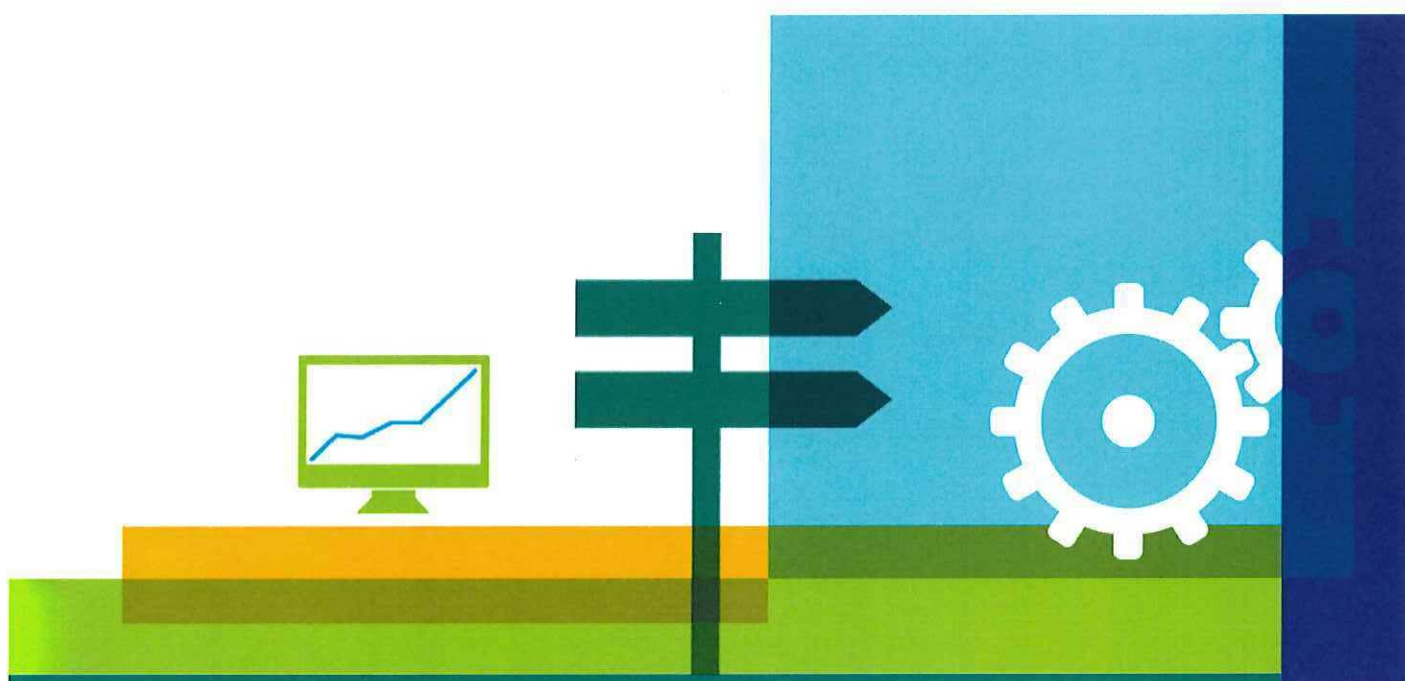


CAPITA



Lazard London Staff Pension Scheme

Scheme Registration Number: 1100513542

Trustees' Annual Report and Financial Statements

For the Year Ended 31 December 2016

CONFIDENTIAL

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Trustees' and their Advisers

Trustees

Mr D Anderson (*Chairman*)

Mrs H.C.B. Britton

Mrs M Corti*

Mrs B. Albåge Gough-Cooper

Mr P. Strutt*

The Law Debenture Pension Trust Corporation plc represented by Andrew Parker (*Independent Trustee*)

* *Member-nominated Trustees*

Secretary to the Trustees

Barnett Waddingham

Cheapside House

Cheapside

London

EC2V 6BW

Principal Employer

Lazard & Co., Services Limited

50 Stratton Street

London W1J 8LL

Actuary

Mr J. Dell

Lane Clark & Peacock LLP

95 Wigmore Street

London W1U 1DQ

Administrator

Capita Employee Benefits Limited

Hartshead House

2 Cutlers Gate

Sheffield S4 7TL

Legal Advisers

Linklaters LLP

1 Silk Street

London EC2Y 8HQ

Investment Adviser

Lane Clark & Peacock LLP

95 Wigmore Street

London W1U 1DQ

Independent Auditors

Grant Thornton UK LLP

30 Finsbury Square

London EC2P 2YU

Employer Covenant Adviser

PWC LLP

7 More London Riverside

London

SE1 2RT

Bankers

National Westminster Bank plc

42 High Street

Sheffield

S1 2GE

Investment Managers

Lazard Asset Management Limited

50 Stratton Street

London W1J 8LL

Insight Investment Management Limited

33 Old Broad Street

London EC2N 1HZ

Odey Asset Management LLP

12 Upper Grosvenor Street

London W1K 2ND (*Until 17/06/2016*)

Ruffer LLP

80 Victoria Street

London SW1E 5JL

Henderson Global Investors

201 Bishopsgate

London EC2M 3AE

Veritas Asset Management

6th Floor Elizabeth House

39 York Road

London SE1 7NQ (*Until 04/01/2016*)

Baillie Gifford & Co

Calton Square

1 Greenside Row

Edinburgh, EH1 3AN

ICG Longbow

42 Wigmore Street

London

W1U 2RY (*From 12/01/2016*)

Trustees' and Advisors (continued)

AVC Manager

The Prudential Assurance Company Limited
Abbey Gardens
Reading RG1 3UG

Enquiries

Enquiries about the Scheme generally, or about an individual's entitlement to benefits should be addressed to Murray McDowall at the Scheme Administrator, Capita (please see address on the previous page) or pensions2enquiries@capita.co.uk

Other useful addresses are provided in the Compliance Matters on pages 10 and 11.

Trustees' Report

The Trustees of Lazard London Staff Pension Scheme ("the Scheme") are pleased to present their report together with the financial statements for the year ended 31 December 2016.

The Scheme is a defined benefit Scheme, provided for former eligible employees of the Principal Employer, Lazard & Co., Services Limited ("the Company") and its predecessors and Lazard Asset Management Limited, together the "UK employing companies". It provides members with a retirement pension based on pensionable salary and years of membership. In addition, members were previously able to secure money purchase benefits by making voluntary contributions.

The Scheme was closed to new entrants with effect from 1 January 2002 and ceased accrual of future benefits from 31 March 2006. This does not affect benefits accrued up to 31 March 2006.

Members of the Lazard London Staff Scheme were contracted out of the State Second Pension (S2P) while they were members of the Scheme. They are still entitled to receive the Basic State Pension.

Scheme Management

Two thirds of the Scheme Trustees are Company Nominated however in accordance with the Pensions Act 2004, one third of the Trustees are nominated by the members under the rules notified to the members of the Scheme, to serve for an initial period of five years. Nominations from Scheme members are invited and the incumbents may also put themselves forward for an additional five year term. Members are asked to vote to elect the Member Nominated Trustees for the next five year term. In the event that there is only one nomination, the person nominated will automatically be appointed as a Trustee.

Any removal of a Member Nominated Trustee before the end of the five year term requires the agreement of all of the other Trustees.

The Trustees who served during the year ended 31 December 2016 are listed on page 2. Although the appointed Trustees are responsible for the overall management of the Scheme, the operation of the Scheme is delegated to the Secretary and certain third party advisors, whose performance is monitored by the Trustees.

In the year ended 31 December 2016 the Trustees met on seven occasions, including three meetings to focus principally on investment matters.

Trustees' Report (continued)

Scheme Management (continued)

Membership

Details of the membership of the Scheme are given below:

	2016	2015
Pensioners		
Pensioners at the start of the year	411	415
Pensioners re-instated	-	1
Members with deferred benefits reaching retirement	20	8
Pensioners who died during the year	(7)	(15)
New spouse and dependant pensions	2	4
Pensions Suspended	(1)	(1)
Full commutations	(20)	(1)
	<hr/>	<hr/>
Pensioners at the end of the year	405	411
 Deferred members		
Deferred members at the start of the year	635	654
Late notification of deferment	-	-
Deferred members becoming pensioners during the year	(20)	(8)
Transfers out	(7)	(8)
Deaths	(1)	-
Full commutation	-	(3)
New Deferred member as result of Pension Sharing Credit	2	
	<hr/>	<hr/>
Deferred members at the end of the year	609	635
 Total membership at the end of the year	<hr/> 1,014 <hr/>	<hr/> 1,046 <hr/>

Of the 405 pensioners at the year end, there were 60 individuals (2015: 68) receiving a pension following the death of their spouse and there were 25 pensioner annuitants (2015: 26) who remain members of the Scheme and have had part of their benefits secured by the purchase of annuities.

These membership figures do not include movements notified to the Administrator after the Scheme year end date.

Trustees' Report (continued)

Scheme Management (continued)

Summary of Contributions Payable in the year

During the year, the contributions payable to the Scheme by the Employer were as follows:

	Employer £'000
Required by the Schedule of Contributions	
Other – Expenses Contributions	269

Trustees' Report (continued)

Investment Matters

Overview

The Trustees, with the assistance of their appointed investment adviser, determine the overall investment strategy for the Scheme and set out the broad policy to be adopted by each of the appointed fund managers.

Investment managers

The names of those who have managed the Scheme's investments during the year are listed on page 2. The Trustees have delegated the day-to-day management of investments to their appointed fund managers. A written agreement between the Trustees and each manager sets out the terms on which the manager will act.

The managers' duties include the consideration of social, environmental or ethical issues in the selection, retention and realisation of investments as well as voting and corporate governance in relation to the Scheme's assets. The Trustees have reviewed each of the investment managers' policies on these issues. The Trustees believe that the policies adopted by the managers are consistent with their own views.

Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustees have prepared a Statement of Investment Principles (SIP) which includes the Trustees' policy relating to ethical investment and the exercise of the rights attaching to investments. Any member may request a copy from the Secretary to the Trustees, details of which are listed on page 2. This Statement may change from time to time according to advice received from the investment manager or consultants.

Departures from investment principles

To the best of its knowledge, The Trustees can report that they have not been made aware of any departure from the SIP by the Scheme's investment managers during the year ended 31 December 2016.

Custodial arrangement

The Scheme's equity managers are each responsible for custody of their assets of the pooled equity funds in which the Scheme invests, with BNY Mellon the sub-custodian for Baillie Gifford and Lazard Asset Management.

Under the investment management agreement with Ruffer LLP, the Trustees use RBC Investor Services as custodian, with the custody being arranged by Ruffer.

Deutsche Bank Luxembourg S.A. is the depositary for pooled funds invested with ICG-Longbow IV GP.

Northern Trust is custodian for the pooled funds invested with Insight Investment Management Limited. BNP Paribas Securities Services is custodian for the pooled secured loans fund invested with Henderson Global Investors.

The custodians and depositary are responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments and are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Investments are held in the name of the custodians' nominee companies, in line with common practice for pension scheme investments.

Employer-related investments

The scheme's investment managers have confirmed that, as at 31 December 2016, there were no direct or indirect employer-related investments held by the Scheme.

Trustees' Report (continued)

Investment Matters (continued)

Employer-related investments (continued)

Investments under management by Lazard Asset Management Limited represented 15.0% of the net assets.

Asset allocation

As at 31 December 2016, the Scheme had six investment managers:

- Ruffer LLP ("Ruffer"), which manages a multi-asset absolute return portfolio;
- Lazard Asset Management ("LAM"), which manages a defensive equity portfolio;
- ICG-Longbow IV GP ("Longbow"), which manages a private credit portfolio;
- Baillie Gifford & Co ("Baillie Gifford"), which manages a global equity portfolio;
- Insight Investment Management ("Insight"), which manages a liability matching portfolio, which includes pooled liability matching funds, absolute return bond funds, an asset backed securities fund and cash funds; and
- Henderson Global Investors ("Henderson"), which manages a secured loans portfolio.

The Scheme's asset allocation as at 31 December 2016 (excluding AVC investments, money purchase accounts and cash held to meet net outflows), was split approximately as follows:

Name	Portfolio	Asset allocation at 31 December 2016 (%)
Ruffer	Absolute return portfolio	10.4%
LAM	Defensive equities	15.1%
Baillie Gifford	Global equities	12.7%
Longbow	Private credit ¹	6.7%
	Total "growth" assets	44.9%
Insight	Liability matching portfolio	48.5%
Henderson	Secured loans	6.4%
	Insured Pensions	0.2%
	Total "defensive" assets	55.1%
	Total Scheme	100.0%

The asset allocation has been set by the Trustees such that the Scheme's investments (excluding cash held to meet net outflows) should comprise 42.5% 'growth' assets and 57.5% 'defensive' assets. The Trustees will review the Scheme's asset allocation from time to time, to ensure that the split between growth and defensive assets remains within 5% of the target allocation.

At a meeting in November 2015, the Trustees decided to terminate the mandate with Veritas Asset Management with the proceeds being earmarked to fund the private credit mandate with ICG Longbow which was first invested on 12 January 2016. Further, on 10 June 2016, the Trustees decided to terminate the mandate with the Odey Allegra International Fund. After accounting for cash requirements, the Trustees invested the proceeds equally in the LAM and Baillie Gifford equity funds.

¹ The allocation to Longbow shown above includes some cash held with Insight, which is earmarked for investment with Longbow, which takes place as capital calls are issued.

Trustee's Report (continued)

Investment Matters (continued)

Review of investment performance

The investment performance in this section is for the Scheme's invested assets. The returns from the Scheme's AVC investments, insurance policies, Insight's cash sub-portfolio and Trustees' bank accounts are not included. Unless otherwise stated, all the returns are shown after the deduction of investment management fees.

The overall Scheme benchmark return is calculated as a composite of each of the underlying investment manager's benchmark returns weighted by each manager's asset allocation.

Total Returns	2016	3 Years Annualised	5 Years Annualised
Scheme (% pa)	23.1%	13.4%	10.9%
Benchmark (% pa)	22.4%	12.7%	9.8%
Relative Performance (% pa)	0.7%	0.7%	1.1%

Over 2016, the Scheme's assets returned 23.1%.

Over three years to 31 December 2016, the Scheme outperformed its benchmark return by 0.7% per annum. Outperformance was driven by strong relative performance from the Scheme's absolute return manager, LAM defensive equities and the Insight LDI portfolios.

Over five years to 31 December 2016, the Scheme outperformed its benchmark return by 1.1% per annum.

Investment risk disclosures

Investment risks are disclosed in note 17 on pages 30 to 32.

Trustees' Report (continued)

Compliance Matters

Constitution

The Scheme is governed by a definitive Trust Deed dated 26 June 1997, with subsequent amendments.

Taxation Status

The Scheme is a registered pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004. The Trustees know of no reason why this status may be prejudiced or withdrawn.

Pension Increases

The post April 1998 Guaranteed Minimum Pension (GMP) was increased by 1% (2015: 1.2%). This increase did not apply to any GMP which was earned in respect of service before 1988, since such increases are determined separately by the government. Pensions in payment as at 1 January 2016 were increased by 3% (2015: 3%).

Calculation of Transfer Values

Transfer values paid during the year were calculated and verified in the manner required by the Regulations. None of the transfer values were less than the amount required by the Regulations.

The Pensions Regulator

The statutory body that regulates occupational pension Schemes is the Pensions Regulator ("tPR"). tPR can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Telephone: 0870 6063636

Email: customersupport@thepensionsregulator.gov.uk

Website: www.thepensionsregulator.gov.uk

Trustees' Report (continued)

Compliance Matters (continued)

Pension Tracing

A pension tracing service is provided by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0345 600 2537

Website: www.thepensionservice.gov.uk

The Pensions Advisory Service

Any concern connected with the Scheme should be referred to the Secretary to the Trustees, Barnett Waddingham, Cheapside House, 138 Cheapside, London, EC2V 6BW, who will try to resolve the problem as quickly as possible. Members and beneficiaries of pension schemes who have problems concerning their Scheme which are not satisfied by the information or explanation given by the administrators or the Trustees can consult with The Pensions Advisory Service. A local advisor can usually be contacted through a Citizens Advice Bureau. Alternatively The Pensions Advisory Service can be contacted at:

11 Belgrave Road
London SW1V 1RB
Telephone: 0845 601 2923

Email: enquiries@pensionsadvisoryservice.org.uk

Website: www.pensionsadvisoryservice.org.uk

Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved, normally after the intervention of the Pensions Advisory Service, an application can be made to the Pensions Ombudsman to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

11 Belgrave Road
London SW1V 1RB
Telephone: 0207 834 9144

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

Trustees' Report (continued)

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date, assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The Trustees of the Lazard London Staff Pension Scheme agreed with the UK employing companies the terms of the Funding Deed, which was executed on 30 August 2005, and amended on 31 March 2015.

The main ongoing funding objective of the Deed is to achieve full funding on a "Buyout basis" by 31 May 2030.

As part of discussions with the UK employing companies regarding the 2013 valuation, the Trustees agreed additional security in the form of an uncapped guarantee from Lazard Group LLC. The security is conditional on the Trustees and UK employing companies continuing to work together to agree the Scheme's investment strategy over the period to 2030; and

The most recent actuarial valuation of the Scheme, at 31 December 2013, showed the funding position on a Technical provisions basis as follows:

Assets	£218.8m
Amount needed to provide benefits	£228.9m
Deficit	£10.1m
Funding level	96%

The agreed contributions, as set out above, were expected to repair the deficit (based on market conditions at the valuation date) by 31 December 2015.

The results of the 31 December 2016 triennial actuarial valuation are not yet available (it is due for completion within the 15 month statutory deadline). The Scheme Actuary has estimated that, as at 31 December 2015, the funding level of the Scheme had deteriorated significantly to an estimated deficit of approximately £20.2m. The deterioration since 31 December 2013 is primarily driven by a fall in government bond yields which has significantly increased the assessment of the amount needed to provide the benefits.

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method.

Report on Actuarial Liabilities (continued)

Assumptions

Discount interest rate: Term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an overall return in excess of gilts (summarised in the table below):

Period	Overall return in excess of gilts
31/12/2013 – 31/05/2020	1.4% pa
01/06/2020 – 31/05/2030	1.1% pa
From 01/06/2030	0.0% pa

Future Retail Price inflation: Term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date.

Future Consumer Price inflation: Term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 1.0% per annum.

Pension increases: derived from the term dependent rates for future price inflation allowing for the caps and the floors on pension increases according to the provisions in the Scheme's rules.

Mortality: For the period in retirement, standard tables S1NMA with a scaling factor of 92% for male members projected from 2003 in line with the CMI 2013 core projections with a long-term annual rate of improvement of 1.5%; and S1NFA with a scaling factor of 92% for female members projected from 2003 in line with the CMI 2013 core projections with a long-term annual rate of improvement of 1.25%. For pre-retirement mortality the AC00 tables are used.

Trustees' Report (continued)

Statement of Trustees' Responsibilities

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, are the responsibility of the Trustees. Pension Scheme regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which :

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

The Trustees are responsible for the maintenance and integrity of the financial information of the Scheme included on the pension scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Trustees' Report (continued)

Statement of Trustees' Responsibilities (continued)

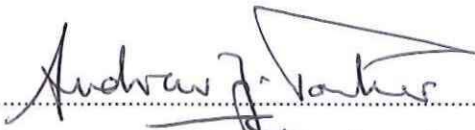
The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Signed on behalf of the Lazard London Staff Pension Scheme by:



Trustee

Date: 6. 7. 17



Trustee

Per and on behalf of
The Law Debenture
Trust Corporation plc

Date: 6th July 2017

Actuary's Certification of the Schedule of Contributions



3037162

Actuary's certification of schedule of contributions

Page 1 of 2

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: Lazard London Staff Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2013 to be met by the end of the period specified in the recovery plan dated 31 March 2015.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 31 March 2015.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:

Date: 31-3-2015

Name: Jeremy Dell

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Name of employer: Lane Clark & Peacock LLP
(if applicable)

Lane Clark & Peacock LLP is a limited liability partnership registered in England and Wales with registered number 06105405. It is a registered trademark in the UK (Registered Trade Mark No 2315442) and in the EU (Registered Trade Mark No 042035280). All services are provided by Lane Clark & Peacock LLP.
Lane Clark & Peacock LLP is a member of the Lane Clark & Peacock Group, which is a group of companies, including Lane Clark & Peacock LLP, which are all part of the Lane Clark & Peacock Group. Lane Clark & Peacock LLP is a member of the Lane Clark & Peacock Group, which is a group of companies, including Lane Clark & Peacock LLP, which are all part of the Lane Clark & Peacock Group.

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Actuary's Certification of the Schedule of Contributions



3037162 **Notes not forming part of the certification**

Page 2 of 2 **Qualification where actuarial opinion is not given as at signature date**

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles dated 31 March 2015 and their Recovery Plan dated 31 March 2015 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule.

Independent Auditor's Report

We have audited the financial statements of the Lazard London Staff Pension Scheme for the year ended 31 December 2016 which comprise the Fund Account, the Statement of Net Assets available for Benefits and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

This report is made solely to the scheme trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereafter. Our audit work has been undertaken so that we might state to the Scheme's Trustees 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 Scheme's Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities on page 14 the Scheme's Trustees are responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2016 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 and 3a of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LONDON

Date 7th July 2017

Independent Auditor's Statement about Contributions

We have examined the Summary of Contributions to the Lazard London Staff Pension Scheme in respect of the Scheme year ended 31 December 2016 which is set out on page 6.

This statement is made solely to the scheme trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereafter. Our work has been undertaken so that we might state to the scheme's trustees those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme's trustees, as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustees and the auditor

As explained more fully in the Trustees' Responsibilities Statement on page 14, the scheme's trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The trustees are also responsible for keeping records in respect of contributions received in respect of the active members of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the Schedule of Contributions.

Statement about contributions payable under the Schedule of Contributions

In our opinion, contributions for the scheme year ended 31 December 2016 as reported in the Summary of Contributions and payable under the Schedule of Contributions have, in all material respects, been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 31 March 2015.



Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

LONDON

Date

7th July 2017

Fund Account

For the year ended 31 December 2016

		Total 2016 £'000	Total 2015 £'000
Employer contributions		269	11,875
Total contributions	3	269	11,875
Other Income	4	94	-
		363	11,875
Benefits paid or payable	5	(6,844)	(5,670)
Payment to and on account of leavers	6	(3,865)	(2,191)
Administration expenses	7	(361)	(438)
		(11,070)	(8,299)
Net (withdrawals)/ additions from dealings with Members		(10,707)	3,576
Returns on investments			
Investment income	8	1,331	1,209
Change in market value of investments	9	56,644	3,854
Investment management fee rebate	10	126	59
Investment management expenses	10	(764)	(661)
Net returns on investments		57,337	4,461
Net increase in the fund during the year		46,630	8,037
Net assets of the Scheme at start of year		253,114	245,077
Net assets of the Scheme at end of year		299,744	253,114

The accompanying notes on pages 22 to 33 are an integral part of these financial statements.

Statement of Net Assets available for Benefits

As at 31 December 2016

	Note	Total 2016 £'000	Total 2015 £'000
Investment assets:	9		
Equities		9,381	7,104
Bonds		13,790	10,639
Pooled investment vehicles	12	269,773	230,245
Insurance policies	14	649	608
Derivatives	13	362	-
AVC investments	15	1,767	1,678
Cash		1,239	2,312
Other investment balances*		2,339	25
		299,300	252,611
Investment liabilities:	9		
Derivatives	13	(52)	(239)
		(52)	(239)
Total net investments		299,248	252,372
Current assets	18	1,019	985
Current liabilities	19	(523)	(243)
Net assets of the Scheme at end of year		299,744	253,114

*Other investment balances is made up of accrued income and cash in transit.

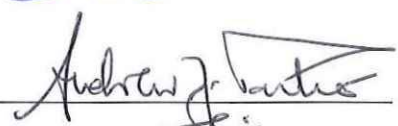
The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme is dealt with in the Report on Actuarial Liabilities on page 12 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 22 to 33 form an integral part of these financial statements.

These financial statements were approved by the Trustees on 6.7.17

Signed on behalf of the Trustees


Trustee


Trustee

For and on behalf of
The Low Debenure
Pension Trust Corporation Plc.

Notes to the Financial Statements

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (Revised November 2014).

In March 2016, amendments were made to FRS 102 revising the disclosure requirements for financial institutions and retirement benefits plans with respect to the fair value hierarchy disclosure. Schemes shall apply these amendments for accounting periods commencing on or after 1 January 2017, however early adoption is permitted. The Trustees have chosen to early adopt the amendments.

2. Accounting policies

The principal accounting policies of the Scheme are as follows:

Contributions

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the employer and Trustee.

Employer administration contributions are accounted for as and when they fall due for payment.

Payments to members

Benefits, and any associated taxation due to lifetime or annual allowances where the member has elected for the Scheme to settle the liability on their behalf, are accounted for in the period in which the member notifies the Trustees of his / her decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Pensions in payment are accounted for in the period to which they relate.

Individual transfers in or out of the Scheme are accounted for when member liability is accepted or, discharged which is normally when the transfer amount is paid or received.

Expenses

Expenses are accounted for on an accruals basis.

Investment income

Income from cash and short term deposits is accounted for on an accruals basis.

Dividends from equities are accounted for on the ex-div date.

Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Receipts from annuity policies are accounted for as investment income on an accruals basis to match the timing of the related benefits payable.

Investment income includes withholding taxes. Withholding tax is accrued on the same basis as investment income. Where withholding tax is not recoverable, this is shown as a separate expense within investment returns in the Fund Account.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Investments are included at fair value as described below:

Quoted securities in active markets are usually valued at the current bid prices at the reporting date.

Accrued interest is excluded from the market value of fixed income securities and is included in invested income receivable.

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

Over the counter (OTC) derivatives are valued using the following valuation techniques:

Forward foreign exchange (Forward FX) – the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Annuities have been valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

Presentation currency

The Scheme's functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

3. Contributions

	2016 £'000	2015 £'000
Employer contributions		
Deficit funding	-	11,550
Other	269	325
	<u>269</u>	<u>11,875</u>

Other contributions relate to employer reimbursements of the expenses of administration, professional fees and levies up to an agreed maximum. No further deficit contributions are due from 1 January 2016 under the Schedule of Contributions dated 31 March 2015, which reflects the 31 December 2013 actuarial valuation.

Notes to the Financial Statements (continued)

4. Other Income

	2016 £'000	2015 £'000
Compensation from Capita*	94	-

*the compensation above is in relation to the transition from the previous Scheme Administrator.

5. Benefits paid or payable

	2016 £'000	2015 £'000
Pensions	5,646	5,455
Commutations of pensions and lump sum retirement benefits	1,198	215
	<u>6,844</u>	<u>5,670</u>

6. Payments to and on account of leavers

	2016 £'000	2015 £'000
Individual transfers out to other Schemes	3,865	2,191

7. Administration expenses

	2016 £'000	2015 £'000
Actuarial*	86	108
Administration and processing*	65	51
Audit fee*	25	16
Professional fees*	110	167
PPF Levy*	35	30
Fees in respect of Trustees Services	40	66
	<u>361</u>	<u>438</u>

*reimbursed by the Company, up to a ceiling agreed annually, as agreed in the Schedule of Contributions, see note 3.

Notes to the Financial Statements (continued)

8. Investment income

	2016 £'000	2015 £'000
Dividends from equities	219	170
Income from bonds	61	65
Income from pooled investment vehicles	124	882
Annuity income	71	75
Interest on cash deposits and other	3	3
Income from private credit	853	-
Other Income	-	14
	<u>1,331</u>	<u>1,209</u>

9. Reconciliation of investments

The movements in total investments during the year were as follows:

	Value at 1 January 2016 £'000	Purchases at cost & derivative payments £'000	Sales proceeds & derivative receipts £'000	Change in market value £'000	Value at 31 December 2016 £'000
Equities	7,104	4,102	(3,483)	1,658	9,381
Bonds	10,639	6,869	(6,313)	2,595	13,790
Pooled investment vehicles	230,245	114,797	(129,083)	53,814	269,773
Derivatives	(239)	2,318	(107)	(1,662)	310
Insurance policies	608	-	-	41	649
AVC investments	1,678	-	(109)	198	1,767
	<u>250,035</u>	<u>128,086</u>	<u>(139,095)</u>	<u>56,644</u>	<u>295,670</u>
Cash deposits	2,312				1,239
Other investment balances	25				2,339
	<u>252,372</u>				<u>299,248</u>

Transaction costs are included in the cost of the purchase and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Indirect costs are incurred through the bid-offer spread on investments within pooled investments vehicles. The amount of indirect costs is not provided to the Scheme separately.

The investments are held in the name of the custodians' nominee companies, as detailed in the Trustees' Report.

Notes to the Financial Statements (continued)

9. Reconciliation of investments (continued)

Concentration of Investments

Each of the following investments account for more than 5% of the Scheme's net assets, as at 31 December 2016:

	2016 %	2015 %
Lazard Global Managed	14.92	9.91
Insight Bonds Plus Fund	13.26	13.28
Baillie Gifford Global Alpha Pension Fund	12.55	8.95
Insight Global Fund	11.84	10.16
Insight LDI enhanced	11.28	9.20
Henderson's Global Investors Secured Loan Fund	6.64	9.95
Insight Bonds 400s Fund	6.00	6.05
Veritas Global Equities	0.00	7.63
Odey Allegra International Fund	0.00	7.43

Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty.

Transaction costs analysed by main asset class and type of cost are as follows:

	Commission £'000	Stamp Duty £'000	Total 2016 £'000
Equities	9	7	16

	Commission £'000	Stamp Duty £'000	Total 2015 £'000
Equities	9	2	11

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

Notes to the Financial Statements (continued)

10. Investment management expenses

	2016 £'000	2015 £'000
Administration, management and custody	764	661
Investment manager fee rebates	(126)	(59)
	<u>638</u>	<u>602</u>

11. Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

12. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year end comprised:

	2016 £'000	2015 £'000
Equity	84,871	87,770
Bonds	102,169	74,100
Hedge funds	58,951	62,168
Cash	10,807	5,279
Precious metals	1,371	928
Private credit	11,604	-
	<u>269,773</u>	<u>230,245</u>

13. Derivatives

Objectives and policies

The Trustees have authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme as follows:

Forward FX – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, a currency hedging programme, using forward FX contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

Notes to the Financial Statements (continued)

13. Derivatives (continued)

(i) Forward Foreign Exchange (FX)

Contract	Settlement date	Currency bought	Value of currency bought £'000	Currency sold	Value of currency sold £'000	Aggregate asset £'000	Aggregate liability £'000
Forward OTCs	1-2 months	EUR	696	GBP	817,000	-	(8)
Forward OTCs	1 month	JPY	3,978	GBP	569,859	362	-
Forward OTCs	1-2 months	USD	7,378	GBP	9,215	-	(44)
Total 2016						362	(52)
Total 2015						-	(239)

The use of foreign exchange contracts have been put in place by certain investment managers to reduce the currency exposure.

14. Insurance policies

The Scheme held insurance policies at the year end as follows:

	2016 £'000	2015 £'000
Annuities with Prudential	624	584
Annuities with Generali	25	24
Total annuities	649	608

15. AVC investments

The Trustees hold assets invested separately from the main Defined Benefit Section investments to secure additional benefits on a money purchase basis for those Defined Benefit Section members electing to pay Additional Voluntary Contributions. Members participating in this arrangement are sent statements at least annually confirming the amounts held in their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	2016 £'000	2015 £'000
Prudential Deposit Fund	14	14
Prudential Discretionary	693	658
Prudential With-Profits Cash Accumulation Fund	1,060	1,006
Total	1,767	1,678

Notes to the Financial Statements (continued)

16. Fair value determination

The fair value of financial instruments have been determined using the following fair value hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy levels as follows:

As at 31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	9,381	-	-	9,381
Bonds	13,790	-	-	13,790
Pooled investment vehicles	-	258,169	11,604	269,773
Derivatives	-	310	-	310
Insurance policies	-	-	649	649
AVC investments	-	707	1,060	1,767
Cash	1,239	-	-	1,239
Other investment balances	2,339	-	-	2,339
	26,749	259,186	13,313	299,248

As at 31 December 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	7,104	-	-	7,104
Bonds	10,639	-	-	10,639
Pooled investment vehicles	-	228,230	2,015	230,245
Derivatives	-	(239)	-	(239)
Insurance policies	-	-	608	608
AVC investments	-	672	1,006	1,678
Cash	2,312	-	-	2,312
Other investment balances	25	-	-	25
	20,080	228,663	3,629	252,372

Notes to the Financial Statements (continued)

17. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, either directly or indirectly.

Market risk comprises currency risk, interest rate risk and other price risk, defined as follows:

- Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determined the Scheme's investment strategy after taking advice from their investment adviser. The Scheme has exposure to the aforementioned risks via the investments held to implement the investment strategy. The Trustees manage investment risks, including credit risk and market risk, considering the Scheme's investment objectives and strategy, and the advice of their investment advisers.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Scheme's investment managers. The Trustees monitor the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

Further information on these risks and the approach of the Trustees to risk management is set out below. This does not include the legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

Investment Strategy

The investment objective set by the Trustees is to achieve the best overall investment return in moving towards the 2030 target set out in the Funding Deed, with a level of risk that is commensurate with this objective, having regard to the agreed level of employer contributions and the covenant of the employers.

The Trustees set the investment strategy for the Scheme after taking advice from the Scheme's Investment Adviser and consulting with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP). Day to day investment management has been delegated to the seven investment managers with whom the Trustees have put in place investment mandates to implement the strategy.

The current strategy is to hold assets per below. The Trustees will review the Scheme's asset allocation from time to time, to ensure that the split between growth and defensive assets remains within 5% of the target allocations.

Notes to the Financial Statements (continued)

17. Investment risk disclosures (continued)

Investment Strategy (continued)

- a. 57.5% in "defensive" investments. These are investments that either move in line with the long term liabilities of the Scheme or which the Trustees consider less risky investments. The underlying investments include corporate and government bonds, company loans, interest rate and inflation swaps and other derivatives.
- b. 42.5% in return seeking investments comprising global equities and a multi-asset mandate whereby the investment manager has discretion to invest in a wide range of asset classes.

Credit risk

Where the Scheme invests in pooled funds it is directly exposed to credit risk in relation to the solvency of the investment manager and custodian of those funds. In addition, where the Scheme holds assets via a segregated portfolio with Ruffer, the Scheme is directly exposed to credit risk in relation to the custodian.

These direct credit risks are mitigated by the underlying assets of the pooled funds and segregated portfolios being ring-fenced from the investment managers and the custodians, the regulatory environments in which the pooled fund managers and custodians operate and diversification of the Scheme's investments across a number of pooled funds and segregated portfolios. The Trustees carry out due diligence checks prior to the appointment of any new investment manager or fund, and monitor for changes to the operating environment of the existing pooled funds and custodian of the segregated assets.

The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, where they invest in company loans, bonds, derivatives or cash. This is relevant for the Scheme's private credit, loan and liability matching portfolios held with Longbow, Henderson and Insight respectively. The Scheme is directly exposed to credit risks arising from the underlying investments held by the segregated portfolio with Ruffer. The amount invested in each of these mandates is shown in the Statement of Net Assets.

The managers of these funds manage credit risk by having a diversified exposure to bond or loan issuers, conducting thorough research on the probability of default of those issuers. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets and specific issuers. The private credit fund invests predominantly in UK commercial real estate debt originated by ICG-Longbow. The manager manages credit risk by conducting thorough due diligence on the borrower and underlying property security seeking to ensure high levels of diversification of at tenant and property level across the investment portfolio. The manager actively monitors risk migration at loan and portfolio levels through the term of each investment.

Within the LDI portfolio, there is exposure to credit risk as the LDI portfolio manager uses derivative instruments to match the Scheme's liabilities. The terms under which the LDI portfolio is managed include provisions to manage the exposure to credit risk, such as limits on the exposure to any single counterparty and minimum credit ratings that all counterparties must meet. In addition, the derivative positions are collateralised daily, so as to aim to limit credit risk to one day's market movements. Cash is held within financial institutions which are at least investment grade credit rated.

Notes to the Financial Statements (continued)

18. Current assets

	2016 £'000	2015 £'000
Pensions paid in advance	390	376
Cash balances	586	609
Employer contribution *	29	-
AVC income	14	-
	<u>1,019</u>	<u>985</u>

*The employer contribution of £29,342 relates to the PPF levy for 2016. This was paid post year end in accordance with the Schedule of Contributions.

19. Current liabilities

	2016 £'000	2015 £'000
Benefits payable	284	-
Administrative and investment management expenses	235	241
Other	4	2
	<u>523</u>	<u>243</u>

20. Related party transactions

There was no direct investment in any Lazard company, including in the employers participating in the Scheme, at any time during the year or at the year end.

Investments under management by Lazard Asset Management Limited represented 15.0% of the net assets of the Scheme as at 31 December 2016 (2015: 9.91%).

During the year fee rebates have been received from the associates of Lazard & Co., Services Limited as disclosed in note 10 amounting to £126,000 (2015: £59,000).

Two (2015: two) of the Trustees of the Scheme are pensioners receiving benefits from the Scheme.

Fees of £20,000 (2015: £32,000) in respect of Trustee Services were paid in the year by Lazard & Co., Services Limited. The company was reimbursed for these payments made on behalf of the Scheme as disclosed in note 7. In addition, further fees of £20,000 (2015: £34,000) were paid by the Scheme.

21. Contractual commitments

The Scheme committed to invest £19,500,000 into ICG-Longbow UK Real Estate. Of this, a total of £11,603,461.82 was invested up to 31 December 2016.

Notes to the Financial Statements (continued)

17. Investment risk disclosures (continued)

Currency risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. In some cases, the Trustees have delegated the decision on whether or not to hedge any currency risk to their investment managers, some of which maintain a fully hedged position. Even where currency hedging arrangements are in place, there will still be residual currency risks, as these hedging arrangements may not be perfectly aligned to the assets.

The Scheme's assets that are exposed to indirect currency risk are the various international equity, multi-asset, bond and loan funds. The amount invested in each of these mandates is shown in the Statement of Net Assets

Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds, interest rate swaps and cash, both directly as segregated investments and indirectly through the pooled investments with Insight. The amount invested in each of these mandates is shown in the Statement of Net Assets.

However, the interest rate exposure of these assets is structured to hedge around 50% of the corresponding risks associated with the Fund's liabilities. The net effect is to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to take exposures to these risks in this manner.

Other price risk

The Scheme's assets are exposed to risks of market prices other than currencies and interest rates, such as the equity pooled fund holdings being subject to movements in equity prices. The Trustees believe that the Scheme's assets are adequately diversified between different asset classes and within each asset class to manage this risk.