

**RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
Company Number: 01612921
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2000**



RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31st May 2000.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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.

PRINCIPAL BUSINESS

The Group's principal business is the development, sale and subsequent management of 'Very Sheltered Housing'.

RESULTS AND DIVIDENDS

The Group made a profit before tax for the year of £52,623 (1999: Profit £9,906). This reflects the results arising from development consultancy fees together with the management fees and subsequent transfer premiums arising from the completed developments.

The Directors do not recommend a dividend (1999: NIL).

FUTURE DEVELOPMENTS

In view of the difficult trading results of earlier years it is anticipated that the involvement of the Group in the development of further Very Sheltered Housing will mainly focus on consultancy and management supervision.

The concept of Very Sheltered Housing still has much to offer the welfare of frail elderly people. Our established developments and the lessons we have learnt, and are learning, in design and management place us in a unique position in this sector to still be a major influence in the market.

DIRECTORS

The Directors of the Company who served during the period to 31st May 2000 were as follows:

R Bessell	- Chairman
Mrs I Bulman	- Deputy Chairman
T P Duckmanton	- Executive
I C McAllester	- Non-executive
M J Heap	- Executive

The Directors retiring by rotation are R Bessell and T P Duckmanton who, being eligible, offer themselves for re-election.

R Bessell, as Managing Director of the Company has a service agreement from 13th September 1988 as amended by a Deed of Variation dated 23rd December 1994 for a period up to 7th April 2000 and thereafter subject to six months notice on either side.

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
DIRECTORS' REPORT

DIRECTORS' INTEREST IN SHARES

The Directors in office on 31st May 2000 had the following beneficial and non-beneficial interests in the 10p Ordinary Shares of the Company:

	<u>Number of Ordinary Shares</u>			
	<u>31st May 2000</u>		<u>31st May 1999</u>	
	<u>Beneficial</u>	<u>Non-beneficial</u>	<u>Beneficial</u>	<u>Non-beneficial</u>
R Bessell	55,178	32,068	51,587	30,632
Mrs I Bulman	8,670	8,670	8,570	8,570
T P Duckmanton	6,249	-	6,190	-
I C McAllester	27,382	18,760	27,377	18,750
M J Heap	-	-	-	-

Directors' share options

Under the provisions of the share option agreements options have been granted to the following directors

R Bessell	)	250,000	(Refer Note 17(i))
	)	150,000	(Refer Note 17(ii))
T P Duckmanton		50,000	(Refer Note 17(i))
M J Heap		50,000	(Refer Note 17(iii))

FIXED ASSETS

Details of the movements in fixed assets during the year are shown in Note 10 to the financial statements.

AUDITORS

In accordance with Section 385 of the Companies Act 1985 a resolution confirming the appointment of R Gravestock & Co as auditors to the Company will be put to the Annual General Meeting.

By Order of the Board



T P DUCKMANTON

Secretary

30th October 2000

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES

AUDITORS' REPORT
TO THE SHAREHOLDERS OF RETIREMENT SECURITY LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with 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 judgments 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 and the Group as at 31st May 2000 and of the profit and cash flow of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

12 Payton Street

Stratford upon Avon

30th October 2000


R GRAVESTOCK & CO

Registered Auditor

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MAY 2000

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
TURNOVER	2	777,615	555,617
Cost of sales		80,518	14,042
GROSS PROFIT		697,097	541,575
Operating expenses		637,749	520,913
OPERATING PROFIT	3	59,348	20,662
Interest receivable	5	1,819	1,727
Interest payable	6	(8,544)	(12,483)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		52,623	9,906
Tax on profit on ordinary activities	7	(3)	17
		52,626	9,889
Exceptional items	8	-	37,330
PROFIT FOR THE FINANCIAL PERIOD		52,626	47,219
Dividend	9	-	-
RETAINED PROFIT TRANSFERRED TO RESERVES	18	52,626	47,219

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Group has no recognised gains or losses other than the profit for the year ended 31st May 1999 and the profit for the year ended 31st May 2000.

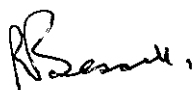
The notes on pages 8 to 15 form an integral part of these financial statements.

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
BALANCE SHEETS AT 31ST MAY 2000

		<u>Group</u>		<u>Company</u>	
	<u>Notes</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
FIXED ASSETS					
Tangible assets	10	97,911	92,605	97,911	92,605
Investments	12	-	-	200	200
		<u>97,911</u>	<u>92,605</u>	<u>98,111</u>	<u>92,805</u>
CURRENT ASSETS					
Debtors	13	175,569	166,564	169,276	158,369
Cash at bank and in hand		68,241	5,133	68,135	4,962
		<u>243,810</u>	<u>171,697</u>	<u>237,411</u>	<u>163,331</u>
CREDITORS:					
Amounts falling due within one year	14	194,512	163,302	214,079	189,209
NET CURRENT ASSETS (LIABILITIES)		<u>49,298</u>	<u>8,395</u>	<u>23,332</u>	<u>(25,878)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		147,209	101,000	121,443	66,927
CREDITORS:					
Amounts falling due after more than one year	15	18,694	25,111	18,694	25,111
		<u>128,515</u>	<u>75,889</u>	<u>102,749</u>	<u>41,816</u>
CAPITAL AND RESERVES					
Called-up share capital	17	189,631	189,631	189,631	189,631
Reserves	18	(61,116)	(113,742)	(86,882)	(147,815)
Shareholders' funds	19	<u>128,515</u>	<u>75,889</u>	<u>102,749</u>	<u>41,816</u>

Approved by the Board of Directors on 30th October 2000 and signed on its behalf.

R Bessell



T P Duckmanton



Directors

The notes on pages 8 to 15 form an integral part of these financial statements.

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY 2000

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	1	113,127	999
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	1,819	1,727	
Interest paid	(8,544)	(12,483)	
NET CASH INFLOW (OUTFLOW) ON INVESTMENTS AND SERVICING OF FINANCE		(6,725)	(10,756)
TAX			
Corporation Tax		3	(17)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets	(49,361)	(33,037)	
Receipts from sales of tangible fixed assets	11,100	13,202	
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(38,261)	(19,835)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		68,144	(29,609)
FINANCING			
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	2	(5,036)	(35,381)
INCREASE (DECREASE) IN CASH		63,108	(64,990)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	3		
Increase/(decrease) in cash in the year		63,108	(64,990)
Cash outflow from decrease in debt financing		508	22,000
Net debt at 1st June 1999		63,616 (53,375)	(42,990) (10,385)
NET FUNDS/(DEBT) AT 31ST MAY 2000		10,241	(53,375)

The notes on page 7 form an integral part of this financial statement.

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE CASH FLOW STATEMENT

	<u>2000</u>	<u>1999</u>
1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
OPERATING PROFIT	59,348	20,662
Depreciation	28,457	28,575
Loss/(Profit) on disposal of tangible fixed assets	4,498	2,855
Exceptional items*	-	37,330
(Increase) decrease in debtors	(9,005)	(27,505)
Increase (decrease) in creditors	29,829	(60,918)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<u>113,127</u>	<u>999</u>

*Exceptional items relate to the release of provisions made prior to 31st May 1992 no longer required.

2 FINANCING	<u>2000</u>	<u>1999</u>
Repayment of other secured loans	(20,508)	(60,000)
Capital element of hire purchase agreements:-		
New hire purchase agreements	31,000	22,500
Repayment of hire purchase agreements	(35,528)	(35,881)
Receipt of unsecured loan	20,000	38,000
	<u>(5,036)</u>	<u>(35,381)</u>

3 ANALYSIS OF FUNDS/(NET DEBT)

	<u>1st June 1999</u>	<u>Cash flows</u>	<u>Other non-cash changes</u>	<u>31st May 2000</u>
Cash at bank and in hand	5,133	63,108	-	68,241
Bank overdraft	-	-	-	-
	<u>5,133</u>	<u>63,108</u>	<u>-</u>	<u>68,241</u>
Other loans due within one year	(58,508)	508	-	(58,000)
Other loans due after one year	-	-	-	-
Total	<u>(53,375)</u>	<u>63,616</u>	<u>-</u>	<u>10,241</u>

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2000

1 ACCOUNTING POLICIES

a) Accounting convention

The Financial Statements have been prepared under the historical cost convention.

b) Basis of consolidation

The Group accounts incorporate the accounts of Retirement Security Limited and its subsidiaries to 31st May 2000.

c) Tangible fixed assets

Tangible fixed assets owned or held under hire purchase agreements are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost less the estimated residual value of tangible fixed assets in equal annual instalments over their estimated useful lives at the following rates:

Leasehold properties:	Over the period of the lease
Fixtures and fittings:	15% per annum
Motor vehicles:	25% per annum

d) Deferred taxation

Provision is made for deferred taxation, using the liability method, only where it is considered that this liability may become payable in the foreseeable future. Advance Corporation Tax paid and payable is either deducted from Corporation Tax liabilities, where set off is expected to be available in the next twelve months, or it is deducted from available deferred taxation for carry forward.

2 TURNOVER

Turnover mainly represents the income receivable in respect of development consultancy fees, management fees and transfer premiums on resold properties

3 OPERATING PROFIT

	<u>2000</u>	<u>1999</u>
Operating profit is stated after charging/(crediting):		
Auditors' remuneration	5,670	5,075
Hire of assets - operating leases	2,989	2,782
Depreciation	28,457	28,575
Directors' remuneration	177,568	142,267
Consultancy fees from developments	(70,000)	(94,000)
Management fees	(263,604)	(224,739)
Transfer premiums	(379,706)	(235,505)
Rents receivable	(1,305)	(1,372)

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2000

4 DIRECTORS' EMOLUMENTS AND STAFF COSTS

2000

1999

Directors' emoluments, excluding pension scheme contributions, were as follows:

The Chairman and highest paid director

65,674

59,819

Number

Number

Other Directors:

£5,000 - £10,000

2

2

£15,000 - £20,000

-

1

£45,000 - £50,000

-

1

£50,000 - £55,000

2

-

The details of directors' salaries and other remuneration are as follows:-

	<u>Salary/ Fee</u>	<u>Profit related pay</u>	<u>Bonus</u>	<u>Benefits</u>	<u>Total</u>	<u>Pension scheme contributions</u>	<u>Total including Pension scheme contributions</u>
R Bessell	56,233	1,097	1,908	6,436	65,674	-	65,674
T P Duckmanton	41,969	818	-	4,068	46,855	4,197	51,052
M J Heap	42,198	823	-	3,261	46,282	4,220	50,502
Mrs I C Bulman	5,170	-	-	-	5,170	-	5,170
I C McAllester	5,170	-	-	-	5,170	-	5,170
	<u>150,740</u>	<u>2,738</u>	<u>1,908</u>	<u>13,765</u>	<u>169,151</u>	<u>8,417</u>	<u>177,568</u>

2000

1999

Number

Number

The average number of employees, including directors, during the year

16

15

The aggregate payroll costs of these persons were as follows:

Salaries	339,606	286,940
Social security costs	32,097	26,610
Other pension costs	22,136	22,078
	<u>393,839</u>	<u>335,628</u>

The Company operates a defined contribution pension scheme. The charge shown above represents the Company's contributions payable to the pension scheme in respect of the financial year.

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2000

5 INTEREST RECEIVABLE	<u>2000</u>	<u>1999</u>
Bank interest receivable	<u>1,819</u>	<u>1,727</u>
6 INTEREST PAYABLE		
Interest payable on secured loan repayable within five years by instalments	413	5,246
Interest payable on hire purchase agreements repayable within five years by instalments	7,795	7,120
Bank overdraft	<u>336</u>	<u>117</u>
	<u>8,544</u>	<u>12,483</u>
7 TAX ON PROFIT ON ORDINARY ACTIVITIES		
U K Corporation Tax at the small companies rate applicable	-	17
Adjustments in respect of earlier years	(3)	-
Deferred	-	-
Irrecoverable Advance Corporation Tax	-	-
	<u>(3)</u>	<u>17</u>
8 EXCEPTIONAL ITEMS		
This is represented by the release of provisions made prior to 31st May 1992 no longer required	<u>-</u>	<u>37,330</u>
9 DIVIDEND		
Proposed dividend of £Nil per share (1999: £Nil)	<u>-</u>	<u>-</u>

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2000

10 TANGIBLE FIXED ASSETS

	<u>Group and Company</u>			
	<u>Leasehold property</u>	<u>Fixtures and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
<u>Cost</u>				
At 1st June 1999	11,620	43,707	121,425	176,752
Additions	-	13,721	35,640	49,361
Disposals	-	(2,625)	(26,450)	(29,075)
At 31st May 2000	<u>11,620</u>	<u>54,803</u>	<u>130,615</u>	<u>197,038</u>
<u>Depreciation</u>				
At 1st June 1999	9,074	29,466	45,607	84,147
Disposals	-	(2,612)	(10,865)	(13,477)
Charge for year	430	5,783	22,244	28,457
At 31st May 2000	<u>9,504</u>	<u>32,637</u>	<u>56,986</u>	<u>99,127</u>
<u>Net book value</u>				
At 31st May 2000	<u>2,116</u>	<u>22,166</u>	<u>73,629</u>	<u>97,911</u>
At 31st May 1999	<u>2,546</u>	<u>14,241</u>	<u>75,818</u>	<u>92,605</u>

Included in the net book value of motor vehicles is £73,627 (1999: £73,434) in respect of assets held under hire purchase agreements. Depreciation charged on these assets during the year was £17,658 (1999: £18,775).

11 OBLIGATIONS UNDER OPERATING LEASES

	<u>2000</u>		<u>1999</u>	
	<u>Group and Company</u>		<u>Group and Company</u>	
	<u>Land and Buildings</u>	<u>Equipment</u>	<u>Land and Buildings</u>	<u>Equipment</u>
Annual commitment under operating leases which expire:				
Within one year	-	373	-	373
In the second to fifth year inclusive	13,750	2,616	4,500	2,616
After five years	5,500	-	17,500	-
	<u>21,250</u>	<u>2,989</u>	<u>22,000</u>	<u>2,989</u>

The Company is actively seeking to terminate its commitment in respect of those outstanding leases where the property is no longer occupied or used for the benefit of the Company.

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2000

12 INVESTMENTS

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Investment in subsidiaries	-	-	200	200

Shares in subsidiary companies at cost

The Company owns 100% of the issued share capital of Retirement Security (Milton Keynes) Limited and Retirement Security (Reading) Limited. Both companies are incorporated and operate in the United Kingdom and their principal activity is the development of 'Very Sheltered Housing'.

13 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Leasehold property – short term investment	-	47,383	-	47,383
Trade debtors	129,018	80,170	129,018	80,170
Amount due from subsidiary companies*	-	-	3,465	1,805
Other debtors**	28,793	24,559	19,035	14,559
Prepayments and accrued income	17,758	14,452	17,758	14,452
	<u>175,569</u>	<u>166,564</u>	<u>169,276</u>	<u>158,369</u>

* The Company has agreed that repayment of the amounts due from subsidiary companies be postponed for an indefinite period. It is therefore probable that repayment will take place after more than one year.

** Other debtors includes £9,750 (1999: £10,000) in respect of balances due on shared equity sales secured by legal charges in favour of the Company. All outstanding balances have been realised since the year end.

14 CREDITORS

Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Loans (Unsecured)*	58,000	38,000	58,000	38,000
Other loans (secured)**	-	20,508	-	20,508
Trade creditors	12,298	8,218	12,298	8,218
Corporation Tax	-	17	-	17
Other taxes and social security	10,543	8,440	10,543	8,440
Accruals and deferred income	85,949	62,286	86,096	62,436
Amount due to subsidiary companies	-	-	19,420	25,757
Hire purchase agreements	27,722	25,833	27,722	25,833
	<u>194,512</u>	<u>163,302</u>	<u>214,079</u>	<u>189,209</u>

* See Note 20

** The security for other loans was by way of fixed and floating charges on certain assets of the Group. Final settlement repayment was made in September 1999.

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2000

15 CREDITORS

Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Hire purchase	18,694	25,111	18,694	25,111
	<u>18,694</u>	<u>25,111</u>	<u>18,694</u>	<u>25,111</u>
Between one and five years	<u>18,694</u>	<u>25,111</u>	<u>18,694</u>	<u>25,111</u>

16 DEFERRED TAXATION

No provision is considered necessary at 31st May 2000 in view of unrelieved losses carried forward.

17 CALLED-UP SHARE CAPITAL

	<u>2000</u>	<u>1999</u>
Authorised:		
2,346,463 Ordinary Shares of 10p each	234,646	234,646
493,537 Convertible Preference Shares of 10p each	49,354	49,354
	<u>284,000</u>	<u>284,000</u>
Allotted, called-up and fully paid:		
1,402,773 Ordinary Shares of 10p each	140,277	140,277
493,537 Convertible Preference Shares of 10p each	49,354	49,354
	<u>189,631</u>	<u>189,631</u>

Options

- i) Options for 300,000 10p Ordinary Shares were granted on 1st January 1995 exercisable at 50p per Ordinary Share on or after 1st January 2002 but no later than 1st January 2005.
- ii) Options for 150,000 10p Ordinary Shares were granted on 31st May 1999 exercisable at 50p per Ordinary Share on or after 31st May 2005 but no later than 31st May 2008.
- iii) Options for 50,000 10p Ordinary Shares were granted on 1st February 2000 exercisable at 50p per Ordinary Share on or after 1st February 2007 but no later than 1st February 2010.

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2000

18 RESERVES

Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Special Reserve (i)	22,412	22,412	22,412	22,412
Profit and Loss Account (ii)	(83,528)	(136,154)	(109,294)	(170,227)
	<u>(61,116)</u>	<u>(113,742)</u>	<u>(86,882)</u>	<u>(147,815)</u>
(i) Special Reserve				
At 31st May 1999	22,412	9,043,529	22,412	9,043,529
Transfer from Profit and Loss Account (Note 18(ii))	-	-	-	-
Transfer to Profit and Loss Account (Note 18(ii))	-	(9,021,117)*	-	(9,021,117)*
Balance at 31st May 2000	<u>22,412</u>	<u>22,412</u>	<u>22,412</u>	<u>22,412</u>

Until such time as all debts and claims which existed against the Company at the effective date of the scheme of capital reduction (24th March 1995) have been extinguished the balance on Special Reserve should not be treated as representing realised profits of the Company. The Special Reserve is therefore to be treated as an undistributable reserve of the Company.

An amount equal to the profits from any transfer premiums received after 24th March 1995 on developments completed prior to 24th March 1995 is to be transferred each year from the Profit and Loss Account to the Special Reserve. In the year ended 31st May 2000 no transfer is necessary as costs allocated against relevant transfer premiums received exceeds the relevant income.

*To clarify the position regarding distributable reserves the Company has obtained Counsel's opinion on the Special Reserve which arose from the scheme of Capital Reduction in 1995. As a result of this opinion the value of the Special Reserve and Profit and Loss Account have now been restated by way of a prior year adjustment in the year ended 31st May 1999. The balance on the Special Reserve, as restated, now reflects the deficit on the Company's Profit and Loss Account at 31st May 1995 after taking into account reductions in those losses allowed by the scheme of capital reduction.

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
(ii) Profit and Loss Account				
Accumulated losses at 31st May 1999	(136,154)	(9,204,490)	(170,227)	(9,229,449)
Transfer to Special Reserve (Note 18(i))	-	-	-	-
Transfer from Special Reserve (Note 18(i))	-	9,021,117*	-	9,021,117*
Retained profit for the year	<u>52,626</u>	<u>47,219</u>	<u>60,933</u>	<u>38,105</u>
Accumulated losses at 31st May 2000	<u>(83,528)</u>	<u>(136,154)</u>	<u>(109,294)</u>	<u>(170,227)</u>

Retirement Security Limited has not presented its own Profit and Loss Account as permitted by Section 230 of the Companies Act 1985. The amount of the consolidated profit for the financial year dealt with in the accounts of the holding company was £60,933 (1999 profit £38,105).

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2000

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Profit attributable to members of the Company	52,626	47,219	60,933	38,105
Opening shareholders' funds	75,889	28,670	41,816	3,711
Closing shareholders' funds	<u>128,515</u>	<u>75,889</u>	<u>102,749</u>	<u>41,816</u>
Represented by:				
Equity interests	128,515	75,889	102,749	41,816
Non-equity interests	-	-	-	-
	<u>128,515</u>	<u>75,889</u>	<u>102,749</u>	<u>41,816</u>

20 TRANSACTIONS WITH DIRECTORS

During the financial year the Company received an additional unsecured loan of £20,000 from R Bessell, the Chairman of the Company. At the Balance Sheet date the amount outstanding on the loan, which is interest free and repayable on demand, was £58,000. This amount was repaid on 4th July 2000.

21 COMPANY'S REGISTERED NUMBER

The Company's registered number is 01612921.