

**PEGASUS RETIREMENT HOLDINGS LIMITED**

Report and Consolidated Accounts

For the year ended 31 March 2011

Registered number 06160259

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## **PEGASUS RETIREMENT HOLDINGS LIMITED**

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## **PEGASUS RETIREMENT HOLDINGS LIMITED**

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Registered Number 6160259

### **DIRECTORS**

P F Askew FIoD FCIM

M J Gill C Dir MRICS MBEng MCI0B

K Roake BSc (Hons)

### **SECRETARY**

D J Petri BSc (Econ) ACA

### **AUDITORS**

KPMG LLP

100 Temple Street

Bristol

BS1 6AG

### **BANKERS**

The Royal Bank of Scotland plc

Corporate Banking

Conqueror House

Vision House

Chivers Way

Heston

Cambridge

CB24 9NL

### **SOLICITORS**

CMS Cameron McKenna

Mitre House

160 Aldersgate Street

London

EC1A 4DD

### **REGISTERED OFFICE**

105-107 Bath Road

Cheltenham

Gloucestershire

GL53 7LE

## **PEGASUS RETIREMENT HOLDINGS LIMITED**

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### **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the group, together with the consolidated accounts and auditor's report, for the year ended 31 March 2011

### **PRINCIPAL ACTIVITIES**

The principal activity of the group is the development and sale of sheltered accommodation for the elderly

### **RESULTS AND DIVIDENDS**

The audited accounts for the year ended 31 March 2011 are set out on pages 8 to 28 The consolidated loss for the year before taxation was £25,016,000 (2010 £26,513,000)

The directors do not recommend the payment of a dividend (2010 £Nil)

### **BUSINESS REVIEW**

In the year ending 31 March 2011, the group achieved turnover of £18,837,000 (2010 £31,290,000) The turnover of Pegasus Retirement Homes plc, the group's operating subsidiary for the full year to 31 March 2011 increased to £18,837,000 (2010 £31,290,000) representing an reduction in unit sales to 78 (2010 126)

The principal risks facing the group are macro-economic with the current low availability and high cost of mortgage funding for the resale market being key factors within our industry

Following the year end of 31 March 2010, market conditions continued to weaken as mortgage availability reduced further and customer confidence was eroded by flat house price indices and increased economic uncertainty The directors acted to reduce further the group's cost base and this remains a key focus over the next few years as they look to steer the group through the difficult market conditions Cash management continues to be a key focus and the group is not entering into any new land commitments until market conditions improve

The group's banks, The Royal Bank of Scotland and The Bank of Ireland, have been very supportive of the group and company during these uncertain times As discussed in more detail in Note 1 to the financial statements, on 22 September 2011 they completed a further refinancing agreement with the group under which they agreed to provide amended facilities to the group and company These facilities do not carry any covenants but are all repayable on demand However, the directors have no reason to believe that the group's bankers will seek immediate repayment The facilities are due for review at 30 September 2012 at which date the directors expect the facilities to be renewed The facilities have been provided to the group and company on the basis of cash flow forecasts for the foreseeable future prepared by the directors In preparing these forecasts the directors are mindful of the unpredictability of the timing of cash inflows which are inherent to the group's business The directors believe it is appropriate to prepare these financial statements on a going concern basis However, as set out in Note 1 to the financial statements there can be no certainty in relation to this matter

In finalising these financial statements in order to reflect the market conditions prevailing at the balance sheet date the directors have again reviewed the value of the land and work in progress, including finished stock, held as stock on the balance sheet In doing so the directors have reviewed sales performance and, where appropriate, received third party valuations and have used these to determine a prudent realisable value This review showed that no assets were being carried at a cost in excess of these valuations, and as a consequence the directors have decided that there was no requirement to impair the assets at the balance sheet date

## PEGASUS RETIREMENT HOLDINGS LIMITED

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### DIRECTORS' REPORT (CONTINUED)

#### BUSINESS REVIEW (CONTINUED)

Details of key performance indicators are as follows

	2011	2010
Units sold	78	126
Operating profit	£0.9m	£1.9m
Loss before tax	£25.0m	£26.5m
Shareholders' deficit	£107.4m	£82.4m
Turnover per employee	£0.9m	£1.3m
Land bank units at year end	298	376
Employees (average)	22	25

The directors continue to be dedicated to developing the group's employees and support them to undertake a variety of training and development activities and measure the impact of these on the individual's and company's performance. As a consequence we continue to hold Investors in People accreditation.

Pegasus is committed to quality business practice and environmental management systems which encompass customer care. The processes are independently audited by Lloyds (LRQA) and certified under globally recognised standards ISO 9001:2004 and ISO 14001.

#### DIRECTORS QUALIFYING INDEMNITY PROVISIONS

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

#### SUPPLIER PAYMENT POLICY

The group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the group's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the group to pay suppliers within the agreed payment period. The number of creditor days outstanding at the year end was 14 (2010: 10).

#### DONATIONS

The group made donations during the year of £Nil (2010: £Nil) to various charities serving the community in which the group operates. No political donations were made during the year (2010: £Nil).

#### FINANCIAL INSTRUMENTS

On 25 May 2007, the company together with other group companies entered into a £137,000,000 revolving facility agreement with The Royal Bank of Scotland plc. A charge was registered on 6 June 2007 in favour of The Royal Bank of Scotland plc. This was amended by letters dated 5 July 2007, 25 February 2008, an amendment and restatement agreement dated 27 April 2009 and further letters dated 18 January 2011 and 19 September 2011 to

- a construction facility of £Nil (2010 facility: £Nil),
- a working capital facility of £1,250,000 (2010 facility: £1,250,000),
- an on demand facility comprising the group's former overdraft and revolving loan facilities of £66,900,000 (2010 facility: £66,900,000),
- an unlimited facility for unpaid interest, and
- letters of credit of £23,000 (2010 facility: £23,000).

Prior to the amendment and restatement agreement, the group managed its financial risk by entering into interest rate swaps with its bank. These swaps were retained as part of the refinancing and the group continues to make payments in relation to the swap agreements. At the year end, the swaps totalled £60,000,000 (2010: £66,000,000).

## PEGASUS RETIREMENT HOLDINGS LIMITED

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### DIRECTORS' REPORT (CONTINUED)

#### FINANCIAL INSTRUMENTS (CONTINUED)

In addition £21,516,000 of 15% secured Loan Notes 2015 and £6,949,000 of 9.4% unsecured Loan Notes 2015 were issued on 25 May 2007 and remained in issue at the year end

#### DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

#### AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By Order of the Board



**D J Petri**  
*Secretary*

*30th September* 2011

105-107 Bath Road  
Cheltenham  
Gloucestershire  
GL53 7LE

## **PEGASUS RETIREMENT HOLDINGS LIMITED**

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### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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 group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEGASUS RETIREMENT HOLDINGS LIMITED**

We have audited the financial statements of Pegasus Retirement Holdings Limited for the year ended 31 March 2011 set out on pages 8 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the group and company's ability to continue as a going concern. The group is dependent for its working capital requirements on the continuing provision of on demand facilities, which is in turn dependent on the group's ability to operate within those facilities by achieving cash flows substantially in line with, or favourable to, forecast. In addition, the group is reliant on the renewal of the facilities on their planned expiry in September 2012 and ultimately on the agreement of new facilities that are appropriate to its needs. These conditions, along with the other matters explained in Note 1 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the group's and the company's respective ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEGASUS RETIREMENT HOLDINGS LIMITED (CONTINUED)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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



**A.C. Antonius (Senior Statutory Auditor)**

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

100 Temple Street, Bristol, BS1 6AG, United Kingdom

*30 September* 2011

**PEGASUS RETIREMENT HOLDINGS LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2011**

	<i>Notes</i>	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>
<b>TURNOVER</b>	<i>1,2</i>	<b>18,837</b>	<b>31,290</b>
Cost of sales		<b>(16,466)</b>	<b>(26,163)</b>
<b>GROSS PROFIT</b>		<b>2,371</b>	<b>5,127</b>
Other operating income		<b>323</b>	<b>248</b>
Administration expenses		<b>(1,806)</b>	<b>(3,443)</b>
<b>OPERATING PROFIT</b>		<b>888</b>	<b>1,932</b>
Other interest receivable and similar income	<i>5</i>	<b>1</b>	<b>3</b>
Interest payable and similar charges	<i>6</i>	<b>(25,905)</b>	<b>(28,448)</b>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<i>3,4</i>	<b>(25,016)</b>	<b>(26,513)</b>
Taxation	<i>7</i>	<b>39</b>	<b>110</b>
<b>LOSS FOR THE FINANCIAL YEAR</b>	<i>17</i>	<b>(24,977)</b>	<b>(26,403)</b>

There are no recognised gains or losses in the year other than the loss for the year

All results arose from continuing operations

The accompanying notes are an integral part of this consolidated profit and loss account

# PEGASUS RETIREMENT HOLDINGS LIMITED

## CONSOLIDATED BALANCE SHEET

At 31 March 2011

	<i>Notes</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
<b>FIXED ASSETS</b>			
Intangible assets	8	-	-
Tangible assets	9	7	21
		<hr/>	<hr/>
		7	21
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Stocks	11	44,188	57,062
Debtors	12	680	859
Cash at bank and in hand		101	54
		<hr/>	<hr/>
		44,969	57,975
		<hr/>	<hr/>
<b>CREDITORS</b> Amounts falling due within one year	13	(105,660)	(99,361)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(60,691)	(41,386)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(60,684)	(41,365)
		<hr/>	<hr/>
<b>CREDITORS</b> Amounts falling due after one year	14	(46,731)	(41,073)
		<hr/>	<hr/>
<b>NET LIABILITIES</b>		(107,415)	(82,438)
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	15	775	775
Share premium account	16	225	225
Profit and loss account	16	(108,415)	(83,438)
		<hr/>	<hr/>
<b>SHAREHOLDERS' DEFICIT</b>	17	(107,415)	(82,438)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 30/9 2011 and were signed on its behalf by

  
**Peter F. Askew**  
 Director

Registered Number 6160259

# PEGASUS RETIREMENT HOLDINGS LIMITED

## COMPANY BALANCE SHEET

At 31 March 2011

	<i>Notes</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
<b>FIXED ASSETS</b>			
Investments	<i>10</i>	-	-
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Debtors	<i>12</i>	1,472	1,331
<b>CREDITORS</b> Amounts falling due within one year	<i>13</i>	-	-
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		1,472	1,331
		<hr/>	<hr/>
<b>NET ASSETS</b>		1,472	1,331
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	<i>15</i>	775	775
Share premium account	<i>16</i>	225	225
Profit and loss account	<i>16</i>	472	331
		<hr/>	<hr/>
<b>SHAREHOLDER'S FUNDS</b>	<i>17</i>	1,472	1,331
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 30/9 2011 and were signed on its behalf by

  
Peter H. Askew  
Director

Registered Number 6160259

**PEGASUS RETIREMENT HOLDINGS LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the year ended 31 March 2011**

	<i>Notes</i>	<i>£000</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<i>18</i>		14,058	18,734
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
Interest received		1	3	
Interest paid		(3,006)	(3,163)	
			(3,005)	(3,160)
<b>TAXATION</b>			94	950
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>				
Purchase of tangible fixed assets		-	(4)	
Proceeds on sale of tangible fixed assets		-	21	
			-	17
<b>FINANCING</b>				
Receipts from bank loans	<i>19</i>	-	92,500	
Repayment of bank loans	<i>19</i>	(11,100)	(109,003)	
			(11,100)	(16,503)
<b>INCREASE IN CASH</b>			47	38

The accompanying notes are an integral part of this consolidated cash flow statement

## PEGASUS RETIREMENT HOLDINGS LIMITED

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### NOTES TO THE ACCOUNTS

At 31 March 2011

#### 1. ACCOUNTING POLICIES

##### *Accounting convention*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

##### *Basis of preparation*

The financial statements have been prepared on a going concern basis, in accordance with applicable accounting standards and under the historical cost accounting rules

##### *Going concern*

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons

The company is a holding company for the group. The group meets its day-to-day working capital requirements through banking facilities. On 27 April 2009, the group completed a financial restructuring agreement with its bankers for new banking facilities, under which an on demand loan facility was extended until 27 April 2010. On 18 January 2011, the group agreed an extension to these facilities until 30 November 2011 and on 22 September 2011 the group agreed a further extension to these facilities until 30 September 2012. The facilities comprise

- a construction facility of £Nil (2010 facility £Nil),
- a working capital facility of £1,250,000 (2010 facility £1,250,000), of which £85,000 was drawn down at 31 August 2011,
- an on-demand facility comprising the group's former overdraft and revolving loan facilities of £66,900,000 (2010 facility £66,900,000), of which £61,600,000 was drawn down at 31 August 2011,
- an unlimited facility for unpaid interest (see below), the balance of which was £44,359,000 at 31 August 2011, and
- letters of credit of £23,000 (2010 facility £23,000)

The working capital facility attracts interest at LIBOR plus 5%. The on-demand facility attracts interest at 25% on the balance outstanding. Interest is not payable in cash and is rolled up within the facility for unpaid interest (see below) which attracts no further interest. These facilities do not carry any covenants and are all repayable on demand. A variable amount based on monthly cash inflow is paid to the bank against the principal of the on demand facility. Interest continues to accrue on the reducing principal amount at 25%.

The group is currently in the process of developing and selling its existing work in progress over the medium-term, during which time the group will seek to refinance on a longer-term basis with the objective of restructuring the debt and obtaining sufficient funding on terms that are appropriate to the group's long-term needs. The group also holds land with planning permission that may be developed once appropriate funding has been established.

The directors have discussed their medium-term intentions with their lenders and, although the banks have the right to call the facilities at any time, at the date of approval of these financial statements, the directors have no reason to believe that it will do so. Furthermore, when the current facility agreement expires at 30 September 2012, the directors expect the facilities to be renewed.

## PEGASUS RETIREMENT HOLDINGS LIMITED

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### NOTES TO THE ACCOUNTS

At 31 March 2011 (Continued)

#### 1 ACCOUNTING POLICIES (CONTINUED)

During the current financial year to 31 March 2012, the group's results are broadly in line with forecasts, a small improvement at gross profit level and overheads in line with budget such that the group is slightly ahead of forecast at profit before interest and tax level. In addition, the directors have prepared detailed cash flow forecasts for the group for the period to 31 March 2013. These forecasts between September 2011 and March 2013 include the following key assumptions:

- There will be no deterioration in the value and level of unit sales from that achieved in the second half of 2010/11,
- The estimated costs to build out the units will be in line with the contractual agreements in place and also that the related sales cost of a unit will remain in line with the level of costs experienced in the second half of 2010/11.

The directors have discussed these cash flow forecasts with the group's bankers and consider that the group and company will operate within the facilities described above. However, the nature of the group's business is such that there can be considerable unpredictable variation in the timing of cash inflows.

Accordingly, there can be no certainty in relation to these matters and the directors consider that they give rise to a material uncertainty that may cast significant doubt on the group's and company's ability to continue as a going concern. The group and company may, therefore, be unable to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### *Basis for consolidation*

The group accounts consolidate the accounts of Pegasus Retirement Holdings Limited and its subsidiary undertakings drawn up to 31 March each year. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

A profit and loss account is not presented for the company as provided by s408 of the Companies Act 2006. The profit attributable to the company for the year was £141,000 (2010: £127,000).

#### *Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 25 May 2007 is capitalised. Positive goodwill is reviewed each year and any provision is made for impairment. Goodwill is amortised over a 20 year period on a straight-line basis.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows -

Fixtures, fittings and equipment	5 years
Computers and software	3 years

Residual value is calculated on prices prevailing at the date of acquisition. The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## **PEGASUS RETIREMENT HOLDINGS LIMITED**

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### **NOTES TO THE ACCOUNTS**

**At 31 March 2011 (Continued)**

#### **1. ACCOUNTING POLICIES (CONTINUED)**

##### ***Stocks***

Stocks, including work in progress, are stated at the lower of cost and estimated net realisable value. Cost comprises of actual land purchases which are accounted for from the date of contract exchange, when the group obtains effective control of the site, actual building costs and attributable direct overheads. Net realisable value is based on estimated selling price less further costs to completion and disposal.

##### ***Taxation***

Corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted by the balance sheet date.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

##### ***Turnover***

Turnover represents amounts receivable from the sale of sheltered accommodation for the elderly, net of discounts and VAT. It is group policy to account for the sales of units and the relevant portion of their freehold land sale on legal completion.

##### ***Interest costs***

Interest payable on bank overdrafts and other loans is charged to the profit and loss account on an accruals basis.

##### ***Pension costs***

The group operates a defined contribution group personal pension scheme. The amount charged to the profit and loss account represents contributions payable by the group to the individual policies effected by the employees with an independent insurance company in funds separate from the group's finances.

##### ***Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the year of the lease.

##### ***Investments***

Investments in subsidiary undertakings are stated at cost less amounts written off.



## PEGASUS RETIREMENT HOLDINGS LIMITED

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### NOTES TO THE ACCOUNTS

At 31 March 2011 (Continued)

#### 2. SEGMENTAL REPORTING

The directors consider there to be one continuing class of business, being the sale of sheltered accommodation for the elderly and one geographical destination of business only, being the UK

#### 3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Depreciation and amounts written off tangible fixed assets		
- owned	14	21
Operating lease rentals		
- plant and machinery	41	56
- land & buildings	434	612
<b>Exceptional items</b>		
Loan arrangement fees (within administrative expense)	-	1,278
<b>Auditor's remuneration</b>		
Audit of these financial statements	2	2
Amounts received by the auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	38	38
Tax and advisory work	15	15

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Auditors' remuneration for all group companies is paid by Pegasus Retirement Homes Plc and totaled £40,000 for the year ended 31 March 2011

# PEGASUS RETIREMENT HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

At 31 March 2011 (Continued)

### 4 STAFF COSTS

	<i>2011 Number</i>	<i>2010 Number</i>
Average monthly number of employees		
Management & operations (including executive directors)	9	12
Sales	13	13
<b>Total</b>	<b>22</b>	<b>25</b>

	<i>2011 £000</i>	<i>2010 £000</i>
Their aggregate remuneration comprised		
Wages and salaries	1,200	1,560
Social security costs	151	197
Other pension costs	99	106
<b>Total</b>	<b>1,450</b>	<b>1,863</b>

### Directors' remuneration.

#### Aggregate remuneration

The remuneration of the directors was as follows

	<i>2011 £000</i>	<i>2010 £000</i>
Emoluments	548	626
Company contributions to money purchase schemes	85	86
<b>Total</b>	<b>633</b>	<b>712</b>

Three directors are members of money purchase schemes (2010 three)

The above amounts for remuneration include the following in respect of the highest paid director

	<i>2011 £000</i>	<i>2010 £000</i>
Emoluments	233	225
Company contributions to money purchase pension schemes	45	45
<b>Total</b>	<b>278</b>	<b>270</b>

**PEGASUS RETIREMENT HOLDINGS LIMITED**

**NOTES TO THE ACCOUNTS**

**At 31 March 2011 (Continued)**

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Other interest receivable	1	3
<b>Total</b>	<b>1</b>	<b>3</b>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	20,247	23,491
Loan notes	5,658	4,957
<b>Total</b>	<b>25,905</b>	<b>28,448</b>

**7. TAX ON LOSS ON ORDINARY ACTIVITIES**

Analysis of charge in the year

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Current tax		
UK corporation tax	(22)	(16)
Adjustment in respect of prior years	(17)	(94)
<b>Total current tax</b>	<b>(39)</b>	<b>(110)</b>
<b>Total tax credit on loss on ordinary activities</b>	<b>(39)</b>	<b>(110)</b>

## PEGASUS RETIREMENT HOLDINGS LIMITED

### NOTES TO THE ACCOUNTS

At 31 March 2011 (Continued)

#### 7. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting the tax charge for the year

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2010 28%). The differences are reconciled below

	2011 £000	2010 £000
Loss on ordinary activities before tax	(25,016)	(26,513)
Current tax at 28% (2010 28%)	(7,004)	(7,424)
Effect of		
Expenses not deductible for tax purposes	547	472
Depreciation for the year in excess of capital allowances	1	5
Transfer pricing adjustments	2,896	-
Short term timing differences	-	(3)
Adjustments to the tax charge in respect of previous years	(17)	(94)
Unrelieved tax losses carried forward	3,560	6,950
Remediation relief	(22)	(16)
Current tax credit for the year	(39)	(110)

Deferred tax assets of £14,163,000 (2010 £15,098,000) have not been recognized as the directors do not believe that the availability of suitable future taxable profits against which they can be offset is sufficiently certain

#### 8. INTANGIBLE FIXED ASSETS

On 25 May 2007, Pegasus Holdings Limited underwent a management buy-out. As part of this transaction Pegasus Retirement Holdings Limited became the ultimate parent undertaking of the group of companies including Pegasus Holdings Limited, resulting goodwill of £23,069,000 was capitalized

Group	Goodwill £000
Cost	
At beginning and end of year	23,069
Amortisation and provision for impairment	
At beginning and end of year	23,069
Net book value at 31 March 2010 and 31 March 2011	-

**PEGASUS RETIREMENT HOLDINGS LIMITED**

**NOTES TO THE ACCOUNTS**  
**At 31 March 2011 (Continued)**

**9. TANGIBLE FIXED ASSETS**

*Group*

	<i>Computers and software £000</i>	<i>Fixtures, fittings and equipment £000</i>	<i>Total £000</i>
<b>Cost</b>			
At beginning of year	369	61	430
Additions	-	-	-
Disposals	(35)	-	(35)
	<hr/>	<hr/>	<hr/>
At end of year	334	61	395
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	357	52	409
Charge for the year	10	4	14
Disposals	(35)	-	(35)
	<hr/>	<hr/>	<hr/>
At end of year	332	56	388
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2010	12	9	21
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2011	2	5	7
	<hr/>	<hr/>	<hr/>

*Company*

The company holds no tangible fixed assets

## PEGASUS RETIREMENT HOLDINGS LIMITED

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### NOTES TO THE ACCOUNTS

At 31 March 2011 (Continued)

#### 10. FIXED ASSET INVESTMENTS

##### *Company*

Net book value	£000
At 31 March 2010 and 31 March 2011	-

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The company acquired the entire share capital of Pegasus Retirement Management Limited on 25 May 2007 as shown above and below. The company by way of the group structure is also the ultimate parent undertaking in the following subsidiary undertakings

Subsidiary company	Principal Activity	Description of shares held	% Holding
Pegasus Retirement Management Limited	Holding company	Ordinary shares of £1	100
Pegasus New Homes Limited	Holding company	Ordinary shares of £1	100
Pegasus Holdings Limited	Holding company	Ordinary shares of £1	100
Pegasus Retirement Homes plc	Developer	Ordinary shares of £1	100
Pegasus Retirement Living Limited	Dormant	Ordinary shares of £1	100
Pegasus Retirement Properties Limited	Dormant	Ordinary shares of £1	100
Pegasus Retirement Housing Limited	Dormant	Ordinary shares of £1	100
Pegasus Homes Limited	Dormant	Ordinary shares of £1	100
Pegasus Retirement Developments Limited	Dormant	Ordinary shares of £1	100
Pegasus Property Portfolio Limited	Dormant	Ordinary shares of £1	100

All companies were incorporated in England and Wales

# PEGASUS RETIREMENT HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS At 31 March 2011 (Continued)

### 11 STOCKS

#### *Group*

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Land for development	1,775	1,625
Work in progress	42,413	55,437
	<hr/>	<hr/>
	44,188	57,062
	<hr/>	<hr/>

#### *Company*

The company holds no stocks

### 12. DEBTORS

#### *Group*

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due within one year		
Other debtors	519	588
UK corporation tax	55	110
Prepayments and accrued income	106	161
	<hr/>	<hr/>
	680	859
	<hr/>	<hr/>

#### *Company*

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due within one year		
Other debtors	40	40
	<hr/>	<hr/>
	40	40
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	1,432	1,291
	<hr/>	<hr/>
	1,472	1,331
	<hr/>	<hr/>

# PEGASUS RETIREMENT HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

At 31 March 2011 (Continued)

### 13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

*Group*

	2011 £000	2010 £000
Bank loans and overdrafts	102,368	96,227
Trade creditors	512	611
Other creditors	238	184
Accruals and deferred income	2,542	2,339
	<hr/>	<hr/>
	105,660	99,361
	<hr/>	<hr/>

The company has granted fixed and floating charges on its assets to secure the group's bank borrowings of £102,368,000 (2010 £96,227,000). The loan principal balance, which totalled £64,800,000 at 31 March 2011, incurs interest at a rate of 25%.

Prior to the amendment and restatement agreement, the group managed its financial risk by entering into interest rate swaps with its bank. These swaps were retained as part of the refinancing and the group continues to make payments in relation to the swap agreements. At the year end, the swaps totalled £60,000,000 (2010 £66,000,000) and had a negative fair value of £3,276,000.

*Company*

The company had no creditor balances due within one year at 31 March 2011 (2010 £nil).

### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

*Group*

	2011 £000	2010 £000
Fixed rate secured 15% Loan Notes 2015	10,758	10,758
Fixed rate secured 15% Payment In Kind Loan Notes 2015	10,758	10,758
Rolled up interest on Loan Notes and Payment in Kind Loan Notes	15,388	10,575
Fixed rate 9.4% Unsecured Loan Notes 2015	6,949	6,949
Rolled up interest on unsecured Loan Notes	2,878	2,033
	<hr/>	<hr/>
	46,731	41,073
	<hr/>	<hr/>



## PEGASUS RETIREMENT HOLDINGS LIMITED

### NOTES TO THE ACCOUNTS

At 31 March 2011 (Continued)

#### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

On 25 May 2007, the group issued £10,758,000 in nominal value of fixed rate secured 15% Loan Notes 2015 as part consideration for Royal Bank Investment Limited's investment in the group. The loan notes were transferred during the prior year to RB Investments 2 Limited and remained in issue at the year end. Pegasus Retirement Management Ltd, subject to the provisions of the Intercreditor Deed, has granted the Royal Bank of Scotland plc, in its capacity as security trustee, a debenture. Other group companies have entered into Institutional Loan Note Guarantees.

In addition, £10,758,000 in nominal value of fixed rate secured 15% Payment In Kind Loan Notes 2015 were issued as part of the MBO and remained in issue at the year end. Pegasus Retirement Management Ltd, subject to the provisions of the Intercreditor Deed, has granted the Royal Bank of Scotland plc, in its capacity as security trustee, a debenture. Other group companies have entered into Institutional Loan Note Guarantees.

On 25 May 2007, the group issued £6,949,000 of nominal value 9.4% Unsecured Loan Notes 2015 to various shareholders in Pegasus Retirement Holdings Limited and these remained in issue at the year end.

##### Analysis of debt

	2011	2010
Debt can be analysed as falling due	£000	£000
In one year or less, or on demand	102,368	96,227
Between two and five years	46,731	41,073
	<hr/>	<hr/>
	149,099	137,300
	<hr/>	<hr/>

The group has granted fixed and floating charges on its assets to secure bank borrowings of £102,368,000 (2010 £96,227,000).

##### Company

The company had no creditor balances due after more than one year at 31 March 2011 (2010 £Nil).

## PEGASUS RETIREMENT HOLDINGS LIMITED

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### NOTES TO THE ACCOUNTS

At 31 March 2011 (Continued)

#### 15. CALLED UP SHARE CAPITAL

	2011 £	2010 £
<i>Called-up</i>		
750,000 A ordinary shares of £1 each	750,000	750,000
250,000 ordinary shares of 10p each	25,000	25,000
	<hr/>	<hr/>
	775,000	775,000
	<hr/>	<hr/>

All of the allocated and called-up shares are fully paid other than £40,000 Ordinary Shares of 10p each, held by an Employee Benefit Trust

The shares rank *pari passu* in all respects. If there is an Event of Default, Employee members have to vote shares of both classes held by them as directed by the Investor Director or, if there is no Investor Director, by a majority of the A Ordinary Shareholders

**PEGASUS RETIREMENT HOLDINGS LIMITED**

**NOTES TO THE ACCOUNTS**

**At 31 March 2011 (Continued)**

**16 RESERVES**

*Group*

	<i>Share Premium Account £000</i>	<i>Profit and Loss Account £000</i>
At beginning of year	225	(83,438)
Loss for the year	-	(24,977)
<b>At end of year</b>	<b>225</b>	<b>(108,415)</b>

*Company*

	<i>Share Premium Account £000</i>	<i>Profit and Loss Account £000</i>
At beginning of year	225	331
Profit for the year	-	141
<b>At end of year</b>	<b>225</b>	<b>472</b>

**17. RECONCILIATIONS OF MOVEMENT IN SHAREHOLDERS' (DEFICIT)/FUNDS**

*Group*

	<i>2011 £000</i>	<i>2010 £000</i>
At beginning of year	(82,438)	(56,035)
Loss for the financial year	(24,977)	(26,403)
<b>At end of year</b>	<b>(107,415)</b>	<b>(82,438)</b>

**PEGASUS RETIREMENT HOLDINGS LIMITED**

**NOTES TO THE ACCOUNTS**

**At 31 March 2011 (Continued)**

**17. RECONCILIATIONS OF MOVEMENT IN SHAREHOLDERS' (DEFICIT)/FUNDS (CONTINUED)**

<i>Company</i>	<i>2011 £000</i>	<i>2010 £000</i>
At beginning of year	1,331	1,204
Profit for the financial year	141	127
<b>At end of year</b>	<b>1,472</b>	<b>1,331</b>

**18 RECONCILIATION OF OPERATING LOSS TO CASH FLOWS**

	<i>2011 £000</i>	<i>2009 £000</i>
OPERATING PROFIT	888	1,932
Depreciation	14	21
Decrease in stock	12,874	18,331
Decrease/(increase) in debtors	124	(71)
Increase/(decrease) in creditors	158	(1,479)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>14,058</b>	<b>18,734</b>

**19 ANALYSIS AND RECONCILIATION OF NET DEBT**

	<i>31 March 2010 £000</i>	<i>Cash Flow £000</i>	<i>Non-cash movements £000</i>	<i>31 March 2011 £000</i>
Cash at bank and in hand	54	47	-	101
Bank loans and overdrafts	(96,227)	11,100	(17,241)	(102,368)
	<b>(96,173)</b>	<b>11,147</b>	<b>(17,241)</b>	<b>(102,267)</b>
Debt due after one year	(41,073)	-	(5,658)	(46,731)
<b>Net debt</b>	<b>(137,246)</b>	<b>11,147</b>	<b>(22,899)</b>	<b>(148,998)</b>

## PEGASUS RETIREMENT HOLDINGS LIMITED

### NOTES TO THE ACCOUNTS

At 31 March 2011 (Continued)

#### 20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>£000</i>
Increase in cash in year	47
Cash outflow from reduction in debt	11,100
Non cash movement	(22,899)
	<hr/>
Movement in net debt in the year	(11,752)
Net debt at 31 March 2010	(137,246)
	<hr/>
<b>Net debt at 31 March 2011</b>	<b>(148,998)</b>
	<hr/>

#### 21. FINANCIAL COMMITMENTS

##### *Group*

Annual commitments under non-cancellable operating leases are as follows

	<i>2011</i>		<i>2010</i>	
	<i>Land and Buildings £000</i>	<i>Other £000</i>	<i>Land and Buildings £000</i>	<i>Other £000</i>
Expiry date				
- within one year	172	1	130	15
- between two and five years	39	6	358	6
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>211</b>	<b>7</b>	<b>488</b>	<b>21</b>
	<hr/>	<hr/>	<hr/>	<hr/>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs

##### *Company*

The company has no financial commitments

## PEGASUS RETIREMENT HOLDINGS LIMITED

### NOTES TO THE ACCOUNTS

At 31 March 2011 (Continued)

#### 22 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions between wholly-owned group undertakings included in these consolidated accounts

The following cross guarantees exist in the Group

- Pegasus Retirement Holdings Ltd, Pegasus Retirement Management Ltd, Pegasus Retirement Homes plc and Pegasus New Homes Ltd are guarantors for the £10,758,000 Series I Secured Loan Notes 2015 of £1
- Pegasus Retirement Holdings Ltd, Pegasus Retirement Management Ltd, Pegasus Retirement Homes plc and Pegasus New Homes Ltd are guarantors for the £10,758,000 Secured Payment In-Kind Notes 2015 of £1
- Pegasus Retirement Holdings Ltd, Pegasus Retirement Management Ltd, Pegasus Retirement Homes plc and Pegasus New Homes Ltd are guarantors of the £102,368,000 RBS Senior Facilities Agreement

The following loan notes to directors were in issue for the year

Director	Principal Terms	Principal Amount (£)	Interest Accrued b/fwd (£)	Interest Accrued during the year (£)	Balance 31 March 2011 (£)
P Askew	9 4% interest, repayable May 2015	5,047,175	1,484,458	622,007	7,153,640
M J Gill	9 4% interest, repayable May 2015	611,326	179,801	75,339	866,466

#### 23. PENSION SCHEME

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the Scheme and amounted to £99,000 (2010 £106,000). At year end, contributions amounting to £8,000 (2010 £Nil) were payable to the Scheme and are included within other creditors in the accounts.

#### 24 ULTIMATE CONTROLLING PARTY

Pegasus Retirement Holdings Limited is the ultimate parent undertaking of the Group and its Registered Office is 105-107 Bath Road, Cheltenham, Gloucestershire, GL53 7LE