

RELIANCE UNIT MANAGERS LIMITED

DIRECTORS REPORT AND ACCOUNTS

31 DECEMBER 1999



Registered and Administrative Office:

Reliance House, Tunbridge Wells, Kent TN4 8BL

Registered in England: No 724451

RELIANCE UNIT MANAGERS LIMITED

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of Reliance Unit Managers Limited will be held at Reliance House, Mount Ephraim, Tunbridge Wells, Kent on Thursday 11 May 2000 for the following purposes:

1. To receive the Directors' Report and Accounts for the year ended 31 December 1999 and the Auditors' Report thereon.
2. To declare a final dividend of £15.00 per share.
3. To elect directors.
4. To appoint auditors and to fix their remuneration.

23 March 2000

By Order of the Board



A PRIOR
Secretary

A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and such person need not be a Member of the company.

RELIANCE UNIT MANAGERS LIMITED

Report of Directors

Directors: S C James (Chairman)
 L M Etheridge, Bsc, FIA
 P E Oldham, MA
 C B Russell, FFA, FTII

Secretary: A Prior, LLB, ACIS

The directors submit their Report and Accounts for the year ended 31 December 1999.

Principal Activity

The principal activity of the company is the management of The British Life Unit Trust.

Review of the Year

The profit for the year before tax was £646,703 and there were retained losses after tax and dividends of £298,537 (1998 profit £289,191). The directors consider that the level of activity and the year end financial position are satisfactory.

During 1999 the Reliance Mutual Group ceased to market new insurance business. However, the British Life Unit Trust remains open to business from both new and existing clients.

Dividend

A final dividend of £15.00 per share is recommended (1998 - £2.80). During the year no interim dividends were paid (1998 - nil).

Financial Services Act

The company is a member of the Investment Management Regulatory Organisation and of the Personal Investment Authority.

Directors and their Interests

The directors listed on page 2 held office throughout the year. In addition Messrs J B Bateup, FIA and G A Slater, BA LLB, held office throughout the year but retired from the board on 29 and 31 December respectively.

Mr L M Etheridge retires by rotation and, being eligible, offers himself for re-election.

No director held shares beneficially in the company.

Statement of Directors' Responsibilities

Company law requires the directors to be responsible for the preparation of accounts for each financial year which give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing those accounts the directors are required to

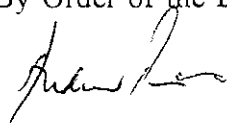
- . select suitable accounting policies and then apply them consistently;
- . make judgements and estimates that are reasonable and prudent;
- . state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- . prepare the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

The directors are responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

Auditors

Fraser Russell have signified their willingness to continue in office as auditors and resolutions concerning their re-appointment and remuneration will be proposed at the Annual General Meeting.

By Order of the Board



A PRIOR
Secretary

23 March 2000

AUDITORS' REPORT TO THE SHAREHOLDERS OF
RELIANCE UNIT MANAGERS LIMITED

We have audited the accounts of the company on pages 5 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 3 the company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.


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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and 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 consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

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


FRASER RUSSELL
Chartered Accountants
and Registered Auditors

23 March 2000

4 London Wall Buildings
Blomfield Street
London EC2M 5UQ

RELIANCE UNIT MANAGERS LIMITED

Profit & Loss Account for the year ended 31st December 1999

	NOTE	1999 £	1998 £
TRADING PROFIT			
Turnover	2	9,675,653	98,425,685
Cost of sales		8,830,591	97,635,279
Gross profit		845,062	790,406
Administrative expenses		236,940	181,154
Operating profit		608,122	609,252
OTHER INCOME			
Other operating income	4	1,258	1,570
Other interest receivable	5	37,323	10,474
Profit on ordinary activities before taxation		646,703	621,296
Tax on profit on ordinary activities	6	195,240	192,105
Profit on ordinary activities after taxation		451,463	429,191
Final Dividend proposed		750,000	140,000
Retained profit for the year		(298,537)	289,191
Retained profits brought forward		348,073	58,882
Retained profits carried forward		49,536	348,073

There are no recognised gains or losses other than those stated above.

Turnover and operating profit derive from continuing activities.

RELIANCE UNIT MANAGERS LIMITED

Balance Sheet at 31st December 1999

	NOTE	1999 £	1998 £
CURRENT ASSETS			
Manager's stock of units	7	33,205	30,795
Debtors	8	215,482	167,216
Short-term deposits		867,546	544,701
		<u>1,116,233</u>	<u>742,712</u>
CREDITORS			
Amounts falling due within one year	9	1,016,697	344,639
		<u> </u>	<u> </u>
Total assets less current liabilities		<u>99,536</u>	<u>398,073</u>
CAPITAL AND RESERVES			
Called up share capital	10	50,000	50,000
Profit and loss account		49,536	348,073
		<u> </u>	<u> </u>
SHAREHOLDERS FUNDS	11	<u>99,536</u>	<u>398,073</u>

Approved by the Board on 23 March 2000

L.M. ETHERIDGE

Director

P.E. OLDHAM

Director

RELIANCE UNIT MANAGERS LIMITED

Notes to the Accounts for the year ended 31st December 1999

1 ACCOUNTING POLICIES

(a) Accounting convention.

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(b) Cash flow statement.

Financial Reporting Standard 1 does not require a company to prepare a cash flow statement if consolidated financial statements including the company are publicly available. The company is included within the consolidated accounts of Reliance Mutual Insurance Society Limited and accordingly a cash flow statement has not been produced.

(c) Manager's stock of units

These units are shown at the lower of cost or bid price on the balance sheet date.

2 ANALYSIS OF TURNOVER AND OPERATING PROFIT

	1999		1998	
	Turnover £	Attributable operating profit £	Turnover £	Attributable operating profit £
Trading in units	6,989,228	9,313	96,499,296	(4,206)
Management participation	2,686,425	827,742	1,926,389	786,876
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	9,675,653	837,055	98,425,685	782,670
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3 DIRECTORS AND EMPLOYEES

All staff are employed by the parent undertaking. Management charges levied on units owned by other group companies are rebated to those Companies in lieu of management services received in excess of amounts specifically charged. Directors' and audit fees are paid by the parent undertaking and are reflected in the overall contribution for management expenses.

	1999 £	1998 £
4 OTHER OPERATING INCOME		
Net distributions received on Manager's stock of units	1,258	1,570
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5 OTHER INTEREST RECEIVABLE		
Income from bank and other short-term deposits	37,323	10,474
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6 TAX ON PROFIT ON ORDINARY ACTIVITIES		
UK tax at 30.25% (1998: 31.0%) on profits during the year	195,240	192,105
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7 MANAGER'S STOCK OF UNITS		
At cost price	33,205	30,795
At bid price	33,814	32,437
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8 DEBTORS		
Accrued income	209,892	164,096
Other debtors	5,590	3,120
	-----	-----
	215,482	167,216
	-----	-----
9 CREDITORS		
Due within one year:		
Owed to parent undertaking	67,834	5,824
Corporation tax payable	195,240	192,105
Other creditors	3,623	3,216
Dividend payable	750,000	140,000
Bank overdraft	-	3,494
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	1,016,697	344,639
	-----	-----

	1999 £	1998 £
10 SHARE CAPITAL		
Authorised	100,000	100,000
Issued, called up and fully paid	50,000	50,000
	-----	-----
11 SHAREHOLDER'S FUNDS		
Opening shareholders funds	398,073	108,882
Profit after taxation	451,463	429,191
Dividends proposed	(750,000)	(140,000)
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Closing shareholders funds	99,536	398,073
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12 CONTINGENCIES AND COMMITMENTS

There were no contingent liabilities or capital commitments at 31st December 1999 or 1998.

13 TRANSACTIONS WITH RELATED PARTIES

The Company entered into no material transactions with related parties other than the parent undertaking and other group undertakings. Advantage has been taken of the exemption given by Financial Reporting Standard 8 whereby the disclosure of transactions with group undertakings has not been made as the company is included within the consolidated accounts of Reliance Mutual Insurance Society Limited.

14 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a wholly-owned subsidiary of Reliance Mutual Insurance Society Limited which is registered in Great Britain.