

PEGASUSLIFE DEVELOPMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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PEGASUSLIFE DEVELOPMENT LIMITED

COMPANY INFORMATION

Directors Mr Mark Dickinson (resigned 18 March 2022)
Mr Michael Gill
Mr Marc Evans (resigned 9 December 2021)
Mr David Clark
Mr Stephen Bangs
Mr Ian Harrison (appointed 9 December 2021)

Secretary Mr Jeremy Williams

Company number 09340939

Registered office 105-107 Bath Road
Cheltenham
Gloucestershire
United Kingdom
GL53 7PR

Auditor Deloitte LLP
London
United Kingdom

PEGASUSLIFE DEVELOPMENT LIMITED

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PEGASUSLIFE DEVELOPMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present the strategic report for the year ended 30 June 2021.

The business model

The principal activity of the company is the development and sale of retirement accommodation.

Business review

The audited financial statements for the year ended 30 June 2021 are set out on pages 11 - 23.

During 2021 the company's performance has been impacted by Covid 19 and UK lockdowns. The stamp duty incentive was a welcome boost and helped underpin and accelerate some completions, but not enough to make a significant impact on the year's results. The company was however able to continue construction across the developments with four sites completed during the year. In the year ended 30 June 2021 the company's turnover was £72,460,000 (2020: £68,415,000), with 89 homes sold (2020: 84), including the sale of the completed development at Sevenoaks to a specialist care provider in December 2020 for £28,375,000. Gross margin has improved to negative 26.5% (2020: negative 36.3%) due to the reduced impairment to inventories in the year ended 30 June 2021.

Administrative expenses were £8,049,000 (2020: £3,492,000) for the year, the increase due to a £4,276,000 impairment to intercompany receivables. The operating loss for the year was £27,231,000 (2020: loss £28,314,000) and was largely driven by the impairment detailed below.

The business undertook an appraisal of all sites and for certain legacy projects the impact has been to lower Gross Development Value and increase future costs to come. This appraisal formed part of the annual impairment review of all sites which resulted in an inventory impairment of £18,211,000 (2020: £26,702,000) recognised in cost of sales.

Key performance indicators

	Year ended 30 June 2021	Year ended 30 June 2020
Home sold	89	84
Operating loss £000s	(£27,231)	(£28,314)
	As at 30 June 2021	As at 30 June 2020
Shareholders' deficit £000s	(£134,012)	(£106,781)
Completed sites	16	15
Sites under construction	2	5
Undeveloped sites	1	6
Total sites	19	26
Landbank homes completed	494	409
Landbank homes under construction	97	203
Landbank homes in the pipeline	75	143
Total landbank homes	666	755
GDV pipeline	£506.9m	£599.4m

Homes sold and the operating loss are discussed in the review of the company's business. Shareholders' deficit has moved in line with the loss for the year. Completed sites and landbank homes completed have increased as sites completed development. Sites under construction, landbank homes under construction, and GDV pipeline have all decreased in the year due to completion of sites and the sale of 89 homes in the year. Landbank homes in the pipeline and undeveloped sites have reduced due to commencement of development on previously undeveloped sites.

PEGASUSLIFE DEVELOPMENT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Future developments

The portfolio of sites owned by PegasusLife Development has a forecast Gross Development Value of £506,900,000 (2020: £599,400,000). The company plans to complete construction and commence sales on the sites under construction at 30 June 2021, along with identifying and acquiring new sites in the coming and future years. This build and sales programme forms part of the wider business plan being deployed across all companies held by Lifestory Group Limited the UK parent company.

Principal risks and uncertainties

Risk: Planning delays / failure to get consent

Mitigation

- Conditional contracts or fall-back positions including the sale of land
- As business matures, individual site delays have less impact on overall performance

Risk: Build cost inflation / surety of supply

Mitigation

- Alternative forms of construction being reviewed
- Mix of procurement methods utilised such as two-stage tendering and construction management
- Explore new connections with mid-sized construction companies for ongoing programme of work
- Use of fixed price contracts where appropriate
- No start on site until KPI target enquiries / reservations hit

Risk: Market slowdown

Mitigation

- Selling off-plan extends sales period and gives visibility of pipeline
- Alternative structures: discounted 'Home for Life', rent to buy, assured tenancy rental
- Work with Part Exchange providers
- Site appraisals and forecast margins allow for reductions in revenues without causing losses to be made

Risk: Covid 19

Mitigation

- Current plans are in place to deal with the government guidelines on Covid 19. Plans will evolve according to changing requirements and conditions

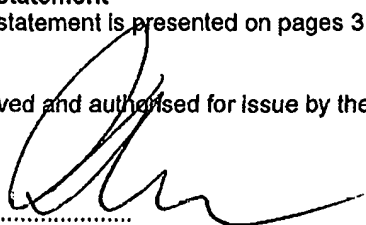
Subsequent events

On 13 September 2021 the 126-home development in Portishead achieved planning for a change of use and was sold to a housing association for £27,800,000.

S172 statement

S172 statement is presented on pages 3 - 4.

Approved and authorised for issue by the board and signed on its behalf by:


.....
Mr David Clark
Director

23 March 2022
.....

PEGASUSLIFE DEVELOPMENT LIMITED

S172 STATEMENT

Directors are required to explain how they consider the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company.

The S172 statement explains who the company's stakeholder groups are, their material issues and how the directors of PegasusLife Development Limited engage with them, and the effect of that regards, including on the principal decisions taken by the company during the financial year. The S172 statement focuses on matters of strategic importance to PegasusLife Development Limited, and the level of information disclosed is consistent with the size and the complexity of the business.

When making decisions, each director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) The likely consequences of any decision in the long term:

The directors and senior management are supported by an information system that provides timely alerts to matters impacting the business in the short and longer term. This covers all aspects of the operations from health and safety on site, procurement, delivery and sales. The information is used to make the right decisions to ensure the best outcomes in all of these areas and generally, the operations of the company.

On an annual basis a 5-year plan is approved by the board and the performance against this plan is monitored closely, with rolling profit and cash flow projections produced monthly. This identifies, from a financial and cash management perspective, where actions can be taken to optimise the outcomes.

There is a depth of knowledge within the business that ensures the likely impact of external factors is minimised, but this is also supported with active engagement across the business with key stakeholders including the planning authorities, industry bodies, financing stakeholders, investors, the supply chain and our customers.

The directors use all of this information to avoid negative impact of decisions on its stakeholders and to continually build its reputation as a market leader in customer service, design and quality.

S172(1) (B) The interests of the company's employees:

The company does not have any employees, therefore this section is not applicable to the company. Considerations of employee interests within the wider group can be found within the Section 172 statement of Lifestory Group Limited's financial statements.

PEGASUSLIFE DEVELOPMENT LIMITED

S172 STATEMENT (CONTINUED)

S172(1) (C) The need to foster PegasusLife Development Limited's business relationships with suppliers, customers and others and S172(1) (D) The impact of PegasusLife Development Limited's operations on the community and the environment:

Strong and mutually beneficial relationships with suppliers, customers and government are fundamental pillars for PegasusLife Development Limited's operational success. The group seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships. In particular:

Customers

- An ethos of listening to our customers' needs are at the heart of the trust that is built with our customers.
- Encouraging engagement with the community which they are entering before a purchase is completed.
- Offering clear guidance on the purchase, so our customers are fully supported in their decision making.
- Supporting the conveyancing, sales progression and move to make the process as easy as possible.
- Offer a simple choice between purchase or rental.

Partner and suppliers

- Tendering to ensure equal opportunities for suppliers and best commercial outcome for the business.
- Health and safety control programs to improve safety across the value chain.

Government and regulators

- Maintaining regular dialogue with government and engaging in policy debates that are of concern to PegasusLife Development Limited and the communities in which it operates.
- Maintaining an active role in industry groups that present industry views to government.

Society and environment

- Continuous monitoring of environmental management through robust design principles that ensure the homes are built to sustainable standards.
- Full compliance with the current regulations.
- Selecting contractors that have a strong track record of being considerate to the neighbourhood during construction.
- Engaging with our customers to explain the environmental features of their homes, so that they can minimise the impact on the environment.
- Engaging with local communities through social media, community workshops and training.
- Supporting local community social and charitable programmes as part of our marketing approach and local engagement.

S172(1) (E) The desirability of PegasusLife Development Limited maintaining a reputation for high standards of business conduct:

The directors set the highest standards of governance to ensure the business operates in a responsible manner and ensures its reputation and trust of its stakeholders is not questioned.

Regular communication amongst the board and employees and effective, formally recorded board meetings ensure such standards are maintained. Where appropriate, independent legal advice is obtained to support the decision-making process. The directors also receive training on an annual basis to refresh their knowledge on latest requirements.

S172(1) (F) The need to act fairly between members of the company and the group:

The directors are responsible for choosing the course of actions which enables PegasusLife Development Limited to achieve its long-term strategy, taking into consideration the impact on stakeholders. In doing so, the directors act fairly between the company's members. This approach is also further enhanced with a majority of the directors being representatives of the parent undertaking.

PEGASUSLIFE DEVELOPMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present their annual report and the audited financial statements for the year ended 30 June 2021.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows, unless otherwise stated:

Mr Mark Dickinson (resigned 18 March 2022)
Mr Michael Gill
Mr Marc Evans (resigned 9 December 2021)
Mr David Clark
Mr Stephen Bangs
Mr Ian Harrison (appointed 9 December 2021)

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid (2020: £nil). The directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

The company has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial risk management objectives

Information on financial risk management objectives as applicable to the company can be found in the consolidated financial statements of the parent company, Lifestory Group Limited which can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Engagement with suppliers, customers and others

The company's practices for the engagement with suppliers, customers and others is given within the Section 172 statement.

Subsequent events

Events after the reporting date are included in the strategic report and note 18.

Future developments

Future developments are included in the strategic report.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed re-appointed as auditors in the absence of an annual general meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PEGASUSLIFE DEVELOPMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

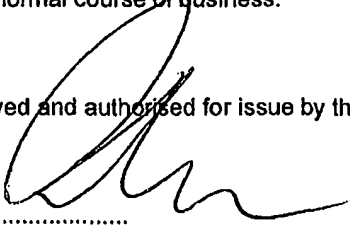
Going concern

Given the structure of the wider group and the company's operations, the company is reliant on the continued support of its intermediate parent, Lifestory Group Limited ('Lifestory'), to ensure the company has sufficient cash resources to enable it to meet its obligations as they fall due. The company has received a written commitment from Lifestory that it will provide all financial support necessary to the company to enable it to meet its obligations as they fall due for a period no less than 12 months from the date of approval of these financial statements.

The directors have considered the ability of Lifestory to provide that support. The directors have identified that, whilst Lifestory's 30 June 2021 financial statements have been prepared on a going concern basis, a material uncertainty is disclosed in note 1 of those financial statements. Lifestory is reliant on the completion of certain debt funding which has not yet been formally agreed with its lenders. Accordingly, Lifestory may be unable to provide the support required. However, with a director in common with Lifestory, the company's directors are confident that those uncertainties in Lifestory will conclude as expected and that Lifestory will be able to provide the support necessary to the company. Therefore, the directors have deemed it appropriate to prepare these financial statements on a going concern basis.

However, as those factors have not yet concluded at the date of approval of these financial statements, they, in combination, create a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern which in turn may result in the company being unable to realise its assets and discharge its liabilities in the normal course of business.

Approved and authorised for issue by the board and signed on its behalf by:



.....
Mr David Clark
Director

Date: 23 March 2022

PEGASUSLIFE DEVELOPMENT LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

PEGASUSLIFE DEVELOPMENT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PEGASUSLIFE DEVELOPMENT LIMITED

Opinion

In our opinion the financial statements of PegasusLife Development Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates the company is reliant on the support of its intermediate parent, Lifestory Group Limited ('group'), which has a material uncertainty over its ability to continue as a going concern. A material uncertainty exists at a group level related to its reliance upon the completion of certain debt funding which has not yet been formally agreed with its lenders in order to be able to provide the necessary support required. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

PEGASUSLIFE DEVELOPMENT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PEGASUSLIFE DEVELOPMENT LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance; but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included construction and environmental regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- The carrying value of inventories as a result of impairment due to estimation applied in forecast costs to complete and expected selling prices. We agreed construction costs to complete to third party cost forecasts; challenged the other costs to complete based on past performance and other external evidence; and challenged forecast selling prices for developments in light of historical prices achieved, reservations agreed and recent open market selling prices achieved in the locale of the development.

PEGASUSLIFE DEVELOPMENT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PEGASUSLIFE DEVELOPMENT LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

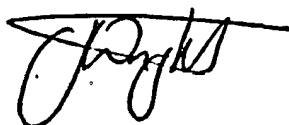
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed



James Wright FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
23 March 2022

PEGASUSLIFE DEVELOPMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Revenue	4	72,460	68,415
Cost of sales		(73,442)	(66,543)
Impairment of inventories	5	(18,211)	(26,702)
Gross loss		(19,193)	(24,830)
Administrative expenses		(8,049)	(3,492)
Other operating income		11	8
Operating loss	5	(27,231)	(28,314)
Finance costs	8	-	(58)
Loss before taxation		(27,231)	(28,372)
Taxation	9	-	-
Loss for the financial year		(27,231)	(28,372)
Total comprehensive expense for the year		(27,231)	(28,372)

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The accompanying notes on pages 14 - 23 form an integral part of these financial statements.

PEGASUSLIFE DEVELOPMENT LIMITED

BALANCE SHEET

AS AT 30 JUNE 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Investments	10	-	-
Current assets			
Inventories	12	436,056	505,851
Trade and other receivables	13	34,337	40,747
Cash and cash equivalents		592	245
		<u>470,985</u>	<u>546,843</u>
Total assets		<u>470,985</u>	<u>546,843</u>
Current liabilities			
Trade and other payables	14	(604,997)	(653,624)
Total liabilities		<u>(604,997)</u>	<u>(653,624)</u>
Net current liabilities		<u>(134,012)</u>	<u>(106,781)</u>
Net liabilities		<u>(134,012)</u>	<u>(106,781)</u>
Equity			
Share capital	15	-	-
Retained earnings	15	(134,012)	(106,781)
Total equity		<u>(134,012)</u>	<u>(106,781)</u>

The accompanying notes on pages 14 - 23 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 23 March 2022 and are signed on its behalf by:

.....
Mr David Clark
Director

Company Registration No. 09340939

PEGASUSLIFE DEVELOPMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 30 June 2019	-	(78,409)	(78,409)
Year ended 30 June 2020:			
Loss and total comprehensive expense for the year	-	(28,372)	(28,372)
Balance at 30 June 2020	-	(106,781)	(106,781)
Year ended 30 June 2021:			
Loss and total comprehensive expense for the year	-	(27,231)	(27,231)
Balance at 30 June 2021	-	(134,012)	(134,012)

The accompanying notes on pages 14 - 23 form an integral part of these financial statements.

PEGASUSLIFE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

Company information

PegasusLife Development Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The registered office is 105-107 Bath Road, Cheltenham, Gloucestershire, United Kingdom, GL53 7PR. The nature of the company's operations and its principal activities are set out in the Strategic Report on pages 1 to 2.

The nature of the company's operations and its principal activities are disclosed in the strategic report on page 1.

1.1 Accounting policies

The company's financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The financial statements are prepared in pounds sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on a going concern basis under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes in to account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability at the measurement date.

The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The company's intermediate parent undertaking, Lifestory Group Limited includes the company in its consolidated financial statements. The consolidated financial statements of Lifestory Group Limited are prepared in accordance with International Financial Reporting Standards (IFRSs) and are available to the public and may be obtained from 105-107 Bath Road, Cheltenham, Gloucestershire, United Kingdom, GL53 7PR.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Standards not yet effective;
- Comparative period reconciliations for share capital and fixed assets;
- Certain disclosures in respect of IFRS15;
- Disclosures in respect of capital management;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions entered into between two or more members of a wholly owned member of a group.

As the consolidated financial statements of Lifestory Group Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

PEGASUSLIFE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

1.2 Going concern

Given the structure of the wider group and the company's operations, the company is reliant on the continued support of its intermediate parent, Lifestory Group Limited ('Lifestory'), to ensure the company has sufficient cash resources to enable it to meet its obligations as they fall due. The company has received a written commitment from Lifestory that it will provide all financial support necessary to the company to enable it to meet its obligations as they fall due for a period no less than 12 months from the date of approval of these financial statements.

The directors have considered the ability of Lifestory to provide that support. The directors have identified that, whilst Lifestory's 30 June 2021 financial statements have been prepared on a going concern basis, a material uncertainty is disclosed in note 1 of those financial statements. Lifestory is reliant on the completion of certain debt funding which has not yet been formally agreed with its lenders. Accordingly, Lifestory may be unable to provide the support required. However, with a director in common with Lifestory, the company's directors are confident that those uncertainties in Lifestory will conclude as expected and that Lifestory will be able to provide the support necessary to the company. Therefore, the directors have deemed it appropriate to prepare these financial statements on a going concern basis.

However, as those factors have not yet concluded at the date of approval of these financial statements, they, in combination, create a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern which in turn may result in the company being unable to realise its assets and discharge its liabilities in the normal course of business.

1.3 Non-current investments

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

1.4 Revenue

Revenue is generated from sale of specialist retirement housing and associated land.

Revenue from all revenue streams is recognised upon legal completion of contracts at which point the company's performance obligation is met. Revenue recognised is measured at the agreed contract price. The payment of the purchase price is typically due upon legal completion.

Revenue arises solely in the UK and is stated net of value added tax.

1.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise land and development costs. Net realisable value is based on estimated selling price less cost to completion and disposal.

Impairments and impairment reversals are recognised in cost of sales.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

PEGASUSLIFE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies (continued)

1.7 Non-derivative financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet and statement of comprehensive income when there is a currently enforceable legal right to offset the recognised amounts and the company intends to settle on a net basis or realise the asset and liability simultaneously.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost using effective interest rate method:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The company does not hold any financial assets that meet conditions for subsequent recognition at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVTOCI).

Impairment of financial assets

The company recognises a loss allowance for expected credit losses (ECL) on financial assets that are measured at amortised cost which comprise mainly intercompany receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The company always recognises lifetime ECL on intercompany receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in profit and loss.

Financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All purchases of financial liabilities are recorded on trade date, being the date on which the company becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the company's financial liabilities approximate to their fair values. The company's financial liabilities consist only of financial liabilities measured at amortised cost.

PEGASUSLIFE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies (continued)

1.7 Non-derivative financial instruments (continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. The company's financial liabilities measured at amortised cost comprise trade and other payables, and loans and borrowings. The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts/payments through the expected life of the financial asset/liability or, where appropriate, a shorter period.

Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the company has extinguished its contractual obligations, it expires or is cancelled. On derecognition of a financial liability at amortised cost, the difference between the liability's carrying value and the sum of the consideration paid and payable is recognised in profit and loss.

1.8 Equity instruments

Financial instruments issued by the company are treated as equity only to the extent that they do not meet the definition of a financial liability. Ordinary shares are classified as equity and are recorded at the proceeds received, net of direct issue costs.

1.9 Taxation

Tax on the profit or loss comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Change in accounting policy

Impact of initial application of other amendments to IFRS Standards and Interpretations

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

PEGASUSLIFE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Recognition of deferred tax assets

The directors have judged it appropriate to not recognise a deferred tax asset in respect of historic trading losses as at present it is not probable that these losses will be utilised in the foreseeable future. To the extent actual future taxable profits differ from forecast the amount of deferred tax assets which can be recognised will fluctuate.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Carrying value of inventory, estimation of costs to complete and achievable revenues

Inventory is stated at the lower of cost and net realisable value, and it includes land, work in progress and completed units. Residential development is largely speculative by nature; and it is normal that not all inventory is covered by forward sales contracts. To assess the net realisable value of land held for development and sites in the course of construction, and completed units, the company maintains a financial appraisal of the likely revenue which will be generated when this inventory becomes residential retirement properties for sale and are sold. Where the financial appraisal demonstrates that the revenue will exceed the costs of the inventory and other associated costs of constructing the residential retirement properties, the inventory is stated at cost. Where the projected revenue is lower, the extent to which there is a shortfall is written off through the statement of comprehensive income leaving the inventory stated at net realisable value. To the extent that the revenues which can be generated change, or the final cost to complete for the site varies from estimates, the realisable value of inventory may be different. Appraisals taking into account estimated achievable net revenues, actual inventory and costs to complete as at each reporting date have been completed and identified an impairment in the current year of £18,892,000 (2020: £26,702,000) in the carrying value. A reversal of a prior year impairment of £681,000 (2020: £nil) was also identified. These estimates were made by management having regard to actual sales prices, together with competitor and marketplace evidence. Should there be a future significant decline in UK house pricing, further impairments of land, work in progress and completed sites may be necessary.

PEGASUSLIFE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

4 Revenue

An analysis of the company's revenue is as follows:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Revenue analysed by class of business		
Legal completions of retirement properties	64,810	62,138
Land sales	7,650	6,277
	<u>72,460</u>	<u>68,415</u>

Revenue represents income from sale of specialist retirement housing, and associated land, and arises entirely in the United Kingdom.

Contract assets and liabilities

Contract assets arise when the company has right to consideration in exchange for residential housing that it has transferred to a customer but not yet invoiced. At the reporting date the contract assets amounted to £nil (2020: £137,000).

Contract liabilities arise when a customer pays consideration in advance before the residential housing is transferred to the customer. The company had no contract liabilities at the reporting date (2020: £nil).

5 Operating loss

During the year £67,482,000 (2020: £60,062,000) of inventory was recognised as an expense in cost of sales.

During the year inventory was impaired by £18,892,000 (2020: £26,702,000) and recognised as an expense in the cost of sales. A reversal of a prior year impairment of £681,000 (2020: £nil) was recognised as a result of the appraisal review undertaken at each reporting date, which estimates achievable net revenues, actual inventory and costs to complete.

During the year intercompany receivables from subsidiaries were impaired by £4,276,000 (2020: £nil). This was following an assessment of their recoverability, and they were impaired down to the recoverable amount.

6 Auditor's remuneration

Auditor's remuneration for the audit of the company's financial statements of £79,000 (2020: £67,000) was borne by the company's intermediate parent company, Lifestory Group Limited, and was not recharged.

Fees payable to the auditor and its associates for non-audit services to the company are disclosed on consolidated basis and are included within the consolidated financial statements of Lifestory Group Limited which are publicly available.

7 Employees

During the year the company had 5 directors (2020: 7) none of whom are remunerated by the company. Other than the directors the company had no employees in the current or prior year.

Remuneration was borne by the company's intermediate parent company, Lifestory Group Limited, and was not recharged. It is not considered practicable to split the amount between services to the group and services to this company. Total directors' remuneration is disclosed in the consolidated financial statements of Lifestory Group Limited which are publicly available.

PEGASUSLIFE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

8 Finance costs

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Interest payable on bank loans	-	58
	-	58

9 Taxation

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Current tax		
UK corporation tax on result for the current year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax charge	-	-

The actual charge for the year can be reconciled to the expected credit for the year based on the loss and the standard rate of tax as follows:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Loss before taxation	(27,231)	(28,372)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(5,174)	(5,391)
Unrelieved tax losses	-	5,391
UK transfer pricing adjustment	5,174	-
Taxation charge for the year	-	-

In following an accounting policy of a 3-year look forward on existing sites with planning, it is not probable that the unrealised tax losses carried forward in the year of £nil (2020: £28,372,000) will be utilised and so a deferred tax asset has not been recognised. In the current year transfer pricing adjustments reduced to unrealised tax losses attributable to the company to £nil.

Factors affecting future tax charge

UK corporation tax will increase to 25% from April 2023 which is not expected to significantly affect the company.

PEGASUSLIFE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

10 Investments

	Notes	2021 £'000	2020 £'000
Investments in subsidiaries	11	-	-

11 Subsidiaries and related undertakings

At 30 June 2021, the company had investments in 100% of the ordinary share capital of the following subsidiaries, all of which are incorporated in the UK and have a registered address of 105-107 Bath Road, Cheltenham, Gloucestershire, GL53 7PR:

Name	Principal activity	Control
PegasusLife Development (Bartrams) Limited	Development of retirement accommodation	Direct
PegasusLife Development (OBR) Limited	Development of retirement accommodation	Direct
PegasusLife Development (Westminster) Limited	Development of retirement accommodation	Direct
PegasusLife Development - (QVH) Limited	Development of retirement accommodation	Direct

12 Inventories

	2021 £'000	2020 £'000
Land	-	41,629
Work in progress	113,428	150,722
Completed stock	322,628	313,500
	<u>436,056</u>	<u>505,851</u>

Inventories of £436,056,000 (2020: £505,851,000) are pledged to the Sculptor loan facility which resides in the intermediate parent undertaking, PegasusLife Property Holdings Limited.

13 Trade and other receivables

	2021 £'000	2020 £'000
Current assets		
Amounts owed by subsidiary undertakings	743	12,640
Amounts owed by fellow subsidiary undertakings	32,295	26,892
VAT receivable	161	147
Other receivables	714	430
Prepayments	424	638
	<u>34,337</u>	<u>40,747</u>

Amounts owed by subsidiary and fellow subsidiary undertakings are unsecured, repayable on demand and non-interest bearing.

PEGASUSLIFE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

14 Trade and other payables

	2021 £'000	2020 £'000
Current liabilities		
Trade payables	1,870	2,302
Amounts owed to parent undertakings	593,359	638,376
Amounts owed to subsidiary undertakings	-	1,705
Amounts owed to fellow subsidiary undertakings	-	825
Other creditors	102	-
Related party creditors	62	-
Accruals	9,604	10,416
	<u>604,997</u>	<u>653,624</u>

Amounts owed to parent, subsidiary, and fellow subsidiary undertakings are unsecured, repayable on demand and non-interest bearing.

15 Share capital

	2021 £	2020 £
Ordinary share capital		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

The company has one class of ordinary shares which carry no right to fixed income.

The company's reserves comprise:

Retained earnings: Retained earnings comprise all other net gains and losses and transactions with owners (e.g., dividends) not recognised elsewhere.

16 Related party transactions

The company has taken advantage of the exemption available under FRS 101 not to disclose transactions between group undertakings, where 100% of the voting rights are controlled within the group.

At 30 June 2021, a balance of £62,000 (2020: £176,000) was owed to Hackwood Homes Limited which is made up of £62,000 included within related party creditors (2020: £541,000 included in amounts owed by fellow subsidiary undertakings, and £718,000 included within accruals). The purchases in the year from Hackwood were £534,000 (2020: £8,140,000).

PEGASUSLIFE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

17 Ultimate controlling party

The company's immediate holding company is PegasusLife Holdings Limited and the ultimate holding company and controlling party is Brookfield Asset Management Inc.

Lifestory Group Limited, a company incorporated in the United Kingdom, is the parent of the smallest group, of which PegasusLife Development Limited is a member, to prepare consolidated financial statements. The consolidated financial statements can be obtained from its the registered address of Lifestory Group Limited: 105-107 Bath Road, Cheltenham, Gloucestershire, England, GL53 7PR.

Brookfield Asset Management Inc., a company incorporated in Canada, is the parent of the largest group, of which PegasusLife Development Limited is a member, to prepare consolidated financial statements. The consolidated financial statements can be obtained from its registered address: Suite 300, Brookfield Place, 181 Bay Street, Toronto, Canada M5J 2T3.

18 Subsequent events

On 13 September 2021 the 126-home development in Portishead achieved planning for a change of use and was sold to a housing association for £27,800,000.