Page</u>
Report of the Directors	1 - 2
Report of the Independent Auditors	3
Profit & Loss Account	4
Statement of Total Recognised Gains and Losses	5
Balance Sheet	6
Notes on the Financial Statements	7 - 11



LAZARD FUND MANAGERS LIMITED

BOARD OF DIRECTORS

M R Chapman
M A Elliott
W J Smith
C W Wilson

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December, 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company trades as 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 thirteen sub-funds of Lazard Investment Funds and one common investment fund under management.

The Company is regulated by The Financial Services Authority.

SHARE CAPITAL

The Authorised Share Capital was increased from £50,000 to £1,000,000 on 28 January 2002.

On 28 January 2002, a further 500,000 Ordinary £1 Shares were allotted at par to Lazard Asset Management Limited.

RESULTS FOR THE YEAR

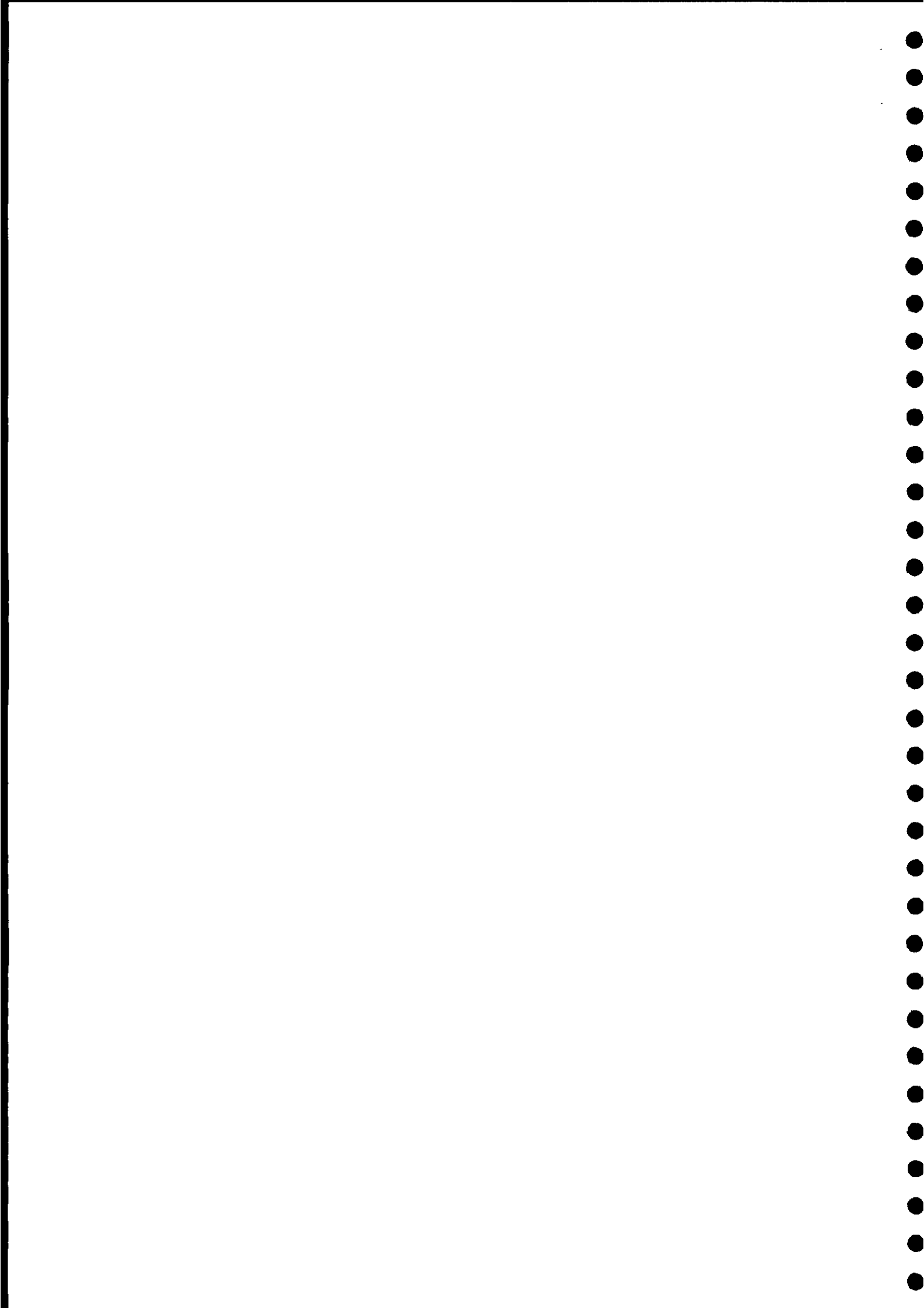
The profit for the year after taxation was £139,774 (2001 loss £74,001). No dividend has been paid or declared during the year (2001: £NIL).

DIRECTORS

The present directors are listed above. M.A. Elliott was appointed a director on 24 February 2003 and W.J. Smith on 25 February 2003. M.A.D. Holden resigned as a director on 13 February 2002, R.F. Smith on 24 May 2002, A.D. Hanson and A.R. Jupp on 10 June 2002 and R.P.A. Tyer on 31 January 2003.

DIRECTORS' INTERESTS

None of the directors had any interests in the shares of the company at any time during the year.



LAZARD FUND MANAGERS LIMITED

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' RESPONSIBILITIES

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the period. In preparing those financial statements, the directors confirm that suitable accounting policies have been used and applied consistently, they have made estimates that are reasonable and prudent and prepared the financial statements on the going concern basis. The directors also confirm that applicable accounting standards have been followed. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

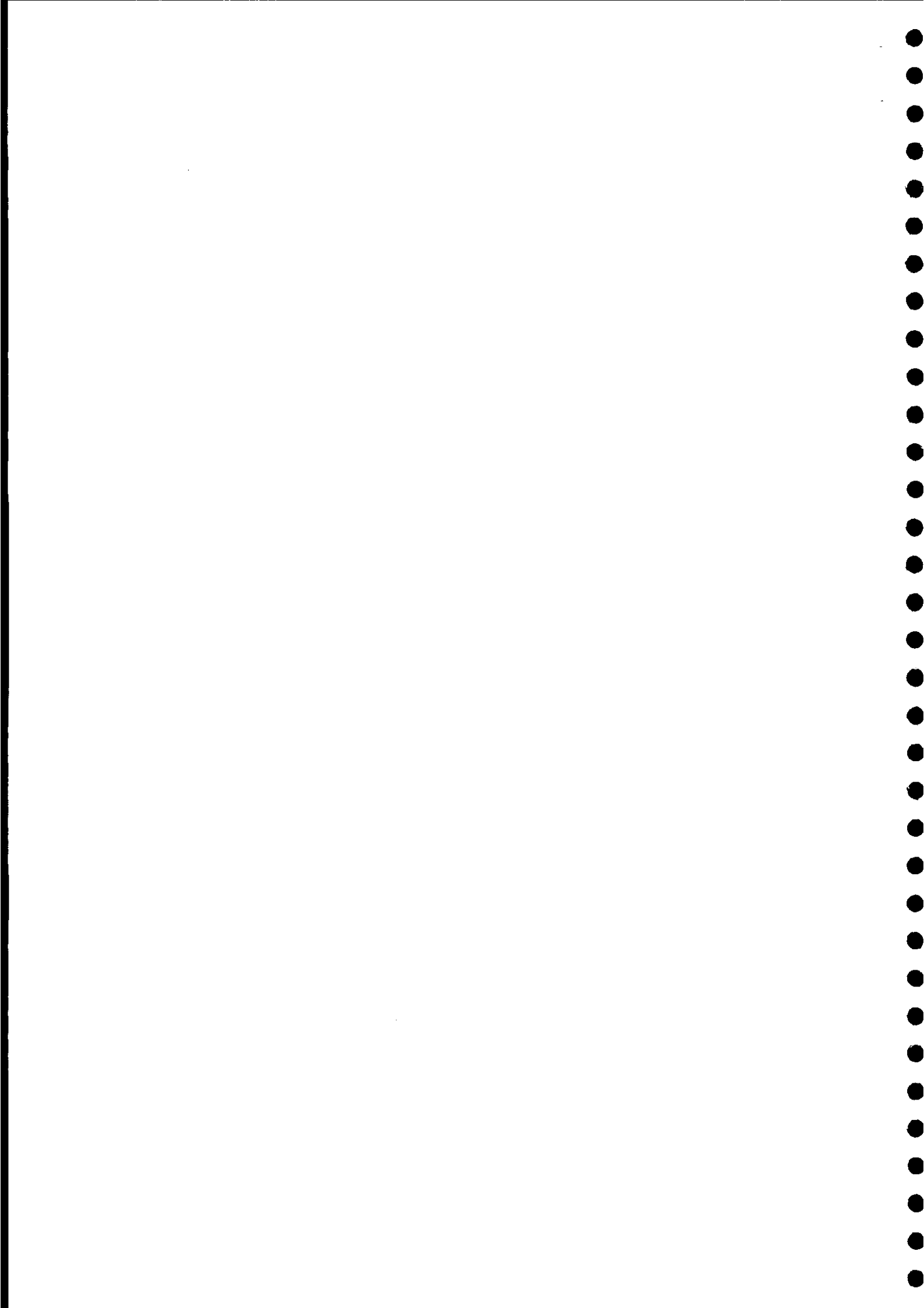
BY ORDER OF THE BOARD



T E Rice
Company Secretary

21 Moorfields
London EC2P 2HT

15 April 2003



LAZARD FUND MANAGERS LIMITED

Independent Auditors' Report to the Members of Lazard Fund Managers Limited

We have audited the financial statements of Lazard Fund Managers Limited for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 our auditors' 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 the directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Company's Act 1985. We also report if, in our opinion, the director's report is not consistent with the financial statements, if the directors have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of Opinion

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

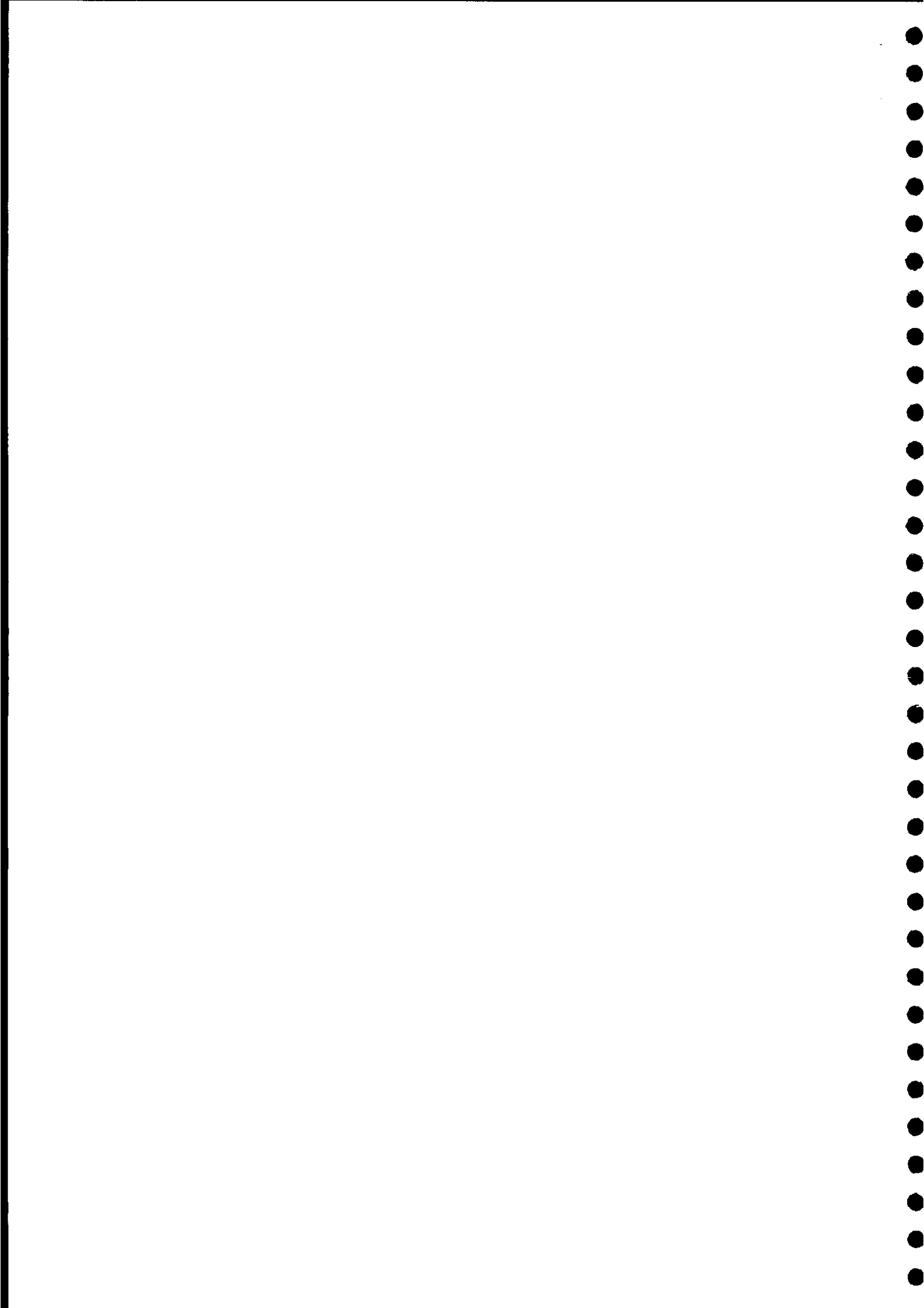
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London
15 April 2003



LAZARD FUND MANAGERS LIMITED**PROFIT AND LOSS ACCOUNT**
FOR THE YEAR ENDED 31 DECEMBER 2002

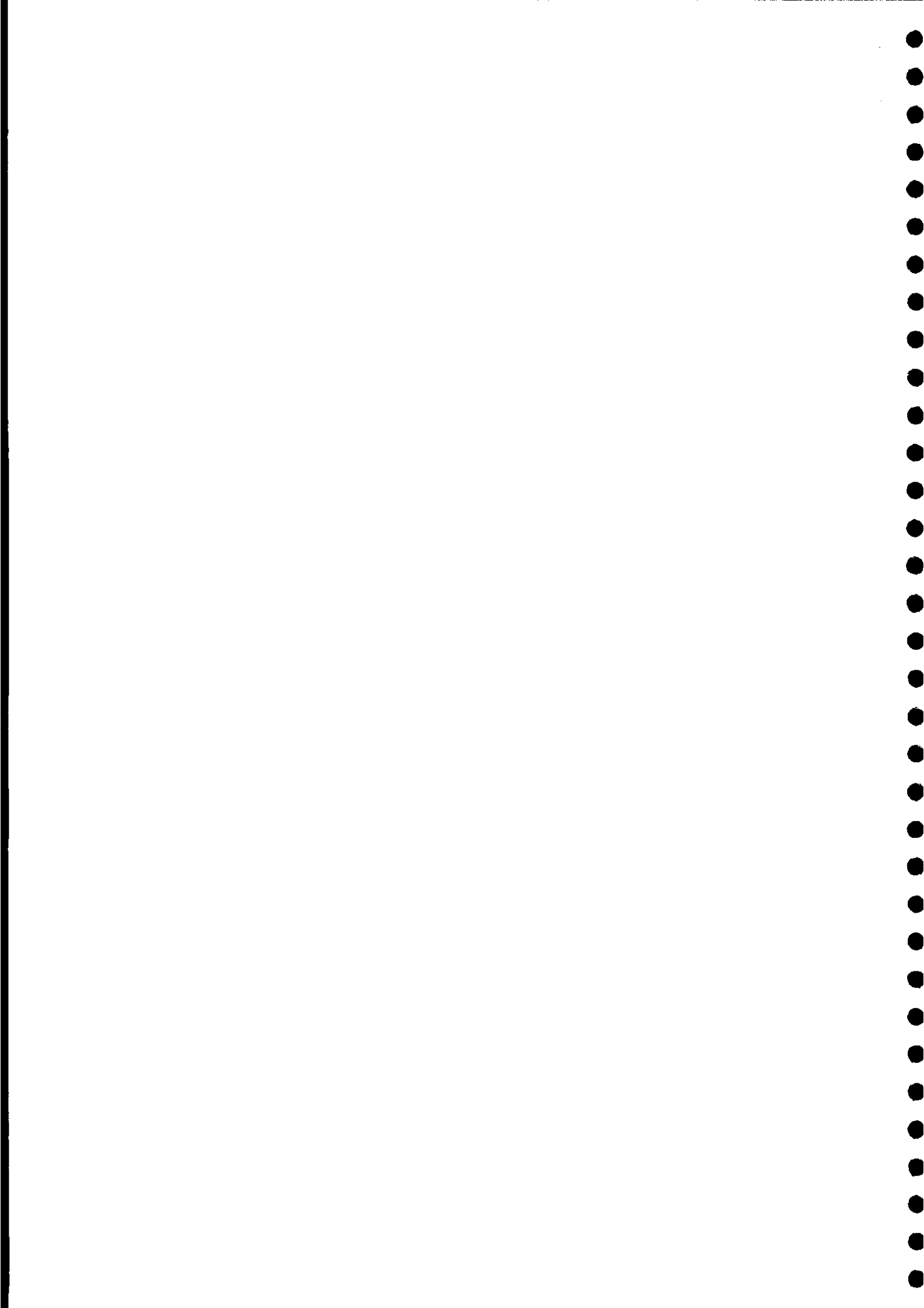
	<u>Note</u>	<u>2002</u>	<u>2001</u>
		£	£
Turnover	2	7,292,442	10,143,020
Administrative expenses	3	(8,287,792)	(10,991,069)
		<hr/>	<hr/>
Operating loss		(995,350)	(848,049)
Interest receivable		100,397	122,334
Other income	4	848,727	620,000
		<hr/>	<hr/>
Loss on Ordinary Activities before Taxation		(46,226)	(105,715)
Tax credit on loss on ordinary activities	5	186,000	31,714
		<hr/>	<hr/>
Profit/(Loss) on Ordinary Activities after Taxation		139,774	(74,001)
Dividends		-	-
		<hr/>	<hr/>
Transfer to / (from) Reserves	10	139,774	(74,001)
		<hr/>	<hr/>

A reconciliation of the movement in shareholders' funds is shown in note 11.

All activities of the company are regarded as continuing.

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

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

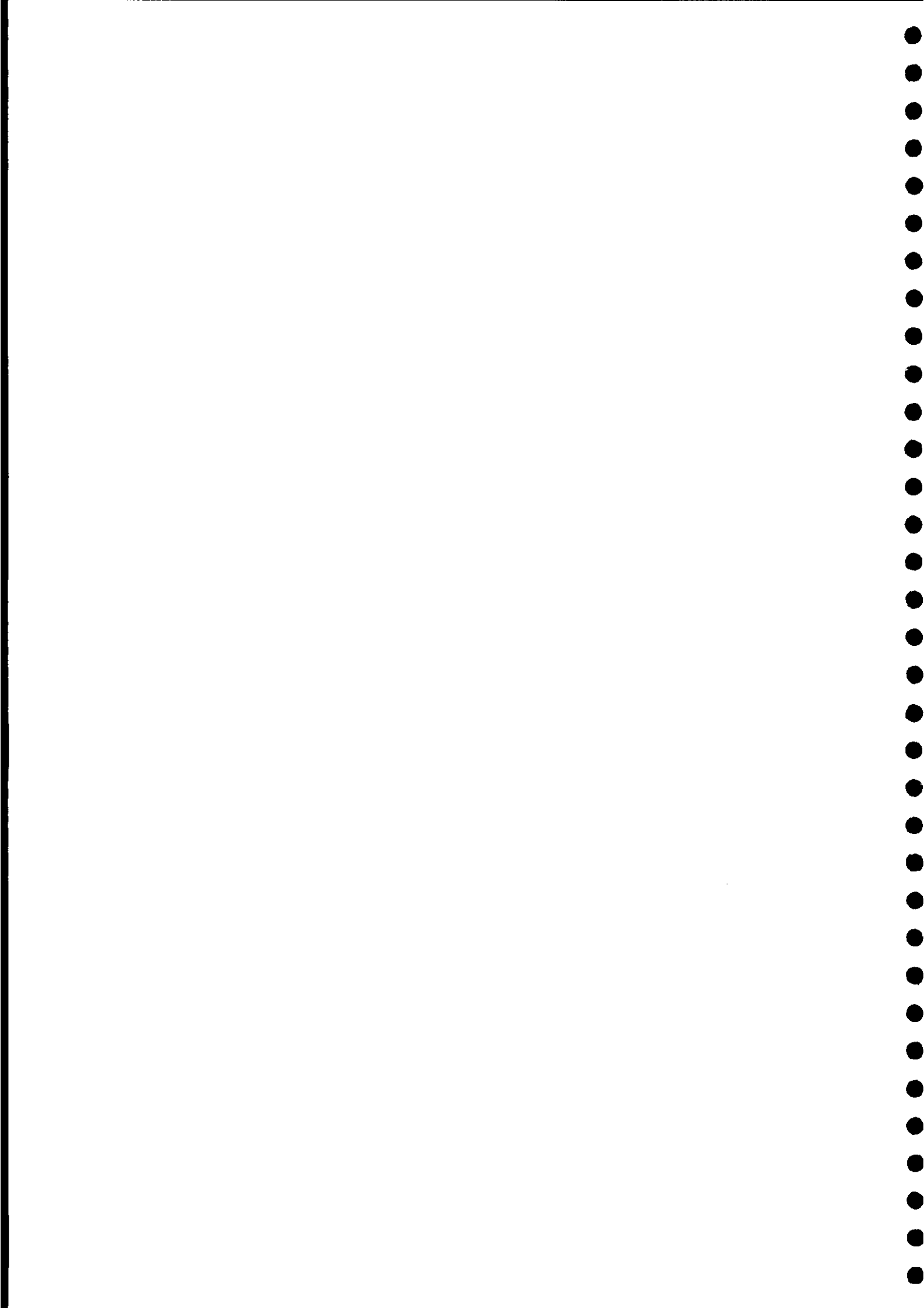


LAZARD FUND MANAGERS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	£	£
Profit/(Loss) attributable to shareholders	139,774	(74,001)
Prior period adjustment	-	(399,013)
Total recognised gains or losses since last annual report	139,774	(473,014)

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




LAZARD FUND MANAGERS LIMITED

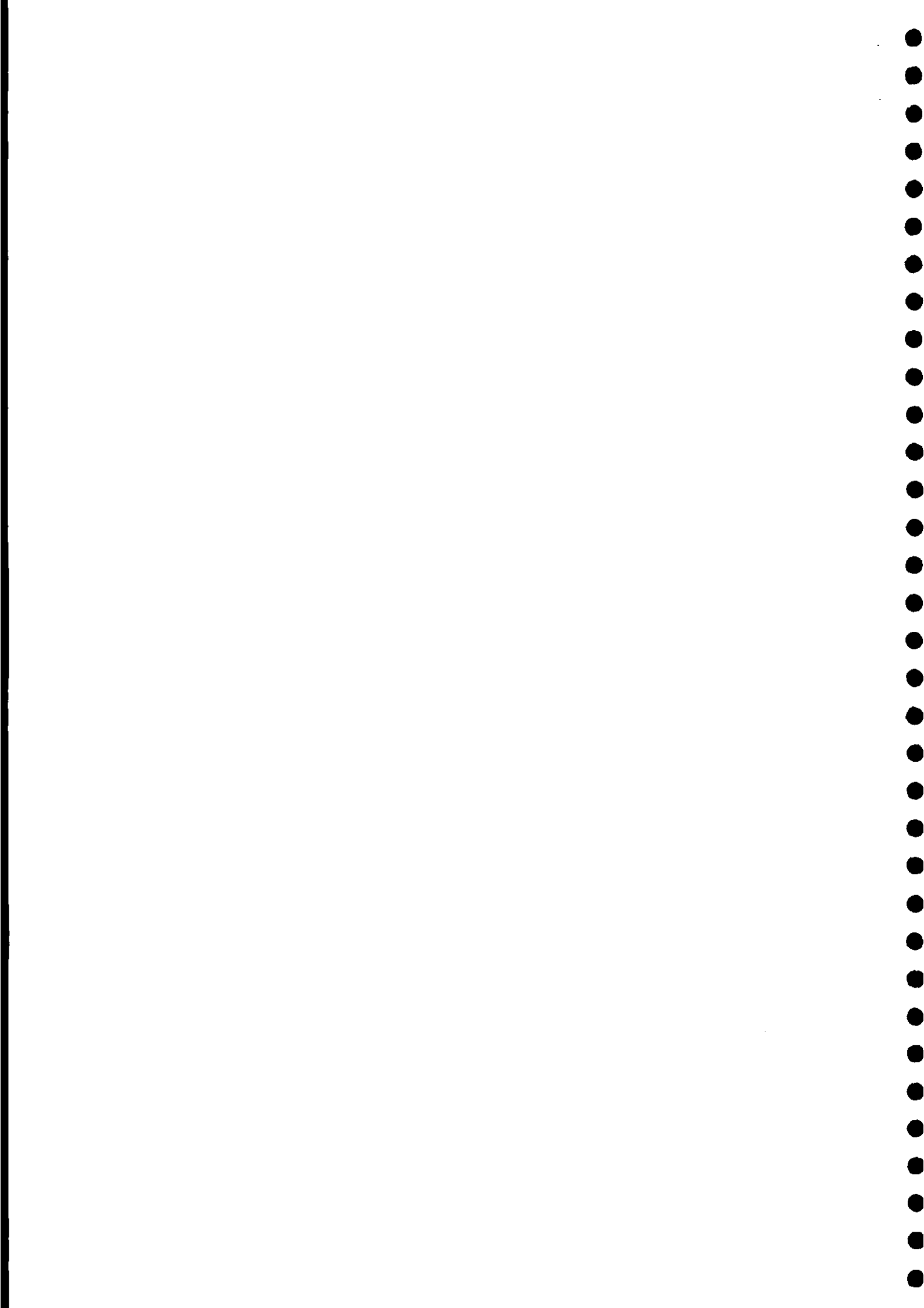
BALANCE SHEET AT 31 DECEMBER 2002

	<u>Note</u>	<u>2002</u>	<u>2001</u>
		£	£
Current Assets			
Debtors	6	5,833,243	4,192,527
Cash at bank		860,716	1,120,076
		<hr/>	<hr/>
		6,693,959	5,312,603
Current liabilities			
Creditors due within one year	7	(4,510,074)	(3,582,492)
		<hr/>	<hr/>
Net current assets		2,183,885	1,730,111
Deferred tax	8	-	(186,000)
		<hr/>	<hr/>
Net Assets		2,183,885	1,544,111
		<hr/>	<hr/>
Capital and Reserves			
Called up share capital	9	550,000	50,000
Profit and loss account	10	1,633,885	1,494,111
		<hr/>	<hr/>
Equity shareholders' funds		2,183,885	1,544,111
		<hr/>	<hr/>

The financial statements on pages 4 to 11 were approved by the Board of Directors on 15 April 2003 and were signed on its behalf by:


William Smith
) Directors

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



LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2002**

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

Turnover represents investment management fees receivable during the year and net income from transactions in units during the year as reflected in note 2.

(c) Deferred tax

The company has adopted FRS 19 Deferred Tax. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. TURNOVER

	<u>2002</u> £	<u>2001</u> £
Transactions in units of the unit trusts under management		
Units sold	394,624,294	310,200,950
Units liquidated	194,062,241	320,400,975
	588,686,535	630,601,925
Costs of units sold and liquidated	(588,584,614)	(630,476,791)
Stamp duty	-	-
Net income from transactions in units	101,921	125,134
Management fees	7,190,521	10,017,886
	7,292,442	10,143,020

LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002(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. OTHER INCOME

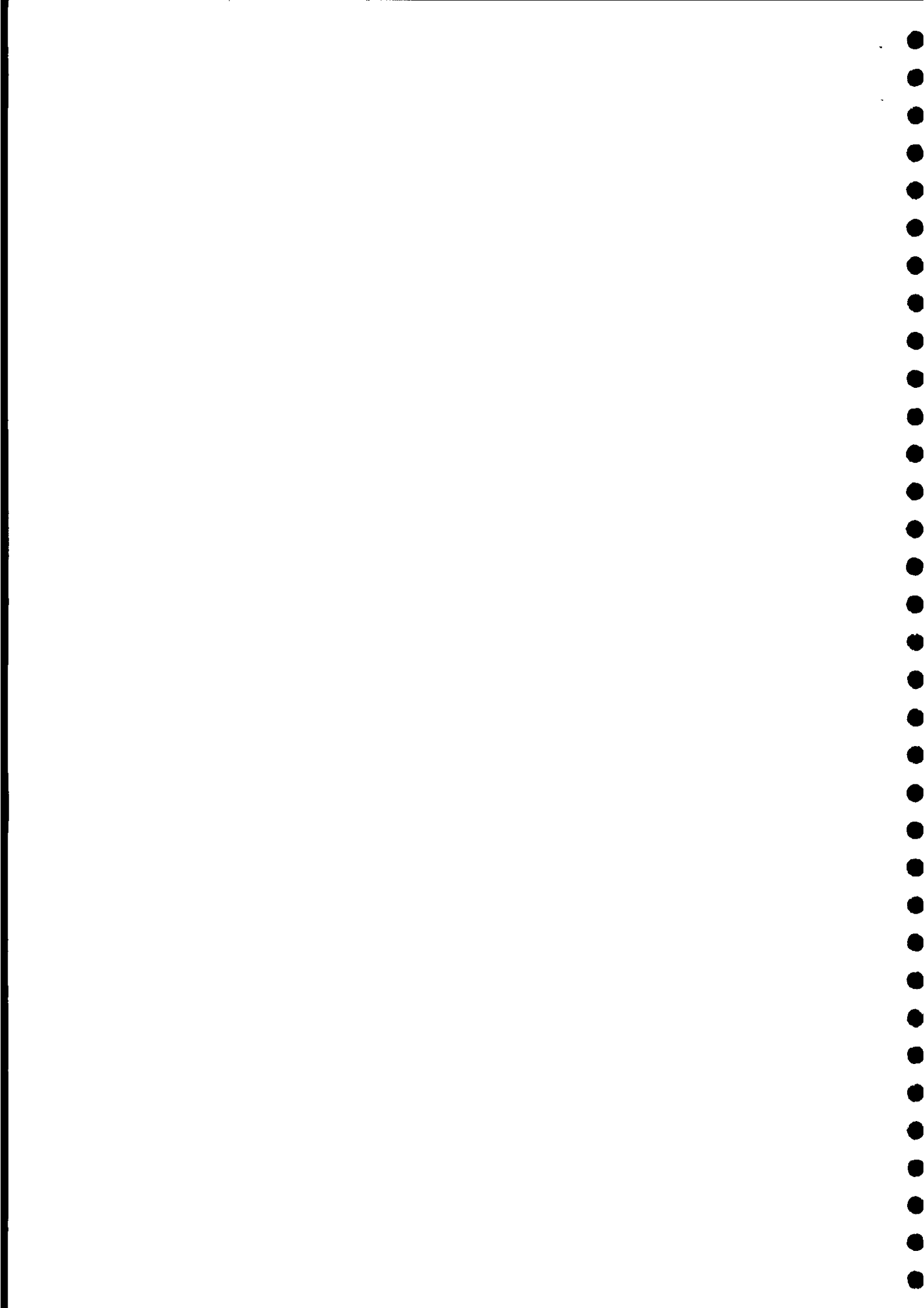
Other income relates to the profit recognised during the year in respect of the sale of the Company's fund of funds business.

5. TAXATION CREDIT

	<u>2002</u>	<u>2001</u>
	£	£
UK Corporation tax		
Group relief at 30 % (2001 – 30%)	-	217,714
Deferred taxation	186,000	(186,000)
	<hr/>	<hr/>
	186,000	31,714
	<hr/>	<hr/>

	<u>2002</u>	<u>2001</u>
	£	£
Corporation tax:		
Corporation tax credit for the year	-	217,714
	<hr/>	<hr/>

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 30% (2001: 30%). The current year tax charge for the year is less than 30% for the reasons set out in the following reconciliation:



LAZARD FUND MANAGERS LIMITED

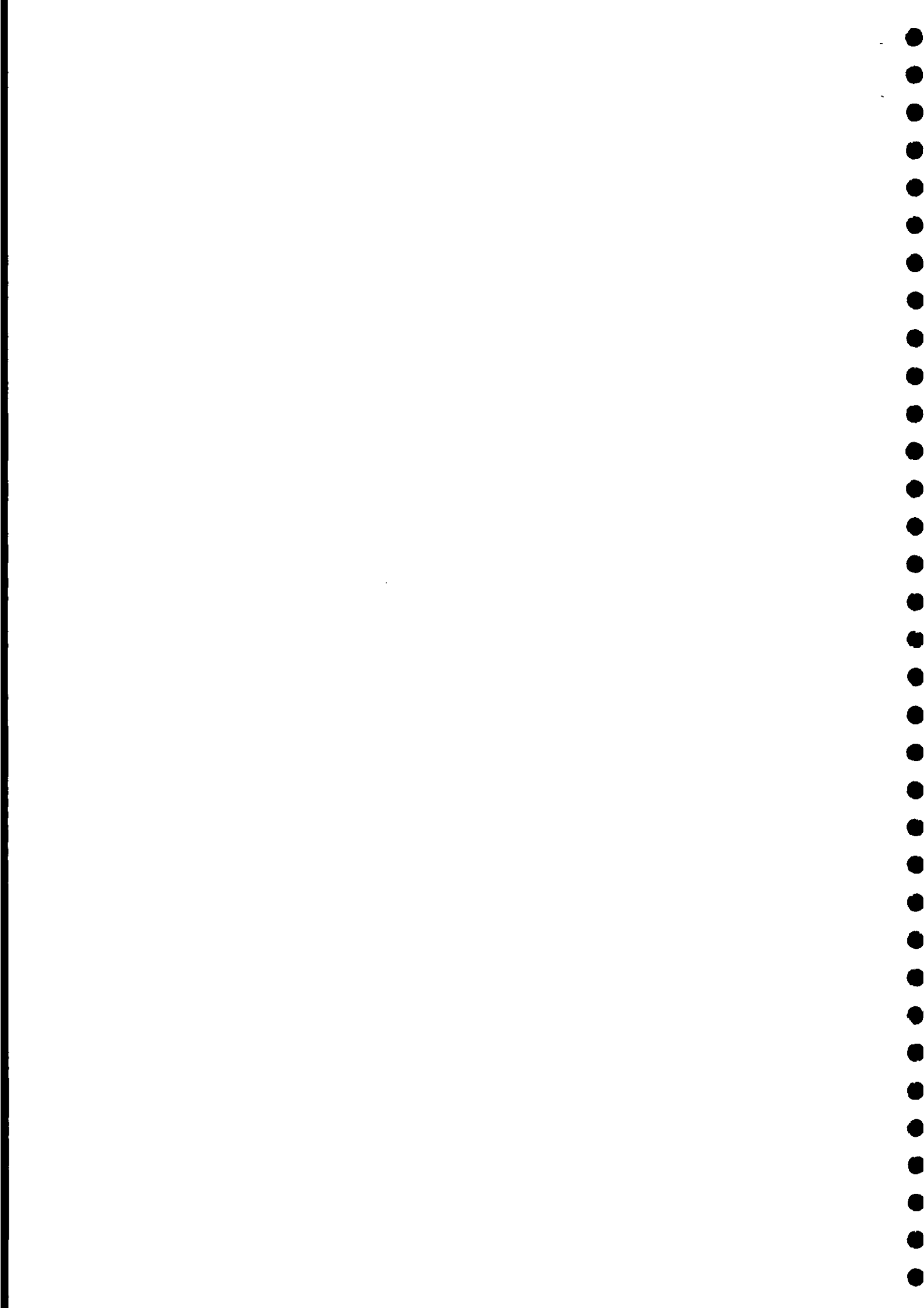
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002(continued)

5.	TAXATION (continued)	<u>2002</u>	<u>2001</u>
		£	£
	Loss on ordinary activities before tax	(46,226)	(105,715)
	Tax on loss on ordinary activities at standard rate	(13,868)	(31,714)
	Factors affecting charge:		
	Rollover relief	(440,618)	-
	Losses carried forward or available for surrender to other companies in the group.	268,486	-
	Sale of fund of funds business subject to tax in subsequent period on fulfilment of contractual conditions	186,000	(186,000)
	Current tax credit for the year	-	(217,714)

The tax on gain on disposal of the personal portfolio business accounted for in the current and prior period has been reduced under the rollover relief provisions as a result of investment by another company in the Lazard & Co., Holdings Limited group. No payment is due by the Company for the benefit of rollover relief obtained but other companies in the Group may claim the benefit of trading losses in the period.

6.	DEBTORS	<u>2002</u>	<u>2001</u>
		£	£
	Amounts due within one year:		
	Taxation	-	389,673
	Trade debtors	5,833,243	3,802,854
		5,833,243	4,192,527

7.	CREDITORS	<u>2002</u>	<u>2001</u>
		£	£
	Amounts due within one year:		
	Trade creditors and accruals	4,078,871	3,182,492
	Amounts owed to groups undertakings	400,000	400,000
	Taxation	31,203	-
		4,510,074	3,582,492



LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2002(continued)**

8. DEFERRED TAX	<u>2002</u>	<u>2001</u>
	£	£
Deferred taxation	-	(186,000)
Provision for deferred taxation consists of the following amounts:		
Opening balance	(186,000)	-
Current year credit / (charge)	186,000	(186,000)
Balance as at 31st December	-	(186,000)

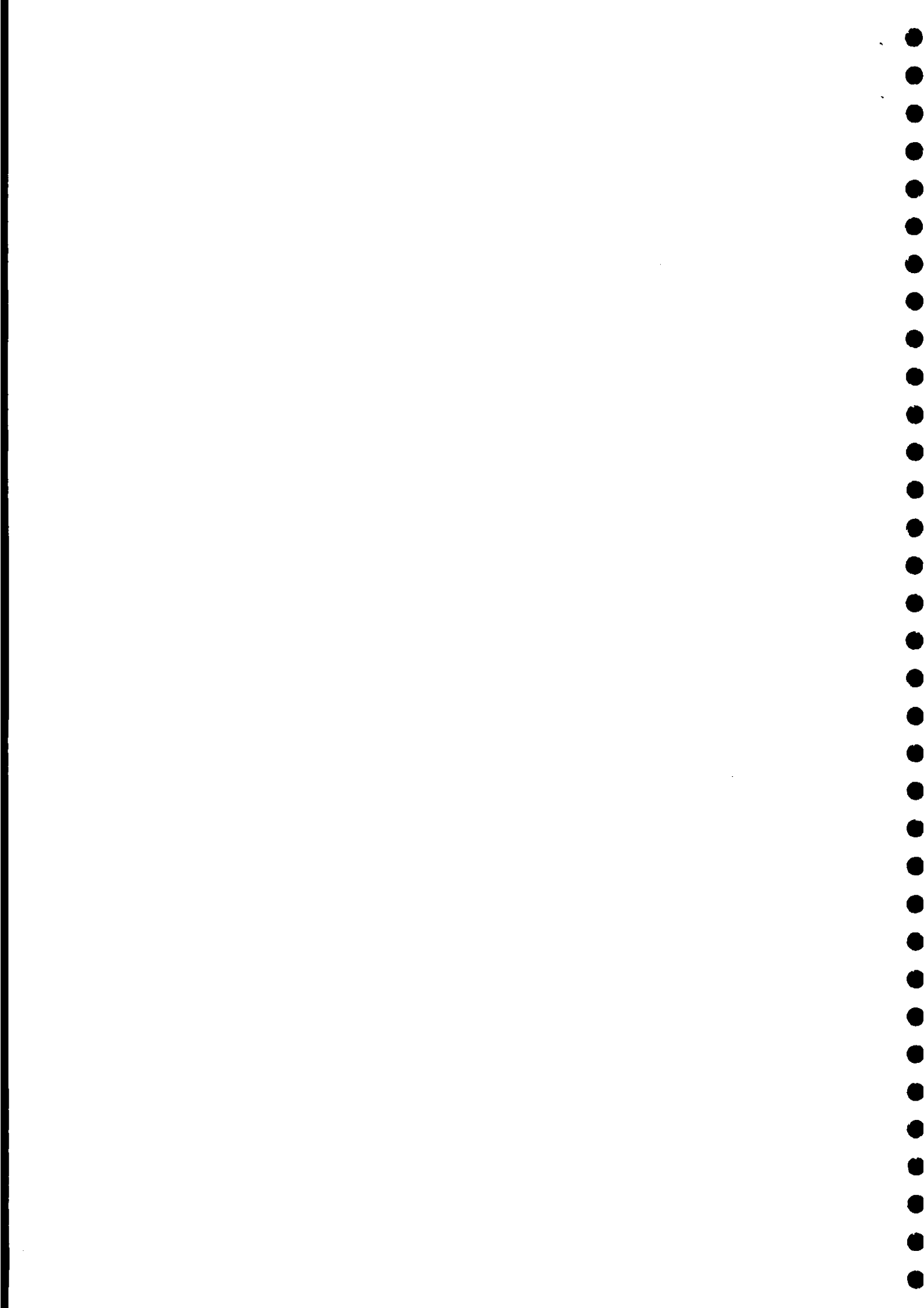
The opening balance on deferred tax represented tax payable on the sale of the fund of funds business.

Unless claimed by other companies in the group there is a potential future tax benefit of approximately £268,000, not recognised as a deferred tax asset, which is available to reduce tax payable on profits of the trade in future periods.

9. SHARE CAPITAL	<u>2002</u>	<u>2001</u>
	£	£
Authorised 1,000,000 (2001: 50,000) ordinary shares of £1 each	1,000,000	50,000
Allotted, called up and fully paid: 550,000 (2001: 50,000 ordinary shares of £1 each)	550,000	50,000

The authorised share capital was increased from £50,000 to £1,000,000 on 28 January 2002. On 28 January 2002 500,000 £1 shares were allotted at par.

10. RESERVES	<u>2002</u>	<u>2001</u>
	£	£
Profit and Loss Account		
At 1 January	1,494,111	1,568,112
Profit/(Loss) for the year	139,774	(74,001)
At 31 December	1,633,885	1,494,111



LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2002</u> £	<u>2001</u> £
Profit/(loss) for the financial year	139,774	(74,001)
Increase in share capital	500,000	-
Prior year adjustment	-	(399,013)
	<hr/>	<hr/>
Net increase / (decrease) in shareholders' funds	639,774	(473,014)
Opening shareholders' funds	1,544,111	2,017,125
	<hr/>	<hr/>
Closing shareholders' funds	2,183,885	1,544,111
	<hr/>	<hr/>

12. CASH FLOW STATEMENT

The company is a member of a group whose parent company publishes consolidated financial statements that include a consolidated cash flow statement. It is, therefore, not required to produce a cash flow statement as part of these financial statements.

13. RELATED PARTY DISCLOSURES

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

14. ULTIMATE PARENT COMPANY

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

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

