

RETIREMENT SECURITY LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2004



**CONTENTS OF THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2004**

	Page
Report of the Chairman	a
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	5
Consolidated Profit and Loss Account	6
Consolidated Balance Sheet	7
Company Balance Sheet	8
Notes to the Financial Statements	9

**REPORT OF THE CHAIRMAN
for the Year Ended 31 May 2004**

It is gratifying to note that profit for the year, before tax, of £214,794 is the highest in the history of the group. However, this is partially due to the release of £34,668, an amount reserved in the previous year for payment of a potential VAT liability.

Nevertheless, it has become apparent over a period of several years that the group has had more reliable sources of income from management fees and transfer premiums, and that these are sufficient to cover the operating costs and leave a surplus.

The particular feature of the current year is the significant increase in the income from transfer premiums, from £628,947 in 2002/03 to £848,379 in 2003/04. The beneficial effect of this was reduced by a significant increase in operating costs but the hope is that many of these will prove to be 'one-off'.

Conversely, in the year to May 2004, the housing market was particularly strong and it may be difficult to sustain these results. It will certainly have to be a priority for the group to ensure that the momentum of the re-sales programme is maintained.

'Extra Care Sheltered Housing', which is the Government's preferred description for 'Very Sheltered Housing', has now come to the forefront of government housing provision for older people. This opens up opportunities for the group but, equally, means that other people are climbing on the bandwagon.

I believe that Retirement Security Group Ltd will continue to maintain its pre-eminence by sustaining the principle that it is the well-being of the owners (leaseholders) that must come first.

R Bessell

27 September 2004

COMPANY INFORMATION
for the Year Ended 31 May 2004

DIRECTORS:

R Bessell
Mrs P Birtles
J Bullock
J G Harris
M J Heap
M A McCarthy
Mrs M Parkinson
M Van der Veen
R J Wakeford

SECRETARY:

Mrs E R Brook

REGISTERED OFFICE:

18 Wood Street
Stratford upon Avon
Warwickshire
CV37 6JF

REGISTERED NUMBER:

01612921

AUDITORS:

Cooper Adams Ltd
Chartered Accountants
and Registered Auditors
12 Payton Street
Stratford upon Avon
Warwickshire
CV37 6UA

**REPORT OF THE DIRECTORS
for the Year Ended 31 May 2004**

The directors present their report with the financial statements of the company and the group for the year ended 31 May 2004.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of the development, sale and management of 'Very Sheltered Housing'.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are as shown in the annexed financial statements.

DIVIDENDS

The Group made a profit after tax for the year of £208,802 (2003 - £131,029). This reflects the results arising from development consultancy fees together with the management fees and subsequent transfer premiums arising from the completed developments.

No interim dividend was paid during the year. The Directors recommend a final dividend of £0.06 per Ordinary Share (2003 - £0.06).

FUTURE DEVELOPMENTS

Plans are well advanced for a small development of four additional bungalows at Tiddington Court, Stratford upon Avon.

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.

**REPORT OF THE DIRECTORS
for the Year Ended 31 May 2004**

DIRECTORS

The directors during the year under review were:

R Bessell	
Mrs P Birtles	
J Bullock	
J G Harris	- appointed 11.12.03
M J Heap	
I C McAllester	- resigned 11.12.03
M A McCarthy	- appointed 24.6.03
Mrs M Parkinson	
M Van der Veen	
R J Wakeford	

The beneficial interests of the directors holding office on 31 May 2004 in the issued share capital of the company were as follows:

	31.5.04	1.6.03 or date of appointment if later
Ordinary 10p shares		
R Bessell	490,496	483,496
Mrs P Birtles	2,000	2,000
J Bullock	5,000	5,000
J G Harris	6,000	6,000
M J Heap	50,000	50,000
M A McCarthy	-	-
Mrs M Parkinson	1,000	1,000
M Van der Veen	1,100	1,100
R J Wakeford	359,446	359,446
Convertible Preference 10p shares		
R Bessell	-	-
Mrs P Birtles	-	-
J Bullock	-	-
J G Harris	-	-
M J Heap	-	-
M A McCarthy	-	-
Mrs M Parkinson	-	-
M Van der Veen	-	-
R J Wakeford	-	-

R J Wakeford, a Director of the Company, is both a Director and Shareholder of Bosworth & Wakeford Limited, who held 359,446 Ordinary Shares in Retirement Security Limited at the year end.

In accordance with the Articles of Association, Mrs P Birtles, J Bullock and M Van der Veen will retire at the forthcoming Annual General Meeting, and being eligible, will stand for re-election.

**REPORT OF THE DIRECTORS
for the Year Ended 31 May 2004**

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 the group and of the profit or loss of the group for that period. 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;
- 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Cooper Adams Ltd, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'E R Brook', written in a cursive style.

Mrs E R Brook - Secretary

27 September 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF RETIREMENT SECURITY LIMITED

We have audited the financial statements of Retirement Security Limited for the year ended 31 May 2004 on pages six to fifteen. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the group's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on pages three and four the group'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 group 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 group 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 group'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 31 May 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Cooper Adams Ltd

Cooper Adams Ltd
Chartered Accountants
and Registered Auditors
12 Payton Street
Stratford upon Avon
Warwickshire
CV37 6UA

27 September 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the Year Ended 31 May 2004

	Notes	2004 £	2003 £
TURNOVER		1,253,750	1,085,776
Cost of sales		<u>91,794</u>	<u>68,050</u>
GROSS PROFIT		1,161,956	1,017,726
Administrative expenses		<u>960,465</u>	<u>893,125</u>
OPERATING PROFIT	3	201,491	124,601
Interest receivable and similar income		<u>10,227</u>	<u>11,500</u>
		211,718	136,101
Interest payable and similar charges		<u>(3,076)</u>	<u>5,072</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		214,794	131,029
Tax on profit on ordinary activities	5	<u>5,992</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		208,802	131,029
Dividends	7	<u>114,166</u>	<u>114,166</u>
RETAINED PROFIT FOR THE YEAR FOR THE GROUP		<u><u>94,636</u></u>	<u><u>16,863</u></u>

CONSOLIDATED BALANCE SHEET
31 May 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	8	60,638	66,660
Investments	9	<u>-</u>	<u>-</u>
		60,638	66,660
CURRENT ASSETS			
Debtors	10	146,671	402,167
Investments	11	382	382
Cash at bank and in hand		<u>654,817</u>	<u>283,064</u>
		801,870	685,613
CREDITORS			
Amounts falling due within one year	12	<u>301,390</u>	<u>285,791</u>
NET CURRENT ASSETS		<u>500,480</u>	<u>399,822</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>561,118</u>	<u>466,482</u>
CAPITAL AND RESERVES			
Called up share capital	15	239,631	239,631
Share premium	16	200,000	200,000
Profit and loss account	16	<u>121,487</u>	<u>26,851</u>
SHAREHOLDERS' FUNDS		<u>561,118</u>	<u>466,482</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:

R Bessell - Director



M A McCarthy - Director



Approved by the Board on 27 September 2004

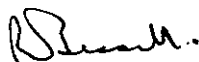
COMPANY BALANCE SHEET
31 May 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	8	60,638	66,660
Investments	9	<u>200</u>	<u>200</u>
		60,838	66,860
CURRENT ASSETS			
Debtors	10	180,194	421,624
Investments	11	382	382
Cash at bank and in hand		<u>654,581</u>	<u>282,828</u>
		835,157	704,834
CREDITORS			
Amounts falling due within one year	12	<u>301,390</u>	<u>267,986</u>
NET CURRENT ASSETS		<u>533,767</u>	<u>436,848</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		594,605	503,708
CREDITORS			
Amounts falling due after more than one year	13	<u>24,451</u>	<u>33,984</u>
		<u>570,154</u>	<u>469,724</u>
CAPITAL AND RESERVES			
Called up share capital	15	239,631	239,631
Share premium	16	200,000	200,000
Profit and loss account	16	<u>130,523</u>	<u>30,093</u>
SHAREHOLDERS' FUNDS		<u>570,154</u>	<u>469,724</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:

R Bessell - Director



M A McCarthy - Director



Approved by the Board on 27 September 2004

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2004

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

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

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- over the term of the lease
Fixtures and fittings	- 15% on cost
Motor vehicles	- 20% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

2. STAFF COSTS

The average number of employees, including directors, during the year was 22 (2003 - 22).

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£	£
Salaries	495,282	432,088
Social security costs	46,652	43,712
Other pension costs	34,386	30,968
	<u>576,320</u>	<u>506,768</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.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 May 2004

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2004 £	2003 £
Depreciation - owned assets	14,714	16,753
Profit on disposal of fixed assets	(76)	(13,692)
Auditors remuneration	8,050	6,972
Management fees	(375,086)	(348,335)
Consultancy fees	(9,271)	(100,472)
Transfer premiums	(848,357)	(630,328)
Rents receivable	(3,548)	(6,264)
Hire of assets – operating leases	<u>2,464</u>	<u>5,926</u>
Directors' emoluments	<u>194,970</u>	<u>191,659</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>2</u>
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No directors exercised share options during the year (2003 - nil directors).

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

	Salary/Fee £	Benefits £	Total £	Pension £	Total including pension £
R Bessell	51,834	1,775	53,609	4,384	57,993
Mrs P Birtles	2,110	-	2,110	-	2,110
J Bullock	2,110	-	2,110	-	2,110
J G Harris	1,060	-	1,060	-	1,060
M J Heap	44,032	604	44,636	2,249	46,885
I C McAllester	1,225	-	1,225	-	1,225
M A McCarthy	64,587	80	64,667	4,000	68,667
Mrs M Parkinson	2,110	-	2,110	-	2,110
M Van der Veen	<u>2,110</u>	<u>-</u>	<u>2,110</u>	<u>-</u>	<u>2,110</u>
	<u>171,178</u>	<u>2,459</u>	<u>173,637</u>	<u>10,633</u>	<u>184,270</u>

4. EXCEPTIONAL ITEM

Included in administrative expenses is an exceptional credit of £34,668, that reduces costs for the year. This exceptional item reverses part of the £47,982 provision, included in the prior period, for input VAT incorrectly recovered in previous years. The amount of £34,668 has been reversed at the year end date as a result of confirmation by Her Majesty's Customs and Excise that it is non-payable.

The balance of the original 2003 provision made, of £13,314, was paid during the year.

5. TAXATION

The company has corporation tax losses carried forward at the balance sheet date amounting to £8,277,814. No deferred tax asset has been recognised in respect of these losses.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 May 2004

6. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £214,596 (2003 - £140,209).

7. DIVIDENDS

	2004 £	2003 £
1,902,773 Ordinary shares of 10p each		
Final	<u>114,166</u>	<u>114,166</u>

8. TANGIBLE FIXED ASSETS

Group

	Short leasehold £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 June 2003	40,761	74,267	9,200	124,228
Additions	1,613	8,003	-	9,616
Disposals	-	-	(9,200)	(9,200)
At 31 May 2004	<u>42,374</u>	<u>82,270</u>	-	<u>124,644</u>
DEPRECIATION				
At 1 June 2003	1,217	49,758	6,593	57,568
Charge for year	4,063	8,968	1,683	14,714
Eliminated on disposal	-	-	(8,276)	(8,276)
At 31 May 2004	<u>5,280</u>	<u>58,726</u>	-	<u>64,006</u>
NET BOOK VALUE				
At 31 May 2004	<u>37,094</u>	<u>23,544</u>	-	<u>60,638</u>
At 31 May 2003	<u>39,544</u>	<u>24,509</u>	<u>2,607</u>	<u>66,660</u>

The Company owns the majority of freeholds of the properties that it manages and the reversionary rights to the freeholds of the remainder, except Blundellsands Classic, which is held under a long term lease. The Company receives transfer premium income from all of these properties. The historical cost of these freeholds is £nil.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 May 2004

8. TANGIBLE FIXED ASSETS - continued

Company

	Short leasehold £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 June 2003	40,761	74,267	9,200	124,228
Additions	1,613	8,003	-	9,616
Disposals	-	-	(9,200)	(9,200)
At 31 May 2004	<u>42,374</u>	<u>82,270</u>	<u>-</u>	<u>124,644</u>
DEPRECIATION				
At 1 June 2003	1,217	49,758	6,593	57,568
Charge for year	4,063	8,968	1,683	14,714
Eliminated on disposal	-	-	(8,276)	(8,276)
At 31 May 2004	<u>5,280</u>	<u>58,726</u>	<u>-</u>	<u>64,006</u>
NET BOOK VALUE				
At 31 May 2004	<u>37,094</u>	<u>23,544</u>	<u>-</u>	<u>60,638</u>
At 31 May 2003	<u>39,544</u>	<u>24,509</u>	<u>2,607</u>	<u>66,660</u>

9. FIXED ASSET INVESTMENTS

Company

	Unlisted investments £
COST	
At 1 June 2003 and 31 May 2004	<u>200</u>
NET BOOK VALUE	
At 31 May 2004	<u>200</u>
At 31 May 2003	<u>200</u>

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries

Retirement Security (Milton Keynes) Limited

Nature of business:

	% holding	2004 £	2003 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(630,585)	(630,332)
Loss for the year		<u>(253)</u>	<u>(470)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 May 2004

9. FIXED ASSET INVESTMENTS - continued

Retirement Security (Reading) Limited

Nature of business:

Class of shares:	% holding	2004 £	2003 £
Ordinary	100.00		
Aggregate capital and reserves		(2,242,866)	(2,237,325)
Loss for the year		<u>(5,541)</u>	<u>(8,710)</u>

10. DEBTORS

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Amounts falling due within one year:				
Trade debtors	59,137	224,396	59,137	224,396
Other debtors	2,574	90,557	2,566	90,549
Prepayments and accrued income	<u>84,960</u>	<u>87,214</u>	<u>84,960</u>	<u>87,214</u>
	<u>146,671</u>	<u>402,167</u>	<u>146,663</u>	<u>402,159</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>33,531</u>	<u>19,465</u>
Aggregate amounts	<u>146,671</u>	<u>402,167</u>	<u>180,194</u>	<u>421,624</u>

11. CURRENT ASSET INVESTMENTS

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Listed investments	<u>382</u>	<u>382</u>	<u>382</u>	<u>382</u>

Market value of listed investments at 31 May 2004 held by the group and the company - £519 (2003 - £390).

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 May 2004

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade creditors	65,874	7,340	65,874	7,340
Corporation tax	2,617	-	2,617	-
Social security and other taxes	13,774	16,041	13,774	16,041
Proposed dividends	114,166	114,166	114,166	114,166
Other creditors	54,078	110,985	54,078	93,180
Accruals and deferred income	<u>50,881</u>	<u>37,259</u>	<u>50,881</u>	<u>37,259</u>
	<u>301,390</u>	<u>285,791</u>	<u>301,390</u>	<u>267,986</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Company	
	2004	2003
	£	£
Amounts owed to group undertakings	<u>24,451</u>	<u>33,984</u>

14. OPERATING LEASE COMMITMENTS

The following payments are committed to be paid within one year:

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Expiring:				
Between one and five years	2,216	2,832	2,216	2,832
In more than five years	<u>23,500</u>	<u>23,500</u>	<u>23,500</u>	<u>23,500</u>
	<u>25,716</u>	<u>26,332</u>	<u>25,716</u>	<u>26,332</u>

15. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2004	2003
			£	£
2,346,463	Ordinary	10p	234,646	234,646
493,537	Convertible Preference	10p	<u>49,354</u>	<u>49,354</u>
			<u>284,000</u>	<u>284,000</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2004	2003
			£	£
1,902,773	Ordinary	10p	190,277	190,277
493,537	Convertible Preference	10p	<u>49,354</u>	<u>49,354</u>
			<u>239,631</u>	<u>239,631</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 May 2004

16. RESERVES

Group

	Profit and loss account £	Share premium £	Totals £
At 1 June 2003	26,851	200,000	226,851
Retained profit for the year	<u>94,636</u>	<u>-</u>	<u>94,636</u>
At 31 May 2004	<u>121,487</u>	<u>200,000</u>	<u>321,487</u>

Company

	Profit and loss account £	Share premium £	Totals £
At 1 June 2003	30,093	200,000	230,093
Retained profit for the year	<u>100,430</u>	<u>-</u>	<u>100,430</u>
At 31 May 2004	<u>130,523</u>	<u>200,000</u>	<u>330,523</u>

17. RELATED PARTY DISCLOSURES

During the year the company charged Retirement Security (Milton Keynes) Limited, its wholly owned subsidiary, £48,000 (2003 - £48,000) in respect of management fees. This amount was unpaid at the year end and is included within Amounts due to subsidiary companies.

During the year the company charged Retirement Security (Reading) Limited, its wholly owned subsidiary, £24,000 (2003 - £24,000) in respect of management fees. This amount was unpaid at the year end and is included within Amounts due from subsidiary companies.