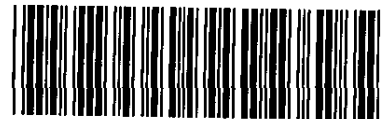


Company Registration No. 13742850 (England and Wales)

LIFESTORY HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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LIFESTORY HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr Mark Dickinson (appointed 15 November 2021, resigned on 18 March 2022) Mr Stephen Bangs (appointed 4 April 2022) Mr David Clark (appointed 4 April 2022) Ms Alison Endemano (appointed 15 November 2021) Mr Stefano Mazzoli (appointed 15 November 2021) Mr David Simpson (appointed 15 November 2021) Mr James Van Steenkiste (appointed 15 November 2021)
Secretary	Mr Jeremy Williams (resigned 20 September 2022) Mr Conor Briggs (appointed 20 September 2022)
Company number	13742850
Registered office	105-107 Bath Road Cheltenham Gloucestershire United Kingdom GL53 7PR
Auditor	Deloitte LLP London EC4A 3HQ United Kingdom

LIFESTORY HOLDINGS LIMITED

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LIFESTORY HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present the strategic report for the year ended 30 June 2022.

The business model

To date the principal activity of the group has been the development and sale of residential property for both later living and the wider market. The group trades under the Pegasus and Renaissance brands in the later living market and Anthology in the non-age restricted developments. The principal activity of the company is that of a holding company. Following their operational merger in 2019, Lifestory Group Limited and Anthology Group Limited were legally merged on 29th June 2022 and the new intermediate parent Lifestory Holdings Limited was incorporated on 29th June 2022 under UK GAAP to facilitate the merger. During the last three years, the later living brands have offered customers the option to either purchase or rent their homes. The rental part of the business has continued to grow over this period and now represents 50 percent of transactions. The intention is to build on this momentum in the future and steer the business towards sites that can be offered fully for rental and continue the excellent service the business provides in this market.

Review of the group's business and future developments

As a result of the merger of the groups under common control in June 2022, the financial statements have been presented on a combined basis as if the groups had always been combined. Therefore, the numbers and the comparatives used throughout the financial statements are shown on this basis. This is further explained in note 18 to the accounts.

In the year ended 30 June 2022, group turnover was £266m (2021: £301m), representing 520 home sales totalling £234m (2021: 433 and £271m) and land sales of £32m (2021: £30m). Despite more home sales there was a drop in turnover due to the bulk sale of 126 homes at Portishead for a discounted value per home. In 2022, sales continued to be impacted negatively by Covid-19, but less than the prior year and the underlying sales activity was markedly higher. In the later living business, the rental of homes continued to increase in popularity with half of all reservations now for rental. There were 106 let completions in the year (2021: 63) and when added to the sale completions, later living completed on 378 new homes in the year up from 190 in the prior year, including the 126 homes sold as part of the Portishead deal. Although Anthology sales did not benefit as much in 2022 from the stamp duty incentive available during lockdown in the year ended 30 June 2021, it continued to perform well with 248 sales in the year (2021: 306) and at the time of the report all of the London sites that have been developed for sale are close to being fully sold out, with only 1 home yet to be reserved, representing an important milestone for the business.

The group's operating loss for the year from continuing operations was £46m (2021: £31m). In the year the group continued to be impacted by impairment write-downs on legacy sites with a charge of £24m (2021: £20m). There was £13m in impairments on Anthology sites following strategy changes, while a large part of the remaining impairment on Lifestory sites stems from the continuing impact of three contractor insolvencies, including Shaylor in 2019, Hackwood in 2021, and Midas in 2022. The first two resulted in significant additional works being undertaken with no recourse and the latest has impacted our site in Falmouth, where a failure in the window system could not be fully recovered. There were some further impairments due to pricing adjustments. The contractor insolvencies have been a burden to the business over the last three years, causing significant disruption, cost and absorption of management time. It has also left a number of sites with no margin due to the impairments in the current and previous years, which naturally reduces the group profit margin despite improvements in revenues in the last two years. The driving force has always been to ensure the customer has a home of the highest standard and this has now been achieved across all sites where issues arose. Further to the inventory impairments the rental portfolio was impaired £4.7m (2021: £3.5m) in line with the rental yield expected from each site, and goodwill was impaired £10.6m (2021: £3.2m) as the Anthology portfolio has not been replenished with new development sites and continues to sell out completed stock.

With the return of a healthy sales rate in recent months as Covid-19 implications abated, and the remedial works nearing completion, the group has now started the final phase of its current strategy. This is the sell through of the remaining later living built stock, and the delivering and sale of the sites under construction, then enabling the transition to becoming entirely focussed on later living rental. In early 2020, management made the decision to establish and grow the rental business for the later living customer. It had obvious benefits that can be enjoyed by the customer, including no stamp duty, greater financial flexibility and a home that is completely free from any burdens of ownership, and this strategy has now been proven. The customers have been very receptive to renting and there has been a steady increase in the mix of rentals in our monthly reservations. At the annual report date the value of rental stock managed by the business is over £100m, £45.9m which is held independently outside of this group. The internal lettings agency business has been running for over two years and is delivering an excellent service to its customers and the group has now successfully launched its in-house estate management business to further complement the services provided.

LIFESTORY HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

Review of the group's business and future developments (continued)

The group currently has the benefit of a put option to sweep the rented homes into a group under common ownership and in March 2023 the sister group gained access to a wider pool of capital in order to extend this arrangement going forward. The current arrangement is with a business outside of the group but funded by a mixture of investment from the company's parent undertaking, Oaktree Capital and a debt facility from Barclays. This allows the Lifestory business to generate cash and de-leverage its balance sheet. This is intended to continue into the foreseeable future and Lifestory will continue to service their portfolio with its lettings agency and estate management.

Looking ahead, future site purchases will be designed for pure rental and the business operations have started to be reset to accommodate this shift. The changes represent an exciting opportunity for the group, which takes it into its final stage of transition from a multi-facia, multi-tenure developer to ultimately a purely build to rent developer. We believe this is perfectly timed with the challenges being faced in the wider economy as rental becomes a more accessible and necessary form of home ownership.

Key performance indicators

	Year ended 30 June 2022	Year ended 30 June 2021
Sales completions - Anthology	248	306
Sales completions - Retirement	272	127
Let completions	106	63
Total activity	626	496
Operating loss from continuing activities	(£46m)	(£31m)
Sites acquired during the year	2	-
	At 30 June 2022	At 30 June 2021
Shareholders' funds	£161m	£251m
Employees (average)	169	166
Completed sites with homes remaining to sell	27	29
Sites under construction	5	7
Undeveloped sites	9	12
Total sites	41	48
Homes available for occupation	514	797
Homes under construction	295	277
Homes in the pipeline	198	704
Total landbank homes	1,007	1,778
Gross Development Value (GDV) pipeline at year end	£705m	£1,081m

Completions activity and the operating loss are discussed in the review of the group's business. Shareholders' funds have decreased in line with the loss for the year. Completed sites decreased by two as seven sites sold out while five sites reached practical completion. This caused a drop in sites under construction, offset where construction commenced at three sites. Undeveloped sites decreased because of this, while the group also sold two sites and exchanged on two sites, adding to the homes in the pipeline. Homes under construction have increased as construction started at larger sites than those that completed construction.

LIFESTORY HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

Key performance indicators (continued)

The number of homes available for sale, homes in the pipeline, and GDV pipeline have all reduced as stock has sold through. The purchase of sites at Lichfield and Lymington completed during the year while two new sites were purchased on a subject to planning basis in Henley-in-Arden and Bracknell. Completion at the Maidenhead site is expected in the coming months. Subsequently, in September 2022 an exceptional site comprising three acres in Bourton on the Water was also purchased and in November 2022 a site in Camberley with the benefit of a planning consent for 61 homes was exchanged, with completion expected in December 2023. These five sites add to the number of sites in the pipeline, not yet in construction, and will yield over 280 homes. This adds to the five sites under construction that are delivering approximately 300 homes, a combined pipeline of 580 homes in excellent locations, right sized for the local demand and all achieving the target return thresholds.

Employee numbers of 169 are largely in line with the prior year of 166. The directors are dedicated to developing our employees and supporting them to undertake a variety of training and development activities and measure the impact of these on the individual's and company's performance.

Funding and going concern

The group continues to enjoy an excellent relationship with its funders. At the time of this report all of the Anthology stock loans had been repaid, leaving just £13m outstanding to the Greater London Authority (GLA) on the two sites at Stratford and Kennington. In March 2023 the Kennington loan was extended to 31 March 2024 and the Stratford loan amounting to £1.1m is expected to be fully repaid by its termination date on 30 June 2023. The group remains covenant compliant on these loans.

The group's 5-year loan facility with a syndicate of lenders including Sculptor Petrel Investment S.a.r.l, AIG and Lloyds Bank, remains covenant compliant and credit approved terms have been agreed to extend the loan to December 2023 by which time the loan will be fully paid down as the current later living stock is sold through.

In October 2021 the group completed a development loan for three sites at Bath, Wooburn Green, and Cranleigh with Cheyne Capital Limited with a facility totalling £40m with a repayment date of April 2024, and remains covenant compliant.

In December 2021 the Barclays corporate facility was increased from £61m to £75m and in December 2022 was extended to October 2023 with the facility increased to £77m. It continues to be secured via a letter of credit by a parent company.

In March 2022 the group completed a development loan for the site at Cobham with CL Q Finance SV SARL with a facility totalling £24m with a repayment date of March 2024, and remains covenant compliant.

In April 2022 the group completed a development loan for three sites at Lichfield, Lymington, and West Byfleet with Cheyne Capital Limited with a facility totalling £50m with a repayment date of April 2025, and remains covenant compliant.

See note 26 for further information on loans and borrowings.

Events after the reporting date

On 28 September 2022 the group completed the acquisition on a site in Bourton on the Water for £7.2m.

On 6 February 2023 the group completed the sale of the land at the Chertsey site for £2.4m.

In December 2022 the Barclays corporate facility was increased from £61m to £77m and was extended to October 2023.

In March 2023 the Kennington GLA loan was extended to 31 March 2024.

LIFESTORY HOLDINGS LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

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
- No start on site until KPI target enquiries / reservations hit

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

Risk: Market slowdown

Mitigation

- Selling off-plan extends sales period and gives visibility of pipeline
- Alternative structures: 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
- The rental model offers an alternative to potential buyers and more flexibility in the timing of their home

Risk: Retention of high performing talent

Mitigation

- Appropriate reward structures where employees can benefit from value created

Risk: Securing finance and rising interest rates

Mitigation

- The group is exceptionally experienced in negotiating and securing finance and has access to highly skilled staff that ensure finance is secured in a timely manner
- The group has a diverse loan portfolio which includes fixed rate loans and a hedging agreement on our largest loan
- The group seeks fixed rates of interest where possible to limit exposure to variations in interest rates

Risk: Failure of subcontractors

Mitigation

- The group has developed a network of reliable subcontractors with a proven track record
- All subcontractors are subject to pre-qualification checks as part of the tendering process
- Developer contingency fees are set aside to unforeseen circumstances

S172 statement

S172 statement is presented on pages 5 - 6.

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

DocuSigned by:

.....00D3EC7621D24AD...
Mr David Clark
Director
18 April 2023
.....

LIFESTORY HOLDINGS LIMITED

S172 STATEMENT

FOR THE YEAR ENDED 30 JUNE 2022

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 and the group under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company and the group.

The S172 statement explains who the company's and the group's stakeholder groups are, their material issues and how the directors of Lifestory Holdings engage with them, and the effect of that regards, including on the principal decisions taken by the company and the group during the financial year. The S172 statement focuses on matters of strategic importance to Lifestory Holdings, 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 and the group'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 group and 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.

For further details on key decisions made in the year please see the review of the group's business on page 1.

172(1) (B) The interests of Lifestory Holdings' employees:

Lifestory Holding's employees sit within subsidiary company Lifestory Group. They are core to the business and fundamental to its long-term success. Significant efforts are made to ensure that the group remains a responsible employer from pay and benefits to health, safety and workplace environment. The business actively pursues a practice of gender equality and diversity that reflects society.

The group invests in its employees through a development programme including leadership training, apprenticeships, and specific skills training. The employees are actively encouraged to discuss development needs, and these are factored into the annual review process, to ensure they are captured and actioned.

The group is also proud to have run its graduate recruitment programme for many years and strongly believes in providing the future generations the opportunity to build their careers in the business and set them up to succeed. At the date of the signing of this report 5% (2021: 7%) of the workforce is on a graduate or apprenticeship programme, and we strive to increase this level.

Regular communication is essential and is a key part of the Lifestory approach. A weekly group-wide newsletter is produced, and the Chief Executive presents group updates to all employees every two months.

Underlying the day-to-day team management is a very clear set of policies on health and safety, anti-bribery, anti-money laundering and modern slavery. The processes are clearly defined to support these policies and regular training is performed across the business.

LIFESTORY HOLDINGS LIMITED

S172 STATEMENT

FOR THE YEAR ENDED 30 JUNE 2022

S172(1) (C) The need to foster Lifestory Holding's business relationships with suppliers, customers and others and S172(1) (D) The impact of Lifestory Holdings' operations on the community and the environment: Strong and mutually beneficial relationships with suppliers, customers and government are fundamental pillars for Lifestory Holdings' 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 or rental is completed.
- Offering clear guidance on the purchase or rental, 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.
- Customers are contacted at key milestones after they have moved in, at which they can give feedback on the process.

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 Lifestory Holdings and the communities in which it operates.
- Maintaining an active role in industry groups that present industry views to the government.
- The group has signed the legally binding housebuilders building safety repairs pledge to remedy life-critical fire-safety works on residential buildings over 11 metres tall.

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 Lifestory Holdings 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, together with 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 Lifestory Holding to achieve its long-term strategy, taking into consideration the impact on stakeholders. In doing so, the directors act fairly between the company's and the group's members. This approach is also further enhanced with a majority of the directors being representatives of the parent undertaking.

LIFESTORY HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present their annual report and audited financial statements for the year ended 30 June 2022.

Disclosure of the future developments of the group and events after the reporting date is given in the Strategic report. Information on the group's considerations towards key stakeholders can be found in the s172 statements. Information on the group's financial risk management objectives is provided in note 28 to these financial statements.

Directors

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

Mr Mark Dickinson (appointed 15 November 2021, resigned on 18 March 2022)
Mr Stephen Bangs (appointed 4 April 2022)
Mr David Clark (appointed 4 April 2022)
Ms Alison Endemano (appointed 15 November 2021)
Mr Stefano Mazzoli (appointed 15 November 2021)
Mr David Simpson (appointed 15 November 2021)
Mr James Van Steenkiste (appointed 15 November 2021)

Results and dividends

The results for the year are set out on page 15.

No ordinary dividends were paid (2021: £nil). The directors do not recommend payment of a further dividend.

Qualifying third party indemnity provisions

The company provided qualifying third-party indemnity provisions to certain directors during the financial year and at the date of this report.

Events are the balance sheet date

See strategic report.

Greenhouse gas emission reporting

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the large and medium-size companies and groups (accounts and reports) regulations 2008 as amended.

During the reporting period 1 July 2021 to 30 June 2022, our annual quantity of emissions in tonnes of carbon dioxide resulting from the purchase of fuel, electricity, heat, steam, or cooling consumed in the operation of our vehicles and offices was 544,677 kWh (2021: 373,634 kWh) being 144.59 tCO₂e (2021: 115.45 tCO₂e), of this, Scope 1 emissions represented 468,061 kWh and 102.27 tCO₂e, with the remaining being related to scope 2 emissions. As a measure of efficiency, the company intensity ratio is the number of employees over carbon dioxide consumed which is a ratio of 0.86 tCO₂e (2021: 0.70 tCO₂e) per employee.

The group has made assumptions and estimations in calculating the emissions output. The methodology used to determine the emissions output was a blend of benchmarking, extrapolating figures and obtaining meterage readings to calculate a reasonable estimate of the company's energy profile. We have followed the 2019 UK Government Environmental Reporting Guidelines and have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 to calculate the above disclosures.

Engagement with suppliers, customers, and others

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

LIFESTORY HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

Employee involvement

The company promotes equal opportunities and opportunities by applying procedures and practices as set out in our equal opportunities policy covering disabled people. The company will not discriminate in opportunities for recruitment, training, and promotion. The company seeks to continually develop and improve its workforce and is dedicated to developing its employees and supporting them to undertake a variety of training and development activities and measures the impact of these on the individual's and company's performance.

Going concern

In assessing the going concern position of the group and company, the directors have conducted a rigorous assessment of the group's ability to operate for the foreseeable future. This assessment included an in-depth review of the group cash flow forecasts taking into consideration the latest operating environment. A base case scenario was prepared against which the directors expect to deliver, over which a number of downside sensitivities were overlaid to forecast the impact of reasonably possible outcomes. Under each of the scenarios applied the group continues to remain compliant with covenants on the various debt facilities and maintains liquidity.

The base case and downside scenarios included the debt-related activities completed by the group post year end as disclosed in note 35 of these financial statements. The scenarios also assume that the £77m Barclays corporate facility, now repayable in October 2023, will be extended as required. There is a letter of credit from parent undertakings, Oaktree European Principal Fund III, L.P. and Oaktree European Principal Fund III (Parallel) L.P.'s ('Oaktree') in respect of their facility with Wells Fargo and in favour of Barclays Bank plc. If the loan is not renewed in October 2023, or subsequently, and the letter of credit is called by Barclays Bank plc, a corresponding claim could arise from Oaktree against the group. Oaktree has provided a written, irrevocable commitment that, in such a circumstance, they would not call the debt due from the group for a period no less than 12 months from the date of that event. In receipt of that written confirmation, the directors have assessed Oaktree's ability to provide that support based on its financial position and performance and no issues were noted.

The base case and downside scenarios also include further assumptions on events over the next 12 months that have not yet been concluded at the date of signing this report. Those events are:

- The Sculptor facility is assumed to be extended to December 2023. The renewal terms for this extension have been agreed with the lenders and credit approved. Furthermore, a process is underway to re-finance this loan by December 2023. A downside case has also been tested to understand the headroom if the re-finance is not completed.
- The inflow of £17m from a loan facility with Grosvenor Residential Investments Limited to support the land purchases in the group. This loan is at an advanced stage of documentation, credit approved and is intended to be completed in late-April 2023.
- There exist a small number of significant trading transactions occurring within the timelines established within the downside scenarios where the timing is relevant to the assessment.

The directors are satisfied that the above events allow the business to operate with a positive cash flow for the foreseeable future whilst still applying all the downside scenarios.

The closure of these events is part of the normal course of business and is a recurring process given the way the group is funded. The group has significant experience in closing such transactions and the directors are satisfied that the execution of these terms will be achieved and are low risk. However, until they are executed, in combination, they create a material uncertainty at the date of this report that may cast significant doubt on the group and company's ability to continue as a going concern which in turn may result in the group and company being unable to realise its assets and discharge its liabilities in the normal course of business.

Auditor

Deloitte LLP has 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 auditor in the absence of an annual general meeting.

LIFESTORY HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

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 auditor of the company 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 auditor of the company 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.

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

DocuSigned by:

0003EC76210244D...
Mr David Clark
Director
18 April 2023
.....

LIFESTORY HOLDINGS LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022

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 group financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 the parent company 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.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

LIFESTORY HOLDINGS LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LIFESTORY HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Lifestory Holdings Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 group and the parent 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 that there are certain funding events required to take place in the next 12 months that had not yet been concluded at the date of signing this report. 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 group's and 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.

LIFESTORY HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LIFESTORY HOLDINGS LIMITED

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 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 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 there is 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.

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 group's and the parent 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 group or the parent 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 group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory framework that the group 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, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group'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.

LIFESTORY HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LIFESTORY HOLDINGS LIMITED

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our 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.

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 the 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 group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

LIFESTORY HOLDINGS LIMITED
INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF LIFESTORY HOLDINGS LIMITED

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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

18 April 2023

LIFESTORY HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 £'000	2021 £'000
Continuing operations			
Revenue	4	265,953	301,263
Cost of sales		(248,447)	(281,325)
Impairment of inventories		(23,835)	(20,074)
Gross loss		(6,329)	(136)
Administrative expenses		(42,182)	(33,066)
Other operating income	5	3,045	2,608
Other operating expenses		(328)	(179)
Operating loss	6	(45,794)	(30,773)
Finance income	12	49	120
Finance costs	11	(42,197)	(56,654)
Loss before taxation		(87,942)	(87,307)
Taxation	13	(1,306)	(734)
Loss from continuing operations		(89,248)	(88,041)
Discontinued operations			
Loss on discontinued operations	14	-	(982)
Loss and total comprehensive loss for the financial year		(89,248)	(89,023)
Total comprehensive loss from continuing operations is attributable to:			
- Owners of the parent company		(89,248)	(88,041)
- Non-controlling interests		-	-
		(89,248)	(88,041)
Total comprehensive loss from discontinued operations is attributable to:			
- Owners of the parent company		-	(368)
- Non-controlling interests		-	(614)
		-	(982)

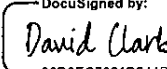
The accompanying notes on pages 21 – 51 form an integral part of these financial statements.

LIFESTORY HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

Consolidated	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Non-current assets					
Intangible assets	15		10,581		21,231
Property, plant and equipment	16		253		233
Investment properties	17		55,712		33,869
Right of use assets	27		798		998
Deferred tax asset	29		579		1,885
			67,923		58,216
Current assets					
Inventories	22	496,644		715,253	
Trade and other receivables	23	15,829		22,298	
Cash and cash equivalents		73,344		79,869	
			585,817		817,420
Total assets			653,740		875,636
Current liabilities					
Trade and other payables	24		(44,810)		(64,622)
Loans and borrowings	26		(129,257)		(161,046)
Leases	27		(182)		(238)
			(174,249)		(225,906)
Non-current liabilities					
Loans and borrowings	26	(304,210)		(385,038)	
Leases	27	(630)		(793)	
Other payables	25	(13,250)		(13,250)	
			(318,090)		(399,081)
Total liabilities			(492,339)		(624,987)
Net assets			161,401		250,649
Share capital	30		-		-
Share premium	30		496,500		496,500
Merger reserve	30		249,450		249,450
Retained earnings	30		(584,549)		(495,301)
Equity attributable to owners of the parent company			161,401		250,649

The accompanying notes on pages 21 – 51 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 18 April 2023
and are signed on its behalf by:

DocuSigned by:

0002EC762102440...
Mr David Clark
Director

Company Registration No. 13742850

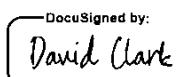
LIFESTORY HOLDINGS LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

Company	Notes	2022 £'000
Non-current assets		
Investments	18	170,224
Total assets		170,224
Net assets		170,224
Equity		
Share capital	30	-
Share premium	30	496,500
Retained earnings	30	(326,276)
Total equity		170,224

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was £326,276,000.

The accompanying notes on pages 21 – 51 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 18 April 2023 and are signed on its behalf by:

DocuSigned by:

 00D3EC7631D244D...
 Mr David Clark
 Director

Company Registration No. 13742850

LIFESTORY HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

Consolidated	Share capital	Share premium	Merger reserve	Retained earnings	Total controlling interest	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2020	-	496,500	249,450	(406,892)	339,058	757	339,815
Year ended 30 June 2021:							
Total comprehensive loss	-	-	-	(88,409)	(88,409)	(614)	(89,023)
Disposal of subsidiary	-	-	-	-	-	(143)	(143)
Balance at 30 June 2021	-	496,500	249,450	(495,301)	250,649	-	250,649
Year ended 30 June 2022:							
Total comprehensive loss	-	-	-	(89,248)	(89,248)	-	(89,248)
Balance at 30 June 2022	-	496,500	249,450	(584,549)	161,401	-	161,401

The accompanying notes on pages 21 – 51 form an integral part of these financial statements.

LIFESTORY HOLDINGS LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2021	-	496,500	-	496,500
Total comprehensive loss	-	-	(326,276)	(326,276)
Balance at 30 June 2022	-	496,500	(326,276)	170,224

The accompanying notes on pages 21 – 51 form an integral part of these financial statements.

LIFESTORY HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

Consolidated	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities					
Cash generated by operations	32		121,098		112,064
Interest and issue costs paid			(28,447)		(35,366)
Corporation tax refund	13		-		1,559
Net cash generated from operating activities			92,651		78,257
Investing activities					
Interest received	12	49		120	
Purchase of property, plant and equipment	16	(240)		(46)	
Proceeds from sale of investment properties	17	19,432		3,952	
Cash transferred on disposal of subsidiary		-		(5)	
Net cash generated from investing activities			19,241		4,021
Financing activities					
Proceeds from borrowings		106,888		93,370	
Repayment of borrowings		(231,408)		(175,961)	
Loans from parent undertakings		6,500		74,680	
Repayment of loans from parent undertakings		-		(39,750)	
Lease payments made during the year	27	(397)		(533)	
Net cash used in financing activities			(118,417)		(48,194)
Net (decrease)/increase in cash and cash equivalents			(6,525)		34,084
Cash and cash equivalents at beginning of year			79,869		45,785
Cash and cash equivalents at end of year			73,344		79,869

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

Company information

Lifestory Holdings Limited ("the company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The registered office is 105-107 Bath Road, Cheltenham, Gloucestershire, GL53 7PR.

The principal activities of the company and its subsidiaries (the group) and the nature of the group's operations are set out in the strategic report on pages 1 to 4.

The group consists of Lifestory Holdings Limited, and all of its subsidiaries as listed in note 19.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

1.1 Basis of preparation

The group financial statements consolidate those of the company and its subsidiaries (together referred to as the "group"). The company financial statements present information about the company as a separate entity and not about its group.

The group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The group and company financial statements have been prepared under historical cost convention as modified for financial assets and liabilities at fair value as set out below.

The company financial statements have been prepared in accordance with FRS 102 (Financial Reporting Standard 102).

The financial statements are presented in pounds sterling, which is the functional and presentation currency of the group and the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was £326,276,000.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The group information provided within these statements is for the year ended 30 June 2022 with comparatives presented in accordance with the group's own established policy to present full comparative results despite the group and company not existing prior to 15 November 2021, following a group reorganisation. Further information about the merger can be found in note 18. The group's policy allows both the current and comparative years to report a full twelve month period in the statement of comprehensive income, and treats the group as having come into existence on 1 July 2020.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies (continued)

1.2 Basis of consolidation

On 29 June 2022 OCM Luxembourg EPF III S.à.r.l., the immediate holding company of Lifestory Holdings Limited undertook a group reorganisation. Lifestory Holdings Limited (LHL) acquired 100% of the issued share capital in Lifestory Group Limited (LGL) and Anthology Group Limited (AGL). LHL, LGL and AGL all have common ownership and the same ultimate controlling party; therefore, this transaction constitutes a combination of entities or businesses under common control and therefore, in accordance with IFRS 3 Para 2c, is not within the scope of IFRS 3 "Business Combinations". Under IAS 8 Para 10 LHL has elected to use an accounting policy that aligns with merger accounting as there is no change of ultimate control or ownership and only comprises intra-group transactions. Therefore, the group established its own accounting policy, this approach uses the pre-existing carrying values of assets and liabilities, and the creation of a merger reserve, and accordingly the group financial statements have been presented as though this group structure had always existed. Further details of this can be found in note 18. The directors have deemed this policy as meeting the requirements of IAS8 as relevant and reliable to users and the financial statements; faithfully represent the financial position, financial performance and cash flows; reflect the economic substance of transactions, other events and conditions, and not merely the legal form; be neutral (that is, free from bias); be prudent; and be complete in all material respects.

Business combinations, excluding those involving entities under common control, are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the company gains control until the date when the company ceases to control the subsidiary.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies (continued)

1.3 Going concern

In assessing the going concern position of the group and company, the directors have conducted a rigorous assessment of the group's ability to operate for the foreseeable future. This assessment included an in-depth review of the group cash flow forecasts taking into consideration the latest operating environment. A base case scenario was prepared against which the directors expect to deliver, over which a number of downside sensitivities were overlaid to forecast the impact of reasonably possible outcomes. Under each of the scenarios applied the group continues to remain compliant with covenants on the various debt facilities and maintains liquidity.

The base case and downside scenarios included the debt-related activities completed by the group post year end as disclosed in note 35 of these financial statements. The scenarios also assume that the £77m Barclays corporate facility, now repayable in October 2023, will be extended as required. There is a letter of credit from parent undertakings, Oaktree European Principal Fund III, L.P. and Oaktree European Principal Fund III (Parallel) L.P.'s ('Oaktree') in respect of their facility with Wells Fargo and in favour of Barclays Bank plc. If the loan is not renewed in October 2023, or subsequently, and the letter of credit is called by Barclays Bank plc, a corresponding claim could arise from Oaktree against the group. Oaktree has provided a written, irrevocable commitment that, in such a circumstance, they would not call the debt due from the group for a period no less than 12 months from the date of that event. In receipt of that written confirmation, the directors have assessed Oaktree's ability to provide that support based on its financial position and performance and no issues were noted.

The base case and downside scenarios also include further assumptions on events over the next 12 months that have not yet been concluded at the date of signing this report. Those events are:

- The Sculptor facility is assumed to be extended to December 2023. The renewal terms for this extension have been agreed with the lenders and credit approved. Furthermore, a process is underway to re-finance this loan by December 2023. A downside case has also been tested to understand the headroom if the re-finance is not completed.
- The inflow of £17m from a loan facility with Grosvenor Residential Investments Limited to support the land purchases in the group. This loan is at an advanced stage of documentation, credit approved and is intended to be completed in late-April 2023.
- There exist a small number of significant trading transactions occurring within the timelines established within the downside scenarios where the timing is relevant to the assessment.

The directors are satisfied that the above events allow the business to operate with a positive cash flow for the foreseeable future whilst still applying all the downside scenarios.

The closure of these events is part of the normal course of business and is a recurring process given the way the group is funded. The group has significant experience in closing such transactions and the directors are satisfied that the execution of these terms will be achieved and are low risk. However, until they are executed, in combination, they create a material uncertainty at the date of this report that may cast significant doubt on the group and company's ability to continue as a going concern which in turn may result in the group and company being unable to realise its assets and discharge its liabilities in the normal course of business.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies (continued)

1.4 Revenue

Revenue is generated from sale of individual residential homes, land, freeholds, commercial units, leaseholds and from contracts for the construction of homes sold to affordable housing providers.

Revenue for all revenue streams is recognised upon legal completion of contracts at which point the group's performance obligations are met. Revenue is recognised at the agreed contract price which is typically due on legal completion.

Private sales via the UK sales channel typically involve a reservation of approximately 0.20% of contract price, with 10% - 20% of the contract price paid upon exchange, and the remainder and help-to-buy (HTB) paid upon completion. Private sales via the non-UK sales channel are structured in the same fashion but with a reservation typically being approximately 0.90% of contract price. Sales for 'Social & affordable housing' are managed with payments received via a milestone contract with the relevant Housing Association. Housing association revenue is recognised upon legal completion.

1.5 Operating lease income

Operating lease income is recognised in line with lease agreements. Lease incentives are recognised over the life of the lease.

The group recognises lease payments for property rental received under operating leases as income on a straight-line basis over the lease term as part of 'other operating income'.

1.6 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 period, 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.

1.7 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to a group of cash generating units ("CGUs"), that is expected to benefit from the synergies of the combination. Each group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies (continued)

1.8 Intangible assets other than goodwill

Computer software programmes acquired by the group are stated at cost less accumulated amortisation and accumulated impairment losses. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Amortisation is recognised within administrative expenses so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer software	3 - 5 years
-------------------	-------------

1.9 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Machinery and vehicles	5 years
Fixtures, fittings and equipment	5 years
Computers and software	3 years
Leasehold improvements	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the income statement.

1.10 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at cost less provision for impairment. Impairments to investment properties are recognised within administrative expenses.

1.11 Non-current investments

In the consolidated financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

1.12 Impairment of non-current assets

Non-financial assets are reviewed for impairment at each reporting date to determine whether there are events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

1.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise of 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.

1.14 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.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies (continued)

1.15 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.

1.16 Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the group or company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.17 Retirement benefits

A defined contribution pension plan is a post-employment benefit plan under which the group or company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

1.18 Finance leases where Group is the lessee

The group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset;
- The company obtains substantially all the economic benefits from use of the asset; and,
- The company has the right to direct use of the asset.

The group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the group obtains substantially all the economic benefits from use of the asset, the group considers only the economic benefits that arise from use of the asset. In determining whether the group has the right to direct use of the asset, the group considers whether it directs how and for what purpose the asset is used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the group applies other applicable IFRSs rather than IFRS 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the company if it is reasonably certain to assess that option; and,
- Any penalties payable for terminating the lease, if the term of the lease has been estimated based on termination option being exercised.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies (continued)

1.18 Finance leases where Group is the lessee

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and,
- The amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

1.19 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the group or 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 consolidated statement of financial position and statement of comprehensive income, when there is a currently enforceable legal right to offset the recognised amounts and the group or 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. The group or company's financial assets consist of financial assets at amortised cost and derivative financial instruments.

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.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at fair value through profit and loss (FVTPL). The respective fair value movements are reflected within the statement of comprehensive income as other gains and losses. The group or company's derivative financial instruments comprise the Hackwood option (note 21).

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies (continued)

1.19 Financial instruments (continued)

Derecognition of financial assets

The group or 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 group or company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group or company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group or company retains substantially all the risks and rewards of ownership of a transferred financial asset, the group or company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 group or company becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the group or company's financial liabilities approximate to their fair values. The group or company's financial liabilities consist of financial liabilities measured at amortised cost.

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 fair value through profit and loss (FVTPL), are measured subsequently at amortised cost using the effective interest method. The group or 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 group or company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

1.20 FRS 102 company only accounting policies

Non-current investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Share premium

Share premium represents amounts subscribed for share capital in excess of nominal value.

Retained earnings

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

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

2 Adoption of new and revised standards

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

In the current year, the group 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 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 7
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 8
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 8
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 9
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 10
- Definition of Accounting Estimates - Amendments to IAS 8 11
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the group in future periods.

3 Critical judgements and key sources of estimation uncertainty

In the application of the group and 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.

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

Going concern

The directors have judged it appropriate to prepare the financial statements on a going concern basis. In drawing that conclusion, they have made judgements in relation to the occurrence of specific events within twelve months of the date of approval of these financial statements. Further details on those judgements are provided in note 1.3.

Appropriateness of group's own policy regarding group reorganisation

The group established its own accounting policy in relation to the group reorganisation whereby the carrying values of assets and liabilities were combined and a merger reserve created. Full year statements of comprehensive income were prepared for both the current and prior year. This gives an accurate and complete view of the results and balances of the group in both the current and comparative year. See note 1.2 for more information.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

3 Critical judgements and key sources of estimation uncertainty (continued)

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 inventories and estimation of costs to complete and achievable revenues

Inventories are stated at the lower of cost and net realisable value. Such inventories include land, work in progress and completed homes. Residential development is largely speculative by nature, and it is normal that not all inventories are 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 sites, the group maintains a financial appraisal of the likely revenue which will be generated when these inventories become residential properties for sale and are sold. Where the financial appraisal demonstrates that the revenue will exceed the costs of the inventories and other associated costs of constructing the residential properties, the inventories are 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 inventories 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 inventories may be different. Appraisals taking into account estimated achievable revenues, actual inventory, and costs to complete as at each reporting date, have been completed and identified an impairment of £23,999,000 (2021: £20,755,000) and a reversal of a previous impairment charge of £164,000 (2021: £681,000). These estimates were made by management having regard to actual sales prices, together with competitor and marketplace evidence, and the impact of strategic decisions. Should there be a future significant decline in UK house pricing, impairments of land, work in progress and completed sites may be necessary. Further detail on the value of inventories is in note 22. By way of sensitivity analysis, a 2% decrease in the sales price would cause the impairment to increase by £4,673,000.

Deferred tax

Deferred income tax assets are recognised for taxable losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At the year end the group has a deferred tax asset of £579,000 (2021: £1,885,000).

Carrying value of investments held by the parent company

Investments held by the company are subject to an annual assessment as to their recoverability. To assess the recoverable amounts the group maintains a financial appraisal for each entity within the group. Where the financial appraisal demonstrates that the discounted cashflows generated will exceed the investment held by the company then no impairment is required. Where the projected discounted cashflows are less than the investment, the extent to which there is a shortfall is written off in the company through the statement of comprehensive income. Following the assessment, no impairment was noted in the current or previous year. Following the assessment, a total impairment of £326,276,000 was included in administrative expenses in the company's statement of total comprehensive income. By way of sensitivity analysis, a 1% increase in the discount rate would cause the impairment to increase by £24,732,000.

Carrying value of goodwill held by the group

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. In the year £10,610,000 of goodwill impairment has been recognised (2021: £3,157,000). By way of sensitivity analysis, a 1% increase in the discount rate would cause the impairment to increase by £223,000.

Carrying value of investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at cost less provision for impairment. The key source of estimation uncertainty in determining whether any impairment exists is the rental yield. Impairments to investment properties are recognised within administrative expenses. During the year impairment losses of £4,664,000 have been recognised (2021: £1,583,000). By way of sensitivity analysis, a 0.5% increase in the rental yield would cause the impairment to increase by £986,000.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

4 Revenue

Revenue can be analysed as follows:

	Group 2022 £'000	Group 2021 £'000
Sale of retirement homes	80,745	81,577
Sale of open market homes	120,501	189,890
Sale of housing association homes	13,510	-
Land sales	31,765	29,796
Sale of rental homes	19,432	-
	<u>265,953</u>	<u>301,263</u>

All revenue arises entirely in the United Kingdom. All revenue disclosed above is recognised at a point in time.

Contract assets and liabilities

Contract assets arise when the group has right to consideration in exchange for residential housing that it has transferred to a customer but not yet invoiced. The group did not have any contract assets at the reporting date (2021: none).

Contract liabilities arise when a customer pays consideration in advance before the residential housing is transferred to the customer. The group's contract liabilities are disclosed in note 24.

5 Other operating income

	Group 2022 £'000	Group 2021 £'000
Rental income	2,920	2,436
Other income	125	172
	<u>3,045</u>	<u>2,608</u>

6 Operating loss

	Group 2022 £'000	Group 2021 £'000
Operating loss for the year is stated after charging/(crediting):		
Depreciation of owned property, plant and equipment	218	255
Amortisation of right of use assets	358	426
Amortisation of intangible assets	40	70
Impairment of goodwill	10,610	3,157
Cost of inventories recognised as an expense	239,622	266,854
Inventories impairment losses recognised	23,999	20,755
Reversal of previous inventory impairment charges	(164)	(681)
Impairment of investment property	4,664	1,583

During the year the group received furlough payments of £nil (2021: £121,106). The deferral of PAYE and national insurance contributions, which forms part of the UK government's Covid-19 support initiative, was valued at £nil (2021: £19,102).

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

7 Auditor's remuneration

	Group 2022 £'000	Group 2021 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	101	327
Audit of the financial statements of the company's subsidiaries	415	188
	<u>516</u>	<u>515</u>
For other services		
Taxation compliance services	83	74
Other taxation services	26	77
	<u>109</u>	<u>151</u>

8 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2022 Number	2021 Number
Administration	123	117
Sales	46	49
	<u>169</u>	<u>166</u>

Their aggregate remuneration comprised:

	Group 2022 £'000	Group 2021 £'000
Wages and salaries	11,836	11,602
Social security costs	1,570	1,569
Pension costs	419	358
Incentive schemes	-	38
	<u>13,825</u>	<u>13,567</u>

The company had no employees other than directors in the current and prior year. Employees and directors were remunerated by the subsidiary Lifestory Group Limited, and their remuneration was not recharged.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

9 Directors' remuneration

	Group 2022 £'000	Group 2021 £'000
Remuneration for qualifying services	1,201	889

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	Group 2022 £'000	Group 2021 £'000
Remuneration for qualifying services	575	839

No directors were enrolled in any money purchase pension schemes during either the current or prior year.

10 Retirement benefit schemes

	Group 2022 £'000	Group 2021 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	419	358

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

At the reporting date, contributions amounting to £88,000 (2021: £76,000) were payable to the scheme and are included within other payables (note 24).

11 Finance costs

	Group 2022 £'000	Group 2021 £'000
Interest payable on bank loans	28,248	34,162
Interest payable on other loans and leases	25	95
Amortisation of bank facility costs	11,901	9,295
Interest payable to group undertakings	2,023	13,149
	42,197	56,701

Of the above £nil (2021: £47,000) relates to discontinued operations, see note 14.

12 Finance income

	Group 2022 £'000	Group 2021 £'000
Finance income	49	120
	49	120

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

13 Taxation

	Group 2022 £'000	Group 2021 £'000
Current tax		
UK corporation tax on profits for the current period	-	(191)
Adjustments in respect of prior periods	-	(2,100)
Total current tax credit	-	(2,291)
	Group 2022 £'000	Group 2021 £'000
Deferred tax		
Origination and reversal of temporary differences	-	(50)
Change in recognised deferred tax assets	-	500
Unutilised tax losses	1,306	1,843
Change in recognised deferred tax liabilities	-	(84)
Total deferred tax	1,306	2,209
Total tax charge/(credit)	1,306	(82)

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

	Group 2022 £'000	Group 2021 £'000
From continuing operations		
Loss before taxation	(87,942)	(87,307)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(16,709)	(16,589)
Adjustments in respect of prior periods	-	(1,559)
Permanent capital allowances in excess of depreciation	17	33
Tax effect of expenses that are not deductible in determining taxable profit	2,365	2,433
Change in recognised deferred tax assets	-	500
Unrelieved tax losses	15,633	15,986
Short-term temporary differences	-	(70)
Taxation charge	1,306	734

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

13 Taxation (continued)

From discontinued operations

	Group 2022 £'000	Group 2021 £'000
Loss before taxation	-	(1,798)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	-	(342)
Change in recognised deferred tax liabilities	-	(84)
Unrelieved tax losses utilised	-	(541)
Tax effect of expenses that are not deductible in determining taxable profit	-	151
Taxation credit	-	(816)

Factors affecting future tax charge

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

14 Discontinued operations

On 4 March 2021, Hackwood Homes Limited entered administration, at this date the Group no longer recognised Hackwood Homes Limited as a subsidiary and it was derecognised from the consolidated set of financial statements. As a result of its administration process the operation was considered discontinued.

The results of the discontinued operations, which have been included in the loss for the year ended 30 June 2021, were as follows:

	2022 £'000	2021 £'000
Revenue	-	-
Cost of sales	-	(682)
Gross loss	-	(682)
Administrative expenses	-	(1,004)
Loss on disposal	-	(65)
Operating loss	-	(1,751)
Finance costs	-	(47)
Loss before taxation	-	(1,798)
Tax on loss	-	816
Loss for the financial year	-	(982)

In 2021, the group recognised its share of the loss totalling £65,000 that arose on the disposal of Hackwood Homes Limited.

In 2021 Hackwood Homes Limited had the following impact on the consolidated cash flow statement: net cash outflow from operating activities of £2,746,000, net cash inflow from investing activities of £629,000, and net cash inflow from financing activities of £1,990,000, with a total decrease in cash of £127,000 for the period to 4 March 2021.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

15 Intangible assets

GROUP	Goodwill £'000	Computer software £'000	Total £'000
Cost			
At 1 July 2020, 1 July 2021 and at 30 June 2022	24,271	405	24,676
Amortisation			
At 1 July 2020	-	218	218
Amortisation charge	-	70	70
Impairment charge	3,157	-	3,157
At 30 June 2021	3,157	288	3,445
At 1 July 2021	3,157	288	3,445
Amortisation charge	-	40	40
Impairment charge	10,610	-	10,610
At 30 June 2022	13,767	328	14,095
Carrying amount			
At 30 June 2022	10,504	77	10,581
At 30 June 2021	21,114	117	21,231

The company had no intangible fixed assets at 30 June 2022 or 30 June 2021.

Goodwill is monitored by management at the operating segment level, which is defined as the Anthology sub-group and therefore the goodwill is tested for impairment by reference to the sub-group only. The impairment test is performed annually at the end of each reporting period. The recoverable amount is determined on a value-in-use calculation using discounted pre-tax cash flow projections. The cashflows are based on financial budgets approved by management and cover the full life of each development. The discount rate used is 6.83% (2021: 4.40%) which is a pre-tax rate; and is based on the Anthology group's weighted average cost of capital.

The value-in-use calculations have demonstrated the assets' carrying amounts were higher than the recoverable amount. Revenue and discount rate are considered the most significant assumptions impacting the impairment calculations. These areas were sensitised to simulate changes, with price reductions on unreserved private homes, sales velocity rates and build costs. As a result of the assessment the goodwill held by the group was impaired by £10,610,000 (2021: £3,157,000).

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

16 Property, plant and equipment

Group	Machinery & vehicles £'000	Fixtures, fittings & equipment £'000	Computers & software £'000	Leasehold improvements £'000	Total £'000
Cost					
At 1 July 2020	1,359	1,452	2,823	181	5,815
Additions	-	1	45	-	46
Disposals	(1,171)	(533)	(78)	-	(1,782)
At 30 June 2021	188	920	2,790	181	4,079
At 1 July 2021	188	920	2,790	181	4,079
Additions	-	97	143	-	240
Disposals	(9)	-	-	-	(9)
At 30 June 2022	179	1,017	2,933	181	4,310
Depreciation					
At 1 July 2020	(965)	(1,072)	(2,497)	(91)	(4,625)
Depreciation charge	-	(19)	(199)	(37)	(255)
Disposal of subsidiary	779	197	58	-	1,034
At 30 June 2021	(186)	(894)	(2,638)	(128)	(3,846)
At 1 July 2021	(186)	(894)	(2,638)	(128)	(3,846)
Depreciation charge	-	(15)	(165)	(38)	(218)
Disposals	7	-	-	-	7
At 30 June 2022	(179)	(909)	(2,803)	(166)	(4,057)
Carrying amount					
At 30 June 2022	-	108	130	15	253
At 30 June 2021	2	26	152	53	233

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

17 Investment properties

	Group £'000
Valued at cost less impairment	
At 1 July 2020	12,630
Additions	26,774
Disposals	(3,952)
Impairment losses	(1,583)
	33,869
At 30 June 2021	33,869
Additions	45,939
Disposals	(19,432)
Impairment losses	(4,664)
	55,712
At 30 June 2022	55,712

Investment properties comprise £1,401,000 (2021: £1,522,000) of residual interests in sold properties where there is no set redemption date and no rent or interest is charged, and £54,311,000 (2021: £32,343,000) of investment properties which are fully owned and rented out.

The fair value of investment properties within the group at 30 June 2022 was £55,712,000 (2021: £33,869,000). For investment property of residual interests, the fair value is calculated using the UK house price index, then applying this to the cost of the investment and factoring when acquired.

For investment properties rented out, the fair value and the recoverable value is determined by rental yields, which is calculated using the current book value and estimated annual rental income for 12 months. This rental yield is compared to the benchmark UK market yields for equivalent property, which is calculated using latest market reports published by reputable property valuers. If the rental yields are lower an impairment position is identified, and the book value would be written down until the required yield level is met. In the current year an impairment of £4,664,000 (2021: £1,583,000) was charged in the year. This was recognised and is presented in the total comprehensive income statement within administrative expenses. Investment properties of £54,311,000 (2021: £32,343,000) have been pledged as security for certain of the group's borrowings and trade and other payables.

Total rental income earned in the year from investment properties was £2,691,000 (2021: £1,203,000). Direct operating expenses arising from investment property that generated rental income was £380,000 (2021: £292,000). Direct operating expenses arising from investment property that did not generate rental income was £nil (2021: £nil).

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

18 Investments

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000
Investments in subsidiaries	-	-	170,224

On 29 June 2022 OCM Luxembourg EPF III S.à.r.l. undertook a group reorganisation. Lifestory Holdings Limited (LHL) acquired 100% of the issued share capital in Lifestory Group Limited (LGL) and Anthology Group Limited (AGL). LHL, LGL, and AGL all have common ownership and the same ultimate controlling party; therefore, this transaction constitutes a combination of entities or businesses under common control and therefore, in accordance with IFRS 3 Para 2c, is not within the scope of IFRS 3 "Business Combinations". Under IAS 8 Para 10 LHL has elected to use an accounting policy that aligns with group reconstruction accounting as there is no change of ultimate control or ownership and only comprises intra-group transactions. Therefore, a merger accounting approach has been taken with the creation of a merger reserve, and accordingly the group financial statements have been presented as though this group structure had always existed.

LHL acquired LGL in a share for share transaction where 1 ordinary share in LHL was issued to OCM Luxembourg Pegasus Holdings S.à.r.l. in exchange for 4 ordinary shares in LGL. As a result of the issue of share capital to OCM Luxembourg Pegasus Holdings S.à.r.l., share premium of £382,256,616 was recognised. At the point of transfer the share capital and share premium for LGL was £609,065,015 meaning that £226,808,398 was transferred to the merger reserve. The investment value for the company is derived from the previous carrying value of investments as held by the previous parent companies. As part of the annual investment appraisal LHL's investment in LGL was impaired by £265,717,000.

LHL acquired AGL for consideration of £114,243,384. At the point of transfer the share capital and share premium for AGL was £136,885,193 meaning that £22,641,809 was transferred to the merger reserve. As part of the annual investment appraisal LHL's investment in AGL was impaired by £60,559,000.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

19 Subsidiaries and related undertakings

At 30 June 2022, 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
Lifestory Group Limited	Property development	Direct
Anthology Group Limited	Property development	Direct
PegasusLife Renaissance Holdings Limited	Holding company	Indirect
PegasusLife Group Limited	Holding company	Indirect
Lifestory Development (Cobham) Limited	Property development	Indirect
PegasusLife Development Limited	Property development	Indirect
PegasusLife Lyndhurst Limited	Property development	Indirect
PegasusLife Development (Bartrams) Limited	Property development	Indirect
PegasusLife Development (OBR) Limited	Property development	Indirect
PegasusLife Development (Westminster) Limited	Property development	Indirect
PegasusLife Development - (QVH) Limited	Property development	Indirect
Pegasus Life Limited	Holding company	Indirect
PegasusLife Holdings Limited	Holding company	Indirect
PegasusLife Landlord Limited	Holding company	Indirect
PegasusLife Rental Limited	Letting and real estate operations	Indirect
Lifestory Development Holdings Limited	Holding company	Indirect
Lifestory Development Land Limited	Property development	Indirect
Lifestory Development (Wooburn Green) Limited	Property development	Indirect
Lifestory Development (Cranleigh) Limited	Property development	Indirect
Lifestory Development (West Byfleet) Limited	Property development	Indirect
Lifestory Development (Bath) Limited	Property development	Indirect
Lifestory Development (Lichfield) Limited	Property development	Indirect
Lifestory Development (Lymington) Limited	Property development	Indirect
Lifestory Development (Henley-in-Arden) Limited	Property development	Indirect
Lifestory Development (Christchurch) Limited	Property development	Indirect
Lifestory Development (Maidenhead) Limited	Property development	Indirect
Lifestory Development (Solihull) Limited	Property development	Indirect
Lifestory Development (Bracknell) Limited	Property development	Indirect
Lifestory Development (Teddington) Limited	Property development	Indirect
Lifestory Development (Holt) Limited	Property development	Indirect
Lifestory Development (Chertsey) Limited	Property development	Indirect
PegasusLife Landlord - Crowthorne Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Rustington Limited	Letting and real estate operations	Indirect
PegasusLife Landlord Ace Sandbanks Limited	Letting and real estate operations	Indirect
PegasusLife Landlord The Landing Limited	Letting and real estate operations	Indirect
PegasusLife Landlord Carriages Limited	Letting and real estate operations	Indirect
PegasusLife Landlord Chapter House Limited	Letting and real estate operations	Indirect
PegasusLife Landlord Woodlands Limited	Letting and real estate operations	Indirect
PegasusLife Landlord Hortsley Limited	Letting and real estate operations	Indirect
PegasusLife Landlord Chapelwood Limited	Letting and real estate operations	Indirect
PegasusLife Landlord No. 79 Fitzjohns Avenue Limited	Letting and real estate operations	Indirect
PegasusLife Landlord Steepleton Limited	Letting and real estate operations	Indirect

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

19 Subsidiaries and related undertakings

Name	Principal activity	Control
PegasusLife Landlord - Sandhurst Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Leyton Road Limited	Letting and real estate operations	Indirect
PegasusLife Landlord JDH Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Marina Gardens Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Moors Nook Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Belle Vue Limited	Letting and real estate operations	Indirect
PegasusLife Landlord The Vincent Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - The Fitzroy Limited	Letting and real estate operations	Indirect
PegasusLife Landlord Wilderness House Limited	Letting and real estate operations	Indirect
PegasusLife Landlord One Bayshill Road Limited	Letting and real estate operations	Indirect
PegasusLife Landlord Chimes Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Holmwood Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Poole Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Vivere Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Taylor Place Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Kingsbury Grove Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Bourne End Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Wimborne Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Babbacombe Limited	Letting and real estate operations	Indirect
PegasusLife Landlord - Cranleigh Coves Limited	Letting and real estate operations	Indirect
Lifestory Agency Services Limited	Letting and real estate operations	Indirect
Lifestory Customer Operations Limited	Management of real estate	Indirect
Renaissance Retirement Limited	Property development	Indirect
Renaissance Assets Limited	Property development	Indirect
PegasusLife Property Limited	Holding company	Indirect
PegasusLife Property Holdings Limited	Holding company	Indirect
London Real Estate Development Limited	Development management	Indirect
Anthology Deptford Foundry Limited	Property development	Indirect
Anthology Hoxton Holdings Limited	Holding company	Indirect
Anthology Hoxton Press Limited	Property development	Indirect
Anthology Wembley Parade Limited	Property development	Indirect
Anthology Hale Works Limited	Property development	Indirect
Anthology Development 5 Limited	Property development	Indirect
Anthology Stratford Mill Limited	Property development	Indirect
Anthology Kennington Stage Limited	Property development	Indirect

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

20 Subsidiary companies audit exemptions

The following group entities are exempt from the requirements of the Companies Act 2006 relating to the audit of their individual accounts for the year ended 30 June 2022 by virtue of section 479A and section 479C of the Companies Act 2006:

- PegasusLife Lyndhurst Limited (Registration number: 10304225)
- PegasusLife Renaissance Holdings Limited (Registration number: 10304306)
- PegasusLife Development (Bartrams) Limited (Registration number: 10468955)
- PegasusLife Development (OBR) Limited (Registration number: 10470894)
- PegasusLife Development (Westminster) Limited (Registration number: 10416531)
- PegasusLife Development - (QVH) Limited (Registration number: 10421199)
- PegasusLife Holdings Limited (Registration number: 09553221)
- PegasusLife Landlord Limited (Registration number: 08804304)
- PegasusLife Property Limited (Registration number: 11698628)
- PegasusLife Group Limited (Registration number: 11787441)
- Renaissance Retirement Limited (Registration number: 3259684)
- Lifestory Agency Services Limited (Registration number: 10634657)
- Lifestory Development Land Limited (Registration number: 13280508)
- Anthology Development 5 Limited (Registration number: 9972727)
- Anthology Wembley Parade Limited (Registration number: 9269929)
- Anthology Hale Works Limited (Registration number: 9970963)
- Anthology Deptford Foundry Limited (Registration number: 9021410)
- London Real Estate Development Limited (Registration number: 8522309)
- Lifestory Customer Operations Limited (Registration number: 8481940)
- Anthology Hoxton Press Limited (Registration number: 9541922)
- Anthology Hoxton Holdings Limited (Registration number: 12003264)

21 Derivative financial instruments

The group acquired a call option to purchase the remaining 66.7% interest in Hackwood Homes Limited. The call option is exercisable at any time at the discretion of Lifestory Group Limited, expiring on the earlier of the 5th anniversary of the acquisition on 21 December 2017 and an IPO within the group.

The fair value of the Hackwood Option is £nil (2021: £nil) calculated on the assumption that since the company has entered administration the level of EBITDA generated by Hackwood over the option period is not expected to be sufficient to place the option in-the-money. Accordingly, the option has now ceased.

22 Inventories

	Group 2022 £'000	Group 2021 £'000
Completed homes	385,845	491,858
Work in progress	67,430	198,017
Land	43,369	25,378
	496,644	715,253

Inventories of £470,410,000 (2021: £701,190,000) have been pledged as security for certain of the group's borrowings and trade and other payables.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

23 Trade and other receivables

	Group 2022 £'000	Group 2021 £'000
Trade receivables	10,149	7,151
Amounts owed by parent	-	7,286
Amounts owed by related parties (note 31)	69	1,153
Other receivables	3,522	4,694
Prepayments	2,089	2,014
	<u>15,829</u>	<u>22,298</u>

The directors consider that the carrying values of trade and other receivables approximate their fair value.

More detail on amounts owed by related parties can be seen in note 31.

24 Trade and other payables

	Group 2022 £'000	Group 2021 £'000
Current		
Trade payables	8,912	8,290
Contract liabilities	289	13,693
Corporation tax payable	283	283
Other taxation and social security	4,416	1,587
Other payables	4,363	587
Amounts owed to related parties (note 31)	3,983	-
Amounts owed to parent	4,123	-
Accruals	18,441	40,182
	<u>44,810</u>	<u>64,622</u>

The directors consider that the carrying values of trade and other payables approximate their fair value.

Lifestory Development Land Limited has a £3.9m VAT creditor due to sale of Guildford, paid 31 August 2022 included in other taxation and social security above.

The average credit period taken for trade purchases by the group is 46 days (2021: 10 days).

25 Other payables

	Group 2022 £'000	Group 2021 £'000
Non-current		
Other payables	<u>13,250</u>	<u>13,250</u>

Other payables relate to loan exit fees on the Sculptor facility which will be payable on 4 July 2023.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

26 Loans and borrowings

	Group 2022 £'000	Group 2021 £'000
Secured bank loans	367,482	501,178
Unsecured bank loans	75,000	60,000
Issue costs	(9,015)	(15,094)
	<u>433,467</u>	<u>546,084</u>
Payable within one year	129,257	161,046
Payable after one year	<u>304,210</u>	<u>385,038</u>

Bank loans comprise:

A £525,000,000 loan facility with Sculptor Petrel Investment S.à.r.l. was agreed on 28 June 2019 with the first drawdown made on 4 July 2019. It has a 4-year term ending 4 July 2023 and incurs annual interest of 5.45% above SONIA for 3 years, then increases to 6.5% in year 4. The terms of an extension have been agreed with the lenders with the facility agreed to be extended to 31 December 2023. During the extension period after 4 July 2023, the interest on the loan will be 7.5% over SONIA. The loan is secured by way of a first charge over the assets of PegasusLife Developments Limited, Renaissance Assets Limited and PegasusLife Rental Limited, and a debenture over the shares of PegasusLife Group Limited.

On 23 June 2021, the group entered into a £9,475,000 loan facility agreement with Daiwa Capital Markets Europe Limited. It is a 15-month facility, is secured against certain land sites within the group and attracts interest at 6.75% per annum. This was repaid on 30 June 2022.

On 15 October 2021, an agreement was signed with Cheyne Capital for a £40,000,000 development facility. The facility is repayable in April 2024 and subject to a fixed interest rate of 5%.

On 14 April 2022, an agreement was signed with Cheyne Capital for a £50,000,000 development facility. The facility is repayable in April 2025 and subject to a fixed interest rate of 5.5%.

On 31 March 2022, an agreement was signed with CL Q Finance SV SARL for a £24,000,000 development facility. The facility is repayable in March 2024 and subject to a fixed interest rate of 5.75% over SONIA.

Bank loans for Anthology Group and its subsidiaries are secured on the freehold land or a long lease on the land as appropriate. Loans are either fixed rate, margin over Bank of England base rate or SONIA plus margin.

In December 2018, the group signed a loan agreement for £55,159,000 with GLA Land and Property. The loan was due to be repaid in January 2021 and was subject to fixed interest rates of 3.84% and 4.74% (4.54% on a blended basis). This was extended to September 2021, and later repaid in full in August 2021 as part of the refinance provided by Laxfield on the Hale Works scheme.

In May 2018, Anthology Group Limited signed an agreement with Barclays for a £61,000,000 corporate facility. The facility was repayable in April 2022, but this has been extended with an additional £16,000,000 facility amount and is now repayable on 16 October 2023 at an interest rate of 3% over SONIA.

In June 2019, the group signed an agreement for a stock loan with a facility up to £61,700,000 with Deutsche Bank, repayable on 14 June 2021 and this was extended to 14 June 2022. This had an interest rate at 4.12% over SONIA and was repaid on 31 May 2022.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

26 Loans and borrowings (continued)

In November 2020, the group signed an agreement to refinance the unsold stock at Deptford Foundry and Wembley Parade. The facility was for £53,420,000 with a 3-year term to 20 November 2023 and is subject to an interest rate of 5% over SONIA. This was repaid on 30 June 2022.

On 20 August 2021, an agreement was signed with Laxfield for a £20,000,000 stock loan. The facility was repaid in full on 30 June 2022 and was subject to an interest rate of 5% over SONIA.

In May 2021, the group signed an agreement with Jordan International Bank for a £1,785,000 development facility. The facility was repaid in full on 6 February 2023 and was subject to an interest rate of 4.75% over SONIA.

In December 2018, an agreement was signed with the GLA Land and Property for a £21,900,000 development facility. The facility was repayable in March 2022 but was extended to December 2022, and then again to 31 March 2024. The loan has a fixed interest rate of 6.5%.

In December 2018, an agreement was signed with the GLA Land and Property for a £27,900,000 development facility. The facility was repayable in March 2022 but was extended to December 2022, and then again to 30 June 2023. The loan is subject to a fixed interest rate of 6.5%.

27 Leases

	Leasehold property Total £'000
Group	
Right of use assets	
At 30 June 2021	998
Additions	485
Amortisation	(358)
Disposals	(327)
At 30 June 2022	798
Group	
Lease liabilities	
At 30 June 2021	1,031
Additions	485
Lease payments made	(397)
Interest accrued	25
Disposals	(332)
At 30 June 2022	812
Current	182
Non-current	630
	812

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

28 Financial instruments

	Group 2022 £'000	Group 2021 £'000
Carrying amount of financial assets		
Trade and other receivables	13,736	12,788
Cash and cash equivalents	73,344	79,869
Carrying amount of financial liabilities		
Measured at amortised cost	491,243	623,673

The company does not have any financial instruments measured at fair values. The group holds the Hackwood option at fair value of £nil (2021: £nil). Financial instruments not measured at fair values include cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

The carrying values of the group's and company's financial instruments approximate their fair values.

No collateral is held as security for the group's and company's financial assets.

At the reporting date there were no trade receivables which were past due but not impaired (2021: £nil).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Given the nature and legal framework of the UK housing industry the group has a low level of exposure to credit risk.

Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments.

Exposure to market risk

The group has no material exposure to foreign currency risk as all purchases and finance are currently denominated in sterling.

The group is only exposed to the risk of interest rate movements on the non-fixed rate bank lending outstanding at the reporting date. The directors constantly review the necessity to hedge this risk of movements in SONIA. Where loans are at a variable rate and an increase in this rate will have a material impact on returns, suitable financial instruments are used to limit this exposure. Loans are regularly reviewed to assess if fixing the interest would be prudent, based on the term of the loan outstanding and view of the current market. At the date of signing the financial statements, the following interest rate caps had been arranged, which cap 75% the group's exposure to variable rate interest:

- Sculptor loan – SONIA capped at 2.1307% from July 2022 to September 2023; and at 4.50% from September 2023 to June 2025 for the forecast amortisation profile to zero, and
- Barclays loan – SONIA capped at 5.00% from December 2022 to June 2025 for £56.3m until September 2024 when it is lowered to £30.0m.

£74,416,000 (2021: £92,738,000) of the group's borrowings is at fixed rate with £368,065,000 (2021: £468,440,000) at variable rate. A 1% movement in SONIA would cause an increase in interest of £3,680,650 per annum.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

28 Financial instruments (continued)

Interest rate risk management

Interest rate risk is the exposure to interest rates movements on the non-fixed rate bank lending outstanding at the reporting date. The group constantly reviews the necessity to hedge this risk of movements in SONIA. Where loans are at variable rates and an increase in this rate will have material impact on returns, suitable financial instruments would be used to limit this exposure.

Liquidity risk management

The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Details of additional undrawn facilities that the group has at its disposal to further reduce liquidity risk are set out below.

	Group 2022 £'000	Group 2021 £'000
Bank loan facilities with maturity dates through to 2025		
- Amounts utilised	486,898	665,781
- Amounts unutilised	308,526	192,517
	<u>795,424</u>	<u>858,298</u>

Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2021.

The capital structure of the group consists of net debt (borrowings disclosed in note 26 after deducting cash and bank balances) and equity of the group (comprising issued capital, share premium and retained earnings as disclosed in the statement of changes in equity).

The group is not subject to any externally imposed capital requirements.

29 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Assets 2022 £'000	Assets 2021 £'000
Tax losses	579	1,885
	<u>579</u>	<u>1,885</u>
Movements in the year:	Group 2022 £'000	Group 2021 £'000
Asset at the start of the year	1,885	4,093
Debit to profit or loss (continuing operations)	(1,306)	(2,292)
Credit to profit or loss (discontinued operations)	-	84
Asset at the end of the year	<u>579</u>	<u>1,885</u>

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

29 Deferred taxation (continued)

Deferred income tax assets are recognised for taxable losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

At the reporting date, the group had unused losses of £356,874,000 (2021: £287,767,000) available to offset against future profits. The company had unused losses of £nil (2021: £nil). Based on the probable taxable profits available in the foreseeable future, being 3 years, based on the current sites with planning permission under construction or completed, a deferred tax asset has not been recognised on these losses (2021: £nil). Unrelieved tax losses have no expiry date.

30 Share capital and reserves

Group and Company	Group & Company 2022 £	Group & Company 2021 £
Ordinary share capital		
Issued and fully paid		
3 (2021: 3) ordinary shares of £1 each	3	3

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

The group's and company's reserves comprise:

Share premium: Share premium represents amounts subscribed for share capital in excess of nominal value.

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

Merger reserve: The merger reserve represents the excess of consideration over the book value of assets and liabilities transferred during a merger.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

31 Related party transactions

Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Transactions with other related parties are noted below:

Transactions with other related parties are noted below:

	Group 2022 £'000	Group 2021 £'000
Transactions in the year		
Anthology S.à.r.l.	-	102,123
OCM Luxembourg EPF III S.à.r.l.	1,541	(1,153)
OCM Luxembourg Pegasus Holdings S.à.r.l.	-	189,361
Lifestory Retirement Rental Holdings Ltd	14,633	-
Hackwood Homes Ltd	-	1,208
	<u>16,174</u>	<u>291,359</u>
Amount outstanding		
Anthology S.à.r.l.	-	2,998
OCM Luxembourg EPF III S.à.r.l.	(4,123)	(2,688)
OCM Luxembourg Pegasus Holdings S.à.r.l.	-	5,375
Lifestory Retirement Rental Holdings Ltd	(3,983)	-
Hackwood Homes Ltd	69	69
	<u>(8,037)</u>	<u>(5,754)</u>

OCM Luxembourg Pegasus Holdings S.à.r.l. is the immediate parent company of Lifestory Holdings Limited (note 34). Anthology S.à.r.l., Lifestory Retirement Rental Holdings Ltd and OCM Luxembourg EPF III S.à.r.l. are owned and controlled by Oaktree European Principal Fund III LP, the company's intermediate controlling party. The transactions with these entities are largely related to funding received or provided to subsidiaries and costs cross shared within the group, are non-interest bearing and are unsecured. Transactions with Lifestory Retirement Rental Holdings Ltd relate to the sale of rental properties. Transactions with Hackwood Homes Ltd relate to the construction of residential properties.

Key management personnel

Key management personnel are considered to be solely the directors. Their remuneration is disclosed in note 9.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

32 Cash generated by group operations

	2022 £'000	2021 £'000
Loss for the year after tax	(89,248)	(89,023)
Adjustments for:		
Taxation charge/(credit)	1,306	(83)
Finance income	(49)	(120)
Finance costs	42,197	56,701
Amortisation of intangible assets	40	70
Amortisation of right of use assets	358	426
Depreciation of property, plant and equipment	218	255
Impairment of goodwill	10,610	3,157
Impairment of inventories and investment property	28,499	21,657
Movements in working capital:		
Decrease in inventories	148,835	128,012
Increase in trade and other receivables	(821)	(8,562)
Decrease in trade and other payables	(20,847)	(426)
Cash generated by operations	121,098	112,064

33 Analysis of changes in net debt - group

	1 July 2021 £'000	Cash flows £'000	Non-cash changes £'000	30 June 2022 £'000
Cash at bank and in hand	79,869	(6,525)	-	73,344
Borrowings	(546,084)	143,074	(30,457)	(433,467)
Leases	(1,031)	397	(178)	(812)
	(467,246)	136,946	(30,635)	(360,935)

34 Immediate and ultimate controlling party

The immediate holding company is OCM Luxembourg Pegasus Holdings S.A.R.L, a company registered in Luxembourg and the ultimate holding company and controlling party is Brookfield Corporation (formerly Brookfield Asset Management Inc.), a company incorporated in Canada.

Brookfield Corporation (formerly Brookfield Asset Management Inc.) is the parent of the largest group, of which Lifestory Holdings Limited is a member, to prepare group financial statements. The group financial statements can be obtained from its registered address: Suite 300, Brookfield Place, 181 Bay Street, Toronto, Canada M5J 2T3.

LIFESTORY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

35 Events after the reporting date

On 28 September 2022 the group completed the acquisition on a site in Bourton on the Water for £7.2m.

On 6 February 2023 the group completed the sale of the land at the Chertsey site for £2.4m.

In December 2022 the Barclays corporate facility was increased from £61m to £77m and was extended to October 2023. It continues to be secured via a letter of credit by a parent company.

In March 2023 the Kennington GLA loan was extended to 31 March 2024.