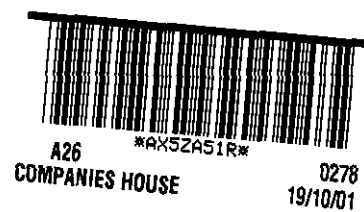


FOREIGN & COLONIAL MANAGEMENT LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2000



Company Registration Number 517895

FOREIGN & COLONIAL MANAGEMENT LIMITED

Directors

D.W.J. Price (Chairman)

R.W. Jenkins (Chief Executive)

A.K. Banerji

W.D. Eccles

W-R. Feiler

J.A. Heywood

P.N.C. Johns

K.M. McPherson

D.S. Manning

N.C. Mustoe

The Hon. J.J. Nelson

R.L. Richards

J.J. Tigue

A.F. Tomlinson

FOREIGN & COLONIAL MANAGEMENT LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2000

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

Principal activities

The principal activities of the Company are the provision of investment management and advisory services to investment trust companies, pension funds, charities, onshore and offshore open-ended funds and accounts of major international clients. This is expected to continue. The Company has one overseas branch located in Boston, USA.

Foreign & Colonial Management Limited is a member of the Investment Management Regulatory Organisation Limited (IMRO) and the Personal Investment Authority (PIA).

The Company is, indirectly, a wholly owned subsidiary of Hypo Foreign & Colonial Management (Holdings) Limited ("HFCM"). Bayerische Hypo-und Vereinsbank AG ("HVB") has, indirectly through HFCM, an effective 90% interest in the Company.

On 22 December 2000, HVB agreed in principle to sell its 90% shareholding in the HFCM group to Eureko B.V., a pan-European financial services group. The transaction was subject to regulatory approval which was granted on 22 February 2001. Formal completion of the sale is anticipated to take place on 20 March 2001. Foreign & Colonial Investment Trust PLC ("FCIT") has retained its 10% shareholding in the Group.

At an Extraordinary General Meeting of the Company held on 10 January 2001 Elective Resolutions were passed, in accordance with Section 379A of the Companies Act 1985, dispensing with the laying of accounts in general meeting and the holding of annual general meetings.

Share capital

On 7 April 2000 and 10 April 2000 the Company issued 28,350 and 1,900 new ordinary shares of £1 each for a total consideration of £1,247,801 and £76,108 respectively. The new ordinary shares were issued following the exercise of options in the Foreign & Colonial Management Share Option Scheme. The shares were subsequently sold to F&C Holdings Limited in accordance with the Company's Articles of Association.

On 29 December 2000 the Company received £53.1million from F&C Holdings Limited, for the specific purpose of subscribing for shares in the Company.

On 15 March 2001, the Company issued a total of 472,344 ordinary shares of £1 each at £113.90 per share to its shareholders. This share issue was made to provide funding for the Company and its wholly owned subsidiary, Foreign & Colonial Emerging Markets Limited, in respect of the staff incentivisation and retention schemes.

FOREIGN & COLONIAL MANAGEMENT LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2000 (continued)

Results and dividend

The results of the Company for the year ended 31 December 2000 were as follows:

	£'000
Loss on ordinary activities after taxation	(17,866)
Dividend of 357.75 pence (1999: 150.24) per share	(16,300)
Profit and loss account for the year	<u>(34,166)</u>

Directors and Directors' interests

All those listed on page 1 served as Directors of the Company throughout the year ended 31 December 2000, with the exception of P.N.C. Johns and N.C. Mustoe who were appointed on 1 February 2001 and 1 August 2000 respectively.

Share Options

The interests of the Directors at 31 December 2000 under the Foreign & Colonial Management Share Option Scheme were as follows:-

	01-Jan-00	Exercised	31-Dec-00	Exercise price £	Sale price at date of exercise £	Dates from which exercisable	Expiry Date
D.S. Manning	4,410	(4,410)	-	45.40	61.90	2000 to 2003	04/05/03
J.J. Tighe	3,000	(3,000)	-	45.76	61.90	2000 to 2003	18/04/03
TOTAL	7,410	(7,410)	-				

The aggregate gains made by directors on the exercise of share options were £121,185 (1999 -- £Nil).

There are currently 1,170 options in issue under the Foreign & Colonial Management Share Option Scheme, held by senior employees of the Company. A total of 30,250 options were exercised in 2000.

The options in issue are exercisable at prices ranging from £45.40 to £45.76 between 2000 and 2003. The Articles of Association provide that shares resulting from the exercise of any options held under the Share Option Scheme should be sold on issue to the Company's sole beneficial shareholder, F&C Holdings Limited. The price at which F&C Holdings Limited will purchase these shares will be based on an independent valuation of Hypo Foreign & Colonial Management (Holdings) Limited or such other manner as the Board thinks fit.

FOREIGN & COLONIAL MANAGEMENT LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2000 (continued)

Share options (continued)

The interests of the Directors at 31 December 2000 under the Foreign & Colonial Emerging Markets Limited Share Option Scheme were as follows:

	01-Jan-00	Granted	Exercised	31-Dec-00	Exercise price (US\$)	Sale price at date of exercise(US\$)	Dates from which exercisable	Expiry date
A.K. Banerji	34,388	-	(34,388)	-	29.08	43.90	1999 to 2002	30/04/02
	4,518	-	(4,518)	-	38.90	43.90	2000 to 2003	30/04/03
	38,906	-	38,906	-				

The aggregate gains made by directors on the exercise of share options were US\$532,220 (1999 – nil).

There are currently 6,160 options in issue under the Foreign & Colonial Emerging Markets Limited Share Option Scheme held by senior employees of Foreign & Colonial Emerging Markets Limited. The options in issue are exercisable at US\$38.90 between 2000 and 2003.

Other than shown above, no Directors or their families held any interest in the shares of the Company or any other Group undertaking during the period under review.

The interests of Directors in the shares of HFCM are shown in that company's accounts.

Secretary

Mr R.G. Donkin retired as Joint Secretary of the Company on 12 September 2000.

Financial risk

The financial risks faced by the Company are principally exchange rate fluctuations arising from management fee income from overseas, interest rate risk and the risk of significant stock market movements.

The Company uses financial instruments in certain circumstances to reduce overall market risk and exposure to foreign currency markets. Forward foreign exchange contracts may be taken out to hedge the Company's revenue streams. The realised and unrealised profits and losses arising from these instruments are taken to the profit and loss account.

Foreign currency borrowings are fully hedged at the date of the draw down through the acquisition of related currency deposits.

FOREIGN & COLONIAL MANAGEMENT LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2000 (continued)**

Fixed assets

The movement in tangible fixed assets during the year is set out in note 7 to the financial statements.

Fixed asset investments

Details of the principal subsidiary undertakings are set out in note 16 to the financial statements.

Policy on payment of suppliers

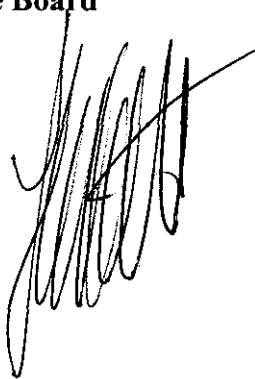
The Company's policy in relation to the payment of all suppliers is that the payment should be made within the credit terms agreed with the supplier. At 31 December 2000, the Company's aggregate level of 'creditor days' amounted to 30 days.

Auditors

Elective Resolutions were passed on 10 January 2001 to dispense with the laying of accounts and reports before the Company at general meeting and the holding of annual general meetings. The Company's Auditors, PricewaterhouseCoopers, are therefore deemed to have been re-appointed as Auditors with effect from 1 January 2001.

By order of the Board

**H.N. Potter
Secretary
20 March 2001**

A handwritten signature in black ink, appearing to be 'H.N. Potter', written over a series of horizontal lines.

Directors' Statement of Responsibility

Company law requires the Directors 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 that financial year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FOREIGN & COLONIAL MANAGEMENT LIMITED

Auditors' Report to the Members of Foreign & Colonial Management Limited

We have audited the financial statements on pages 8 to 23 which have been prepared under the historical cost convention and the accounting policies as set out on pages 10 to 12.

Respective responsibilities of Directors and Auditors

The Company's Directors are responsible for preparing the Annual Report. As described on page 6, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by United Kingdom statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you 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 information 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.

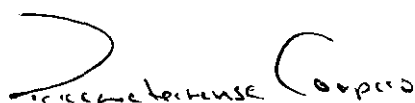
Basis of opinion

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 affairs of the Company as at 31 December 2000 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
20 March 2001

FOREIGN & COLONIAL MANAGEMENT LIMITED

Profit & Loss Account for the year ended 31 December

	Notes	2000 £'000	1999 £'000
Revenue	2	38,224	33,845
Administrative expenses		(70,807)	(34,326)
Income from shares in group undertakings		11,000	9,720
Interest receivable and similar income		1,458	1,063
Interest payable and similar charges		<u>(243)</u>	<u>(263)</u>
(Loss)/profit on ordinary activities before taxation	3	(20,368)	10,039
Taxation on profit on ordinary activities	6	<u>2,502</u>	<u>(287)</u>
(Loss)/profit on ordinary activities after taxation		(17,866)	9,752
Dividend on equity shares		<u>(16,300)</u>	<u>(6,800)</u>
(Loss)/profit for the year	15	<u><u>(34,166)</u></u>	<u><u>2,952</u></u>

Statement of Total Recognised Gains and Losses

	2000 £'000	1999 £'000
(Loss)/profit on ordinary activities after taxation for the year	(17,866)	9,752
Prior year adjustment – provision for onerous property lease	-	(3,828)
Total recognised gains and losses	<u><u>(17,866)</u></u>	<u><u>5,924</u></u>

All revenue and operating profit and losses arises from continuing operations.


The notes on pages 10 to 23 form part of these financial statements.

FOREIGN & COLONIAL MANAGEMENT LIMITED

Balance Sheet as at 31 December

	Notes	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible assets	7	5,912	5,473
Investments in subsidiary undertakings	8	61,600	45,662
Unlisted investments		10	10
		<u>67,522</u>	<u>51,145</u>
CURRENT ASSETS			
Debtors	9	62,354	62,272
Short term deposits		59,722	13,100
Cash at bank and in hand		6,379	7,973
		<u>128,455</u>	<u>83,345</u>
CREDITORS: amounts falling due within one year	10	<u>(84,177)</u>	<u>(42,860)</u>
NET CURRENT ASSETS		<u>44,278</u>	<u>40,485</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		111,800	91,630
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(5,327)</u>	<u>(5,415)</u>
		<u>106,473</u>	<u>86,215</u>
CAPITAL AND RESERVES			
Called up equity share capital	12	4,556	4,526
Share premium account	13	58,164	56,870
Shares to be issued account	14	53,100	-
Profit and loss account	15	<u>(9,347)</u>	<u>24,819</u>
Total equity shareholders' funds	17	<u>106,473</u>	<u>86,215</u>

Approved by the Board on 20 March 2001 and signed on its behalf by:


R.W. Jenkins
 Director

The notes on pages 10 to 23 form part of these financial statements.

Notes to the Accounts

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements are presented for the Company as an individual undertaking. The Company is not required to prepare group accounts under Section 228 of the Companies Act 1985 as HFCM prepares group accounts.

(b) Onerous lease provisions

Following the publication of Financial Reporting Standard 12, "Provisions, Contingent Liabilities and Contingent Assets" the Company revised its accounting policies for liabilities under property leases where the space has ceased to be used for the purposes of the business. FRS 12 requires full provision for the net present value of the future total outstanding liabilities under such leases. This new accounting treatment was adopted for the first time during the year ended 31 December 1999.

(c) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, except where covered by forward foreign exchange contracts which are translated at the contract rates of exchange. Resulting exchange gains or losses are taken to the profit and loss account. Other translation differences are recognised through the profit and loss account.

(d) Deferred taxation

Provision is made for deferred taxation in respect of capital allowances and other timing differences only to the extent that a liability is expected to crystallise in the foreseeable future.

(e) Depreciation

Tangible assets are written off over their estimated useful economic lives at the following rates:

Furniture, fixtures and fittings - straight line	7.5%
Leasehold improvements - straight line	3.33% - 6.67%
Office equipment - straight line	20% - 33%
Motor cars - reducing balance	25%

Notes to the Accounts (continued)

1. Accounting policies (continued)

(f) Impairment of fixed assets

In accordance with FRS 11, "Impairment of Fixed Assets and Goodwill", an impairment review is carried out when deemed necessary.

An impairment review involves estimating an asset's recoverable amount and comparing it with its carrying value. If the recoverable amount is lower than the carrying value, the asset is impaired and must be written down to the recoverable amount.

(g) Operating leases

Rentals paid under operating leases other than onerous property leases are charged to the profit and loss account on a straight line basis over the lease term.

(h) Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

Current asset investments are valued at lower of cost or market value.

(i) Pension costs

Contributions to the Foreign & Colonial Pension Plan are assessed by qualified actuaries and are charged to the Profit and Loss Account so as to spread the cost of pensions over the average service lives of employees in accordance with Statement of Standard Accounting Practice Number 24.

(j) Cash flow statement

In accordance with FRS 1 (Revised), "Cash Flow Statements", the Company is not required to prepare a cash flow statement, as it is wholly owned by HFCM and its cash flows are reflected within the consolidated cash flows of that company.

FOREIGN & COLONIAL MANAGEMENT LIMITED

Notes to the Accounts (continued)

2. Revenue

	2000 £'000	1999 £'000
Revenue comprises:		
Management and advisory fees	35,220	30,665
Commission and other revenue	3,050	3,200
Loss on sale of fixed assets	(46)	(20)
	<u>38,224</u>	<u>33,845</u>

3. Profit on ordinary activities before taxation

	2000 £'000	1999 £'000
Profit on ordinary activities before taxation is stated after charging the following amounts:		
Depreciation	1,911	1,799
Auditors' remuneration		
- for services as auditors	40	37
- for non-audit services	116	208
Interest payable		
- on unsecured loan notes	-	2
- finance cost on onerous property lease	243	261
Operating leases		
- land and buildings	2,664	2,444
- plant and machinery	66	56

Notes to the Accounts (continued)

4. Employees

	2000 £'000	1999 £'000
Salaries and bonuses	22,213	19,687
Social Security costs	5,645	2,072
Pension costs	1,933	1,801
Deferred bonus/shadow equity costs	32,424	-
	<u>62,215</u>	<u>23,560</u>

The average number of staff, including Directors, employed by the Company during the period was 288 (1999 : 298).

In January 2000, the HFCM Group replaced its existing long term incentive plans with a deferred bonus scheme, converting the accrued amounts under those schemes into a guaranteed deferred bonus payable in 2002. A further scheme was established for 2000, with bonuses payable in 2003. The awards under these schemes were enhanced when the intention of the HFCM Group's parent to sell its holding in the HFCM Group was made known, in order to retain key employees.

In addition, the HFCM Group has a shadow equity plan for certain senior employees, whereby awards of notional shares in the company are made and the final value is determined at the end of a rolling five-year period.

Under the terms of all of the schemes outlined above, the change of control of the HFCM Group announced on 22 December 2000 caused all of the awards to vest and provision has been made for the full liability.

5. Directors' remuneration

(a) Remuneration paid by the Company

	2000 £'000	1999 £'000
Salaries and other benefits	1,604	1,358
Performance-related bonuses	1,047	606
Other bonuses	1,216	725
Payments to pension schemes	125	126
Deferred bonus/shadow equity payments	22,319	-
	<u>26,311</u>	<u>2,815</u>

Notes to the Accounts (continued)

5. Directors' remuneration (continued)

W.D. Eccles, J.J Nelson and R.L. Richards had contracts of employment with Foreign & Colonial Management until 31 December 2000 but were seconded to F&C Ventures Limited. Consequently, the costs of their employment were met in full by F&C Ventures Limited and they did not receive any remuneration for their services to the Company (1999: Nil).

Included in payments to pension schemes is £45,000 (1999 : £82,000) comprising amounts paid in respect of money purchase schemes. The number of Directors during 2000 participating in such schemes was 2 (1999 : 4).

3 Directors exercised share options in 2000 (1999 : 1). Details of the interests of Directors at 31 December 2000 in share options are disclosed in the Report of the Directors on pages 3 to 4 under the heading 'Share Options'.

At 31 December 2000, 3 Directors had a participation in the deferred cash bonus plans outlined in note 4 above (1999 : 3).

At 31 December 2000 10 Directors had been granted notional shares in the Group's shadow equity plan (1999 : 9).

(b) Remuneration of the highest paid Director

	2000 £'000	1999 £'000
Salaries and other benefits	283	314
Performance-related bonus	1,150	600
Payments to pension schemes	5	21
Deferred bonus/shadow equity payments	9,200	-
	<u>10,638</u>	<u>935</u>

The highest paid Director does not have a participation in the long term incentive plan, but has been awarded notional shares in the HFCM Group's shadow equity plan.

FOREIGN & COLONIAL MANAGEMENT LIMITED

Notes to the Accounts (continued)

6. Taxation on profit on ordinary activities

	2000 £'000	1999 £'000
UK corporation tax (credit)/charge at 30% (1999 : 30.25%)		
- current year	(2,734)	401
Deferred taxation	232	(114)
	<u>(2,502)</u>	<u>287</u>

7. Tangible assets

	Leasehold improve- ments £'000	Office equipment £'000	Furniture, fixtures & fittings £'000	Motor cars £'000	Total £'000
Cost					
At 1 January 2000	4,821	6,345	969	1,142	13,277
Additions	173	1,731	379	285	2,568
Exchange gain/(loss)	-	-	1	-	1
Disposals	-	(3)	-	(538)	(541)
At 31 December 2000	<u>4,994</u>	<u>8,073</u>	<u>1,349</u>	<u>889</u>	<u>15,305</u>
Accumulated depreciation					
At 1 January 2000	1,757	5,095	487	465	7,804
Depreciation for the year	281	1,344	92	194	1,911
Disposals	-	(2)	-	(320)	(322)
At 31 December 2000	<u>2,038</u>	<u>6,437</u>	<u>579</u>	<u>339</u>	<u>9,393</u>
Net book value at 31 December 2000	<u>2,956</u>	<u>1,636</u>	<u>770</u>	<u>550</u>	<u>5,912</u>
Net book value at 31 December 1999	<u>3,064</u>	<u>1,250</u>	<u>482</u>	<u>677</u>	<u>5,473</u>

8. Investments in subsidiary undertakings

	2000 £'000
Cost	
At 1 January	45,662
Additions	<u>15,938</u>
At 31 December	<u>61,600</u>

Details of the principal subsidiary undertakings are set out in note 16 to the financial statements.

FOREIGN & COLONIAL MANAGEMENT LIMITED**Notes to the Accounts (continued)****9. Debtors**

	2000	1999
	£'000	£'000
Amounts due from parent undertakings	48,618	39,090
Amounts due from fellow subsidiary undertakings	3,228	5,041
Amounts due from subsidiary undertakings	1,436	10,258
Prepayments and accrued income	7,105	7,568
Taxation and Social Security	<u>1,967</u>	<u>315</u>
	<u>62,354</u>	<u>62,272</u>

10. Creditors : amounts falling due within one year

	2000	1999
	£'000	£'000
Amounts due to parent undertakings	11,695	-
Amounts due to fellow subsidiary undertakings	19,860	15,797
Amounts due to subsidiary undertakings	2,860	8,819
Other creditors	48,915	10,541
Taxation and Social Security	847	903
Proposed dividend	<u>-</u>	<u>6,800</u>
	<u>84,177</u>	<u>42,860</u>

FOREIGN & COLONIAL MANAGEMENT LIMITED

Notes to the Accounts (continued)

11. Provisions for liabilities and charges

Total provisions

	2000	1999
	£'000	£'000
Deferred taxation (a)	256	24
Onerous property lease (b)	5,071	5,391
	<u>5,327</u>	<u>5,415</u>

(a) Deferred taxation

	2000
	£'000
Balance brought forward at 1 January	24
Arising in the year	232
	<u>256</u>
Balance carried forward at 31 December	<u>256</u>

The deferred tax balance comprises other short term timing differences.

The full potential deferred tax liability arising during 2000 has been provided at a rate of 30% (1999 : 30%) and is payable after more than one year.

(b) Onerous property lease

	2000
	£'000
At 1 January 2000	5,391
Profit and loss account	
Net rental expense	(563)
Finance charge	243
	<u>5,071</u>

FOREIGN & COLONIAL MANAGEMENT LIMITED

Notes to the Accounts (continued)

11. Provisions for liabilities and charges (continued)

The provision in respect of the onerous property lease has been calculated on a discounted cash flow basis using a discount rate of 5.75%. Guidance within FRS 12 "Provisions, Contingent Liabilities and Contingent Assets" requires that the discount element of the onerous property lease provision be charged as a finance cost and this has been disclosed within "interest payable" in the profit and loss account and in note 3 to the financial statements.

12. Called up equity share capital

	2000 £'000	1999 £'000
Ordinary shares of £1		
Authorised 6,000,000 (1999 - 6,000,000)	<u>6,000</u>	<u>6,000</u>
Allotted and fully paid 4,556,227 (1999 - 4,525,977)	<u>4,556</u>	<u>4,526</u>

On 7 April 2000 and 10 April 2000 the Company issued 28,350 and 1,900 new ordinary shares of £1 each for a total consideration of £1,247,801 and £76,108 respectively. The new ordinary shares were issued following the exercise of options in the Foreign & Colonial Management Share Option Scheme.

13. Share premium account

	2000 £'000	1999 £'000
Balance brought forward	56,870	56,686
Arising on issue of shares during the year	<u>1,294</u>	<u>184</u>
Balance carried forward	<u>58,164</u>	<u>56,870</u>

FOREIGN & COLONIAL MANAGEMENT LIMITED

Notes to the Accounts (continued)

14. Shares to be issued account

	2000 £'000	1999 £'000
Balance brought forward	-	-
Shares to be issued	53,100	-
Balance carried forward	53,100	-

Prior to the year end the shareholders advanced funds of £53,100,000 in respect of shares to be issued which were included in the above reserve at 31 December 2000. The funds were advanced to provide funding for the Company and its wholly owned subsidiary, Foreign & Colonial Emerging Markets Limited, in respect of the staff incentivisation and retention schemes.

Subsequent to the year end 472,344 shares at a price of £113.90 have been issued to the shareholders on 15 March 2001.

15. Profit and loss account

	2000 £'000
Brought forward	24,819
Retained loss for the year	(34,166)
Carried forward at 31 December	(9,347)

16. Principal subsidiary undertakings

	Country of registration or incorporation	Nature of business	Percentage of equity held
Foreign & Colonial Unit Management Limited	England	Unit Trust management	100
Foreign & Colonial Management (Jersey) Limited	Jersey	Investment management	100
FCEM Holdings (UK) Limited	England	Investment holding	100
Foreign & Colonial Emerging Markets Limited	England	Investment management	100

Notes to the Accounts (continued)

17. Reconciliation of movements in equity shareholders' funds

	2000 £'000	1999 £'000
(Loss)/profit on ordinary activities after taxation	(17,866)	9,752
Dividends on equity shares	(16,300)	(6,800)
	<u>(34,166)</u>	<u>2,952</u>
New share capital subscribed	30	6
Share premium	1,294	184
Shares to be issued	53,100	-
Increase in equity shareholders' funds	<u>20,258</u>	<u>3,142</u>
Equity shareholders' funds at 1 January	<u>86,215</u>	<u>83,073</u>
Equity shareholders' funds at 31 December	<u>106,473</u>	<u>86,215</u>

18. Capital commitments

The Company had no capital commitments at 31st December 2000 (1999 : £Nil).

19. Pension commitments

The Company operates a defined benefit pension scheme for its employees providing benefits based on final pensionable pay. The assets of the scheme are held in a separate trustee administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent valuation was at 29 March 2000. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed that the investment returns would be 6% per annum in relation to benefits accrued to the valuation date and 7% per annum for benefits accruing in the future. Salary increases would average 5.2% per annum and present and future pensions would increase at the rate of 3% per annum. The most recent actuarial valuation showed that on these assumptions the actuarial value of the assets was sufficient to cover 109% of the benefits that had accrued to members by the valuation date allowing for their assumed future increases in salaries.

The pension charge of the Company for the year in respect of this scheme was £1,827,878 (1999 : £1,637,000). The contributions of the Company were 15% of pensionable salaries (1999: 15%).

FOREIGN & COLONIAL MANAGEMENT LIMITED

Notes to the Accounts (continued)

19. Pension commitments (continued)

The most recent actuarial valuation showed that the market value of the scheme's assets was £52.1 million. The Pensions Act 1995 introduced a Minimum Funding Requirement (MFR) which is calculated by reference to the actuarial valuation and is effective after 5 April 1997. At the valuation date the value of the scheme's assets represented 112% of the benefits that had accrued to members.

20. Financial commitments - Company

At 31st December 2000 there were annual commitments under operating leases other than onerous property leases as follows:

	Land and Buildings		Other	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Commitments expiring:				
Within one year	77	-	-	-
Between one and five years	-	40	66	66
After five years	2,513	2,156	-	-
	<u>2,590</u>	<u>2,196</u>	<u>66</u>	<u>66</u>

At 31 December 2000 the Company had one foreign exchange forward contract outstanding to hedge foreign currency receivable (1999: nil contracts). This is listed below:

Value of currency sold forward	Amount in £	Forward Exchange Rate	Maturity Date
2000			
14,000,000 Euro	8,438,010	1.6592	28/02/01

21. Ultimate parent undertaking

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member is Bayerische Hypo-und Vereinsbank AG, which is the ultimate parent undertaking and is incorporated in Germany. Copies of that company's accounts can be obtained from Am Tucherpark 16, 80538 Munich, Germany.

Hypo Foreign & Colonial Management (Holdings) Limited, a company registered in England, is the parent undertaking of the smallest group to consolidate the accounts of the Company. Copies of that company's accounts can be obtained from Exchange House, Primrose Street, London EC2A 2NY.

FOREIGN & COLONIAL MANAGEMENT LIMITED

Notes to the Accounts (continued)

22. Related party transactions

Related party	Nature of transaction	Included in revenue		Included in interest payable		Year-end balance due from related party	
		2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
HVB (1)	Management fees	12,021	9,003	-	-	3,734	5,033
Foreign & Colonial Investment Trust PLC	Management and stock lending fees	8,162	7,064	-	-	169	183
Foreign & Colonial Pension Plan	Management fees	The group indirectly receives a fee as some of the underlying Plan assets are invested in various Foreign & Colonial unit trust and exempt fund units. The unit trusts and exempt funds have management fees of between 0.25% and 1.5%.					
Foreign & Colonial Investment Trust PLC	Rent guarantees	Guarantee of 10% of rental payments to third parties in respect of properties leased by Foreign & Colonial Management Limited. The properties concerned are 8 th Floor Exchange House, Primrose Street, and 6 Laurence Pountney Hill. The current annual rentals, the subject of these guarantees, are £2,776,000.					
HVB (1)	Rent guarantees	Guarantee of 90% of rental payments to third parties in respect of properties leased by Foreign & Colonial Management Limited. The properties concerned are Exchange House, Primrose Street, and 6 Laurence Pountney Hill. The current annual rentals, the subject of these guarantees, are £3,655,000.					

(1) Bayerische Hypo-und Vereinsbank AG.

No disclosure has been made of transactions with other group companies in accordance with paragraph 3(c) of FRS8 "Related Party Disclosures" as the Company is a wholly owned subsidiary of HFCM.

FOREIGN & COLONIAL MANAGEMENT LIMITED

Notes to the Accounts (continued)

23. Interest rate and currency of borrowings

The Company has no borrowings at 31 December 2000 (31 December 1999 – £Nil).

24. Borrowing facilities

The Company has a £2million multi-currency uncommitted overdraft facility.

The overdraft facility is subject to review annually.

25. Assets/(liabilities)

	2000		1999	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Derivatives				
Foreign exchange forward rate contracts	<u>8,438</u>	<u>8,799</u>	<u>-</u>	<u>-</u>