

Company Registration No. 10726314 (England and Wales)

PEGASUSLIFE - RENTAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022



PEGASUSLIFE - RENTAL LIMITED

GENERAL INFORMATION

| | |
|--------------------------|---|
| Directors | Mr Stephen Bangs Mr David Clark Mr Michael Gill Mr Ian Harrison (appointed 9 December 2021 and resigned 31 October 2022) Mr Chris Powell (appointed 30 June 2022) Mr Marc Evans (resigned 9 December 2021) Mr Mark Dickinson (resigned 18 March 2022) Mr David Holmes (appointed 20 February 2023) |
| Secretary | Mr Jeremy Williams (resigned 20 September 2022) Mr Conor Briggs (appointed 20 September 2022) |
| Company number | 10726314 |
| Registered office | 105-107 Bath Road Cheltenham Gloucestershire United Kingdom GL53 7PR |
| Auditor | Deloitte LLP London United Kingdom EC4A 3HQ |

PEGASUSLIFE - RENTAL LIMITED

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PEGASUSLIFE - RENTAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

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

Principal activities

The principal activity of the company continued to be that of letting and sales of own real estate.

Directors

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

Mr Stephen Bangs

Mr David Clark

Mr Michael Gill

Mr Ian Harrison (appointed 9 December 2021 and resigned 31 October 2022)

Mr Chris Powell (appointed 30 June 2022)

Mr Marc Evans (resigned 9 December 2021)

Mr Mark Dickinson (resigned 18 March 2022)

Mr David Holmes (appointed 20 February 2023)

Results and dividends

The results for the year are set out on page 7.

Revenue has increased by £18m as there were 49 sales of rental properties, an increase from 3 in the year ended 30 June 2021. Cost of sales increased by £17m in line with the increased sales. Investment property has increased by £31,804,000 with the addition of 131 homes to the portfolio, offset by the 49 sales. The impairment of the rental property as discussed in note 9 has resulted in a net liability position on the balance sheet.

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

Going concern

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

The directors have considered the ability of Lifestory to provide that support. The directors have identified that, whilst Lifestory's 30 June 2022 financial statements have been prepared on a going concern basis, a material uncertainty is disclosed in note 1 of those financial statements. Lifestory is reliant on the completion of certain debt funding which has not yet been formally agreed with its lenders. Accordingly, Lifestory may be unable to provide the support required. However, with a director in common with Lifestory, the company's directors are confident that those uncertainties in Lifestory will conclude as expected and that Lifestory will be able to provide the support necessary to the company. Therefore, the directors have deemed it appropriate to prepare these financial statements on a going concern basis.

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

Qualifying third party indemnity provisions

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

PEGASUSLIFE - RENTAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

Statement of disclosure to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

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

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

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

DocuSigned by:

David Clark

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Mr David Clark

Director

18 April 2023

Date:

PEGASUSLIFE - RENTAL 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PEGASUSLIFE - RENTAL LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PEGASUSLIFE - RENTAL LIMITED

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

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

Basis for opinion

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

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

Material uncertainty related to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

PEGASUSLIFE - RENTAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PEGASUSLIFE - RENTAL LIMITED

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

- The carrying value of investment property as a result of impairment due to estimation applied in the recoverable value. We challenged the recoverable value of investment properties in light of post year-end sales values and comparison to relevant market benchmark yield data, as determined by Deloitte Real Estate specialists which was then applied to net rental income per unit.

PEGASUSLIFE - RENTAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PEGASUSLIFE - RENTAL LIMITED

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

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

PEGASUSLIFE - RENTAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | Year ended 30 June 2022 £'000 | Year ended 30 June 2021 £'000 |
|---|----------|--|--|
| Revenue | 4 | 20,675 | 2,675 |
| Cost of sales | | (18,662) | (1,608) |
| Gross profit | | 2,013 | 1,067 |
| Administrative expenses | | (4,397) | (1,363) |
| Loss before taxation | 5 | (2,384) | (296) |
| Taxation | 8 | - | - |
| Loss for the financial year | | (2,384) | (296) |
| Total comprehensive expense for the year | | (2,384) | (296) |

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations. There were no items of other comprehensive income in the year.

The accompanying notes on pages 10 - 18 form an integral part of these financial statements.

PEGASUSLIFE - RENTAL LIMITED**BALANCE SHEET****AS AT 30 JUNE 2022**

| | Notes | 2022 £'000 | 2021 £'000 |
|---------------------------------|-------|-----------------|-----------------|
| Non-current assets | | | |
| Investment properties | 9 | 41,402 | 9,598 |
| Current assets | | | |
| Trade and other receivables | 10 | 23,531 | 3,465 |
| Cash and cash equivalents | | 1,441 | 306 |
| | | <u>24,972</u> | <u>3,771</u> |
| Total assets | | <u>66,374</u> | <u>13,369</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | (68,392) | (13,003) |
| Total liabilities | | <u>(68,392)</u> | <u>(13,003)</u> |
| Net current liabilities | | <u>(43,420)</u> | <u>(9,232)</u> |
| Net (liabilities)/assets | | <u>(2,018)</u> | <u>366</u> |
| Equity | | | |
| Share capital | 12 | - | - |
| Retained earnings | 12 | (2,018) | 366 |
| Total equity | | <u>(2,018)</u> | <u>366</u> |

The accompanying notes on pages 10 - 18 form an integral part of these financial statements.

18 April 2023

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

DocuSigned by:

 80B3E07621D244D...
 Mr David Clark
 Director

Company Registration No. 10726314

PEGASUSLIFE - RENTAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

| | Share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---------------------------|-------------------------------|--------------------------|
| Balance at 30 June 2020 | - | 662 | 662 |
| Year ended 30 June 2021: | | | |
| Loss and total comprehensive income for the year | - | (296) | (296) |
| | <hr/> | <hr/> | <hr/> |
| Balance at 30 June 2021 | - | 366 | 366 |
| Year ended 30 June 2022: | | | |
| Loss and total comprehensive expense for the year | - | (2,384) | (2,384) |
| | <hr/> | <hr/> | <hr/> |
| Balance at 30 June 2022 | - | (2,018) | (2,018) |

The accompanying notes on pages 10 - 18 form an integral part of these financial statements.

PEGASUSLIFE - RENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

Company information

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

1.1 Accounting policies

The company's financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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

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

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

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

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

- Cash flow statement and related notes;
- Standards not yet effective;
- Comparative period reconciliations for share capital and fixed assets;
- Certain disclosures in relation to IFRS15, IFRS16 and IAS8;
- Disclosures in respect of capital management;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions entered into between two or more members of a wholly owned member of a group.
- Impairment of assets under IAS 36

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

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

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

PEGASUSLIFE - RENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies (continued)

1.2 Going concern

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

The directors have considered the ability of Lifestory to provide that support. The directors have identified that, whilst Lifestory's 30 June 2022 financial statements have been prepared on a going concern basis, a material uncertainty is disclosed in note 1 of those financial statements. Lifestory is reliant on the completion of certain debt funding which has not yet been formally agreed with its lenders. Accordingly, Lifestory may be unable to provide the support required. However, with a director in common with Lifestory, the company's directors are confident that those uncertainties in Lifestory will conclude as expected and that Lifestory will be able to provide the support necessary to the company. Therefore, the directors have deemed it appropriate to prepare these financial statements on a going concern basis.

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

1.3 Revenue

Revenue is generated from rental of investment properties and sales of apartment units.

Revenue from rental of investment properties is recognised on an accrual basis over the period for which the property is rented. Revenue from sale of apartments is recognised upon legal completion of contracts at which point the company's performance obligation is met. Revenue recognised is measured at the agreed contract price.

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

1.4 Investment properties

Investment properties are fully owned, a rent is charged, and are valued at cost less impairment. An investment property is derecognised upon disposal. Impairment charges are recognised within administrative expenses.

1.5 Cash and cash equivalents

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

1.6 Non-derivative financial instruments

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

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

PEGASUSLIFE - RENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies (continued)

1.6 Non-derivative financial instruments (continued)

Financial assets

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

Classification of financial assets

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

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

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

Impairment of financial assets

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

Derecognition of financial assets

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

Financial liabilities

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

Financial liabilities measured subsequently at amortised cost

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

PEGASUSLIFE - RENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies (continued)

1.6 Non-derivative financial instruments (continued)

Derecognition of financial liabilities

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

1.7 Equity instruments

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

1.8 Taxation

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

Current tax

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

Deferred tax

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

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

2 Change in accounting policy

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

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

PEGASUSLIFE - RENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

The directors believe there were no critical judgments made arising in the process of applying the company's accounting policies that have a significant effect on the amounts recognised in financial statements.

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 investment properties

Investment properties are recognised at acquisition cost. On an annual basis an impairment review is undertaken by management whereby the recoverable value is compared to the investment book value for each rental property. The recoverable value is determined by rental yields, which is calculated using the current book value and estimated annual rental income for 12 months. The rental yield is based on the framework agreement for the sale of properties to a related party entity, as seen in the post balance sheet events. 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 £4,017,000 (2021: £1,062,000) was recorded.

4 Revenue

| | Year ended 30 June 2022 £'000 | Year ended 30 June 2021 £'000 |
|--|--|--|
| Revenue analysed by class of business | | |
| Sale of retirement homes | 4,098 | 1,472 |
| Sale of rental homes | 14,633 | - |
| Rental income | 1,944 | 1,203 |
| | <u>20,675</u> | <u>2,675</u> |

The sale of rental homes relate to the sale of homes from PegasusLife - Rental Ltd to Lifestory Retirement Rental Holdings Limited.

Revenue arises entirely in the United Kingdom.

Contract assets and liabilities

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

Contract liabilities arise when a customer pays consideration in advance before the service is rendered. The company did not have any contract liabilities at the reporting date (2021: none).

PEGASUSLIFE - RENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

5 Loss before taxation

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Loss before taxation for the year is stated after charging: | | |
| Impairment of investment property | 4,017 | 1,062 |

6 Auditor's remuneration

Auditor's remuneration for the audit of the company's financial statements of £25,000 (2021: £22,750) was borne by Lifestory Group Limited and was not recharged. Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

7 Employees

Other than the directors, during the current and prior year the company had no employees.

None of the directors were remunerated by the company. Remuneration was borne by the company's intermediate parent company, Lifestory Group Limited, and was not recharged. It is not considered practicable to split the amount between services to the group and services to this company. Total directors' remuneration is disclosed in the consolidated financial statements of Lifestory Holdings Limited which are publicly available.

8 Taxation

| | Year ended 30 June 2022 £'000 | Year ended 30 June 2021 £'000 |
|--|--|--|
| Current tax | | |
| UK corporation tax on results for the current period | - | - |
| Total current tax | - | - |
| Deferred tax | | |
| Origination and reversal of timing differences | - | - |
| Total deferred tax | - | - |
| Total tax charge | - | - |

PEGASUSLIFE - RENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

8 Taxation (continued)

The actual charge 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:

| | Year ended 30 June 2022 £'000 | Year ended 30 June 2021 £'000 |
|--|--|--|
| Loss before taxation | (2,384) | (296) |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%) | (453) | (56) |
| UK transfer pricing adjustment | 453 | 56 |
| | - | - |

Factors affecting future tax charge

UK corporation tax will increase to 25% from April 2023 which will affect the company's future tax charge.

9 Investment properties

| | 2022 £'000 |
|-----------------|---------------|
| At 1 July 2021 | 9,598 |
| Additions | 54,414 |
| Disposals | (18,593) |
| Impairment | (4,017) |
| At 30 June 2022 | 41,402 |

The fair value of investment properties within the company at 30 June 2022 was £41,402,000 (2021: £9,598,000). 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 £4,017,000 (2021: £1,062,000) was charged in the year. This was recognised and is presented in the statement of comprehensive income within administrative expenses.

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). A total of 108 properties (2021: 26) were let out at the year end. Total rental income earned in the year from investment properties was £1,944,000 (2021: £1,203,000). By way of sensitivity analysis a 2% decrease in the sales price would cause an increase in the impairment by £828,000.

Investment properties of £41,402,000 (2021: £9,598,000) have been pledged as security for certain of the parent, PegasusLife Property Holding Limited's, borrowings.

PEGASUSLIFE - RENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

10 Trade and other receivables

| | 2022 £'000 | 2021 £'000 |
|------------------------------------|---------------|---------------|
| Current assets | | |
| Amounts owed by parent undertaking | 23,487 | 3,398 |
| Prepayments | 27 | 18 |
| Other receivables | 17 | 49 |
| | <u>23,531</u> | <u>3,465</u> |

Amounts owed by parent undertaking are unsecured, repayable on demand and non-interest bearing.

11 Trade and other payables

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Current liabilities | | |
| Trade payables | 30 | 19 |
| Amounts owed to fellow subsidiary undertakings | 67,037 | 12,566 |
| Accruals | 956 | 418 |
| Other creditors | 15 | - |
| Amounts owed to related parties (see note 13) | 354 | - |
| | <u>68,392</u> | <u>13,003</u> |

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

12 Share capital

| | 2022 £ | 2021 £ |
|---------------------------------------|-----------|-----------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 1 (2021: 1) ordinary share of £1 each | <u>1</u> | <u>1</u> |

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

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

PEGASUSLIFE - RENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

13 Related party transactions

The company has taken advantage of the disclosure exemption available under FRS101 paragraph 8(k) not to disclose transactions entered into between two or more wholly owned members of a group.

Transactions with other related parties are noted below:

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Transactions in the period | | |
| Lifestory Retirement Rental Holdings Ltd | 14,633 | - |
| | <u>14,633</u> | <u>-</u> |
| Amount outstanding | | |
| Lifestory Retirement Rental Holdings Ltd | 354 | - |
| | <u>354</u> | <u>-</u> |

14 Ultimate controlling party

The immediate holding company is PegasusLife Property Holdings Limited. The ultimate holding company and controlling party is Brookfield Corporation (formerly Brookfield Asset Management Inc.).

On 29 June 2022 Lifestory Holdings Limited acquired 100% of the share capital of Lifestory Group Limited as part of a group reorganisation. Lifestory Holdings Limited, a company incorporated in the United Kingdom, is the parent of the smallest group, of which PegasusLife - Rental Limited is a member, to prepare group financial statements. The group financial statements can be obtained from its registered address: 105-107 Bath Road, Cheltenham, Gloucestershire, United Kingdom, GL53 7PR.

Brookfield Corporation (formerly Brookfield Asset Management Inc.), a company incorporated in Canada, is the parent of the largest group, of which PegasusLife - Rental 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.