

**RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES**

Company Number: 01612921

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2001



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RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2001

INDEX

(a)	Chairman's Statement
1 - 2	Directors' Report
3	Auditors' Report
4	Consolidated Profit and Loss Account
	Statement of Total Recognised Gains and Losses
5	Balance Sheets - Group and Company
6	Consolidated Cash Flow Statement
7	Notes to the Cash Flow Statement
8 - 15	Notes to the Financial Statements

- (a) -

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES

Chairman's Statement

At first sight, the overall profit of £6,921 suggests a reduction in the general profitability of the Company compared with previous years, but there were a number of special factors which disguise the fact that the fundamentals of the business continued to show improvement which we expect to come through in significant extra profits in future years.

First, the one off purchase and resale of a property at Boat Lane Court in 2000 added £12,000 to the net profit for that year and £60,000 to the turnover, meaning that the company's turnover actually increased year on year. Secondly, the receipt of Consultancy Fees is very uneven and a significant part of the consultancy fees originally expected in the current year will be received in 2002.

The most important features of the company's performance are within Notes 3 and 4 of the accounts. The income generated from the two core activities of management and transfer resales premiums increased. The increase in payroll costs largely stemmed from the appointment of new staff in anticipation of the increased activities of the Company in future years.

The financial year to May 2001 saw the beginning of the process of enabling most of the institutional shareholders who had acquired their shares in 1993 to realise their investment and I have to express our thanks for their support through the most difficult years.

It is a triumph that the end result in October 2001 is that a majority of the shares have been bought by the leaseholders of the properties for which Retirement Security Limited acts as managing agents, in conjunction with the executive directors of the company. It is those 350 new shareholders who will be receiving our accounts for the first time.

In some sense this is the completion of the cooperative principle which has always been the basis of our vision of Very Sheltered Housing but I also believe that it marks the beginning of a new phase which will demonstrate how much more can be done to enhance the quality of life for older people.

R BESSELL
Chairman

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31st May 2001.

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 £6,921 (2000: Profit £52,623). 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 (2000: NIL).

FUTURE DEVELOPMENTS

For the time being it is expected that the Group will continue to focus on consultancy and management supervision, however, as finances improve there may be opportunities to consider participation in further development.

The concept of Very Sheltered Housing still has much to offer the welfare of frail elderly people. The 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 2001 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 I C McAllester and Mrs I Bulman.

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 2001 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 2001</u>		<u>31st May 2000</u>	
	<u>Beneficial</u>	<u>Non-beneficial</u>	<u>Beneficial</u>	<u>Non-beneficial</u>
R Bessell	55,178	32,068	55,178	32,068
Mrs I Bulman	8,770	8,770	8,670	8,670
T P Duckmanton	6,249	-	6,249	-
I C McAllester	28,292	19,385	27,382	18,760
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 16(i))
	)	150,000	(Refer Note 16(ii))
T P Duckmanton		50,000	(Refer Note 16(i))
M J Heap		50,000	(Refer Note 16(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 Cooper Adams, incorporating 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

24th October 2001

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES

REPORT OF THE INDEPENDENT AUDITOR

TO THE SHAREHOLDERS OF RETIREMENT SECURITY LIMITED

We have audited the financial statements of Retirement Security Limited for the year ended 31st May 2001 on pages four to fifteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page eight.

Respective responsibilities of directors and auditors

As described on page one the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31st May 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Cooper Adams

12 Payton Street

Stratford upon Avon

24th October 2001

COOPER ADAMS

Chartered Accountants

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MAY 2001

	<u>Notes</u>	<u>2001</u>	<u>2000</u>
TURNOVER	2	739,260	777,615
Cost of sales		29,677	80,518
GROSS PROFIT		709,583	697,097
Operating expenses		700,121	637,749
OPERATING PROFIT	3	9,462	59,348
Interest receivable	5	3,199	1,819
Interest payable	6	(5,740)	(8,544)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,921	52,623
Tax on profit on ordinary activities	7	-	(3)
PROFIT FOR THE FINANCIAL PERIOD		6,921	52,626
Dividend	8	-	-
RETAINED PROFIT TRANSFERRED TO RESERVES	17	6,921	52,626

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 2000 and the profit for the year ended 31st May 2001.

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 2001

		<u>Group</u>		<u>Company</u>	
	<u>Notes</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
FIXED ASSETS					
Tangible assets	9	79,747	97,911	79,747	97,911
Investments	11	-	-	200	200
		<u>79,747</u>	<u>97,911</u>	<u>79,947</u>	<u>98,111</u>
CURRENT ASSETS					
Debtors	12	134,487	175,569	140,913	169,276
Cash at bank and in hand		18,730	68,241	18,664	68,135
		<u>153,217</u>	<u>243,810</u>	<u>159,577</u>	<u>237,411</u>
CREDITORS:					
Amounts falling due within one year	13	93,667	194,512	117,724	214,079
NET CURRENT ASSETS		<u>59,550</u>	<u>49,298</u>	<u>41,853</u>	<u>23,332</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		139,297	147,209	121,800	121,443
CREDITORS:					
Amounts falling due after more than one year	14	3,861	18,694	3,861	18,694
		<u>135,436</u>	<u>128,515</u>	<u>117,939</u>	<u>102,749</u>
CAPITAL AND RESERVES					
Called-up share capital	16	189,631	189,631	189,631	189,631
Reserves	17	(54,195)	(61,116)	(71,692)	(86,882)
Shareholders' funds	18	<u>135,436</u>	<u>128,515</u>	<u>117,939</u>	<u>102,749</u>

Approved by the Board of Directors on 24th October 2001 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 2001

	<u>Notes</u>	<u>2001</u>	<u>2000</u>
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	1	48,243	113,127
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	3,199	1,819	
Interest paid	(5,740)	(8,544)	
NET CASH INFLOW (OUTFLOW) ON INVESTMENTS AND SERVICING OF FINANCE		(2,541)	(6,725)
TAX			
Corporation Tax		-	3
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets	(9,491)	(49,361)	
Receipts from sales of tangible fixed assets	-	11,100	
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(9,491)	(38,261)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		36,211	68,144
FINANCING			
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	2	(85,722)	(5,036)
INCREASE (DECREASE) IN CASH		(49,511)	63,108
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)	3		
Increase/(decrease) in cash in the year		(49,511)	63,108
Cash outflow from decrease in debt financing		58,000	508
Net funds/(debt) at 1st June 2000		8,489 10,241	63,616 (53,375)
NET FUNDS AT 31ST MAY 2001		18,730	10,241

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>2001</u>	<u>2000</u>		
1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES				
OPERATING PROFIT	9,462	59,348		
Depreciation	27,624	28,457		
Loss/(Profit) on disposal of tangible fixed assets	31	4,498		
(Increase) decrease in debtors	41,082	(9,005)		
Increase (decrease) in creditors	(29,956)	29,829		
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	48,243	113,127		
2 FINANCING				
	<u>2001</u>	<u>2000</u>		
Repayment of other secured loans	-	(20,508)		
Capital element of hire purchase agreements:-				
New hire purchase agreements	-	31,000		
Repayment of hire purchase agreements	(27,722)	(35,528)		
(Repayment)/Receipt of unsecured loan	(58,000)	20,000		
	(85,722)	(5,036)		
3 ANALYSIS OF FUNDS/(NET DEBT)				
	1st June 2000	Cash flows	Other non-cash changes	31st May 2001
Cash at bank and in hand	68,241	(49,511)	-	18,730
Other loans due within one year	(58,000)	58,000	-	-
Total	10,241	8,489	-	18,730

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2001

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 2001.

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 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>2001</u>	<u>2000</u>
Operating profit is stated after charging/(crediting):		
Auditors' remuneration	5,800	5,670
Hire of assets - operating leases	3,177	2,989
Depreciation	27,624	28,457
Directors' remuneration	184,473	177,568
Consultancy fees from developments	(37,189)	(70,000)
Management fees	(307,892)	(263,604)
Transfer premiums	(392,628)	(379,706)
Rents receivable	(1,551)	(1,305)
	<u> </u>	<u> </u>

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2001

4 DIRECTORS' EMOLUMENTS AND STAFF COSTS **2001** **2000**

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

The Chairman and highest paid director 62,572 65,674

	<u>Number</u>	<u>Number</u>
Other Directors:		
£5,000 - £10,000	2	2
£45,000 - £50,000	1	2
£50,000 - £55,000	1	-

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

	<u>Salary/ Fee</u>	<u>Bonus</u>	<u>Benefits</u>	<u>Total</u>	<u>Pension scheme contributions</u>	<u>Total including Pension scheme contributions</u>
R Bessell	56,748	407	5,417	62,572	5,675	68,247
T P Duckmanton	42,354	95	4,275	46,724	4,235	50,959
M J Heap	46,788	105	3,261	50,154	4,679	54,833
Mrs I C Bulman	5,217	-	-	5,217	-	5,217
I C McAllester	5,217	-	-	5,217	-	5,217
	<u>156,324</u>	<u>607</u>	<u>12,953</u>	<u>169,884</u>	<u>14,589</u>	<u>184,473</u>

	<u>2001</u>	<u>2000</u>
	<u>Number</u>	<u>Number</u>
The average number of employees, including directors, during the year	<u>17</u>	<u>16</u>

The aggregate payroll costs of these persons were as follows:

Salaries	372,758	339,606
Social security costs	36,850	32,097
Other pension costs	26,632	22,136
	<u>436,240</u>	<u>393,839</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 2001

5	INTEREST RECEIVABLE	<u>2001</u>	<u>2000</u>
	Bank interest receivable	3,191	1,819
	Income from listed investments	8	-
		<u>3,199</u>	<u>1,819</u>
6	INTEREST PAYABLE		
	Interest payable on secured loan repayable within five years by instalments	-	413
	Interest payable on hire purchase agreements repayable within five years by instalments	5,740	7,795
	Bank overdraft	-	336
		<u>5,740</u>	<u>8,544</u>
7	TAX ON PROFIT ON ORDINARY ACTIVITIES		
	U K Corporation Tax at the small companies rate applicable	-	-
	Adjustments in respect of earlier years	-	(3)
	Deferred	-	-
		<u>-</u>	<u>(3)</u>
8	DIVIDEND		
	Proposed dividend of £Nil per share (2000: £Nil)	-	-

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2001

9 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 2000	11,620	54,803	130,615	197,038
Additions	-	9,491	-	9,491
Disposals	-	(2,745)	-	(2,745)
At 31st May 2001	<u>11,620</u>	<u>61,549</u>	<u>130,615</u>	<u>203,784</u>
<u>Depreciation</u>				
At 1st June 2000	9,504	32,637	56,986	99,127
Disposals	-	(2,714)	-	(2,714)
Charge for year	430	6,861	20,333	27,624
At 31st May 2001	<u>9,934</u>	<u>36,784</u>	<u>77,319</u>	<u>124,037</u>
<u>Net book value</u>				
At 31st May 2001	<u>1,686</u>	<u>24,765</u>	<u>53,296</u>	<u>79,747</u>
At 31st May 2000	<u>2,116</u>	<u>22,166</u>	<u>73,629</u>	<u>97,911</u>

Included in the net book value of motor vehicles is £49,018 (2000: £73,627) in respect of assets held under hire purchase agreements. Depreciation charged on these assets during the year was £12,383 (2000: £17,658).

10 OBLIGATIONS UNDER OPERATING LEASES

	<u>2001</u>		<u>2000</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	3,750	-	-	373
In the second to fifth year inclusive	13,750	2,616	18,250	2,616
After five years	5,500	616	5,500	-
	<u>23,000</u>	<u>3,232</u>	<u>23,750</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 2001

11 INVESTMENTS

	<u>Group</u>		<u>Company</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</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'.

12 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Trade debtors	74,664	129,018	74,664	129,018
Amount due from subsidiary companies*	-	-	6,434	3,465
Other debtors**	42,207	28,793	42,199	19,035
Prepayments and accrued income	17,234	17,758	17,234	17,758
Listed investments – short term investment***	382	-	382	-
	<u>134,487</u>	<u>175,569</u>	<u>140,913</u>	<u>169,276</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 £Nil (2000: £9,750) in respect of balances due on shared equity sales secured by legal charges in favour of the Company.

*** The market value of listed investments at 31st May 2001 was £359 (2000: £Nil).

13 CREDITORS

Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Loans (Unsecured)*	-	58,000	-	58,000
Trade creditors	6,065	12,298	6,065	12,298
Corporation Tax	-	-	-	-
Other taxes and social security	9,781	10,543	9,781	10,543
Accruals and deferred income	62,988	85,949	63,188	86,096
Amount due to subsidiary companies	-	-	23,857	19,420
Hire purchase agreements	14,833	27,722	14,833	27,722
	<u>93,667</u>	<u>194,512</u>	<u>117,724</u>	<u>214,079</u>

* See Note 19

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2001

14 CREDITORS

Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Hire purchase	3,861	18,694	3,861	18,694
	<u>3,861</u>	<u>18,694</u>	<u>3,861</u>	<u>18,694</u>
Between one and five years	<u>3,861</u>	<u>18,694</u>	<u>3,861</u>	<u>18,694</u>

15 DEFERRED TAXATION

No provision is considered necessary at 31st May 2001 in view of unrelieved losses carried forward.

16 CALLED-UP SHARE CAPITAL

	<u>2001</u>	<u>2000</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 2000 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 2001 exercisable at 50p per Ordinary Share on or after 1st February 2007 but no later than 1st February 2010.

In accordance with the ordinary resolution passed at the Extraordinary General Meeting of the Company held on 5th September 2001 the exercise date for all options was brought forward to the then current period and made effective at a meeting of the board of the Company on 7th September 2001. The purpose of the resolution was to enable the Company to issue shares in accordance with the options to ensure that control of the Company would be held by those leaseholders at the Very Sheltered Housing Developments managed by the Company, who had purchased shares in the Company, supported by the executive directors. Option variation agreements, together with restrictive future transfer deeds were received in respect of the above options and shares were duly allotted at the Board Meeting on 7th September 2001.

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2001

17 RESERVES

Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Special Reserve (i)	22,412	22,412	22,412	22,412
Profit and Loss Account (ii)	(76,607)	(83,528)	(94,104)	(109,294)
	<u>(54,195)</u>	<u>(61,116)</u>	<u>(71,692)</u>	<u>(86,882)</u>
(i) Special Reserve				
At 31st May 2000	22,412	22,412	22,412	22,412
Transfer from Profit and Loss Account (Note 18(ii))	-	-	-	-
Balance at 31st May 2001	<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 2001 no transfer is necessary as costs allocated against relevant transfer premiums received exceeds the relevant income.

	<u>Group</u>		<u>Company</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
(ii) Profit and Loss Account				
Accumulated losses at 31st May 2000	(83,528)	(136,154)	(109,294)	(170,227)
Transfer to Special Reserve (Note 18(i))	-	-	-	-
Retained profit for the year	<u>6,921</u>	<u>52,626</u>	<u>15,190</u>	<u>60,933</u>
Accumulated losses at 31st May 2001	<u>(76,607)</u>	<u>(83,528)</u>	<u>(94,104)</u>	<u>(109,294)</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 £15,190 (2000: Profit £60,933).

RETIREMENT SECURITY LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2001

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>Group</u>		<u>Company</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Profit attributable to members of the Company	6,921	52,626	15,190	60,933
Opening shareholders' funds	128,515	75,889	102,749	41,816
Closing shareholders' funds	<u>135,436</u>	<u>128,515</u>	<u>117,939</u>	<u>102,749</u>
Represented by:				
Equity interests	135,436	128,515	117,939	102,749
Non-equity interests	-	-	-	-
	<u>135,436</u>	<u>128,515</u>	<u>117,939</u>	<u>102,749</u>

19 TRANSACTIONS WITH DIRECTORS

At the beginning of the financial year the Company had an unsecured loan of £58,000 from R Bessell, the Chairman of the Company, which was interest free and repayable on demand. This amount was repaid on 4th July 2000.

20 COMPANY'S REGISTERED NUMBER

The Company's registered number is 01612921.