

Company Number 04144192

LAKESIDE CENTRE LIMITED

**DIRECTORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
31 December 2022**

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LAKESIDE CENTRE LIMITED

DIRECTORS AND OTHER INFORMATION

Directors	Jeremy Michael Jorgen Malherbe Jensen Neil Jonathan Robson Andrea Trozzi
Company Number	04144192
Registered Office	5 Churchill Place 10 th Floor London E14 5HU
Company Secretary	CSC Corporate Services (UK) Limited 5 Churchill Place 10 th Floor London E14 5HU
Independent Auditor	BDO LLP 55 Baker Street London W1U 7EU
Bankers	HSBC Bank PLC 8 Canada Square London E14 5HQ
Asset Manager	Global Mutual Properties Limited 3 rd Floor 43-45 Dorset Street London W1U 7NA
Property Manager	Savills (UK) Limited 163 West George Street Glasgow G2 2JJ

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their strategic report of Lakeside Centre Limited (the "Company") for the year ended 31 December 2022.

Principal activities

The principal activity of the Company is the ownership, management and development of Lakeside Shopping Centre, Thurrock Way, Essex (the "Property").

Business Review

The Company is a subsidiary of the SGS Holdco Limited group (the "Group" or "SGS"). In addition to the Property, the Group currently owns and operates other shopping centres in the United Kingdom (together with the Property, the "Properties"): The Victoria Centre, Nottingham and Atria Watford in England, and Braehead Shopping Centre and Retail Park in Scotland. The Company and the Group were historically part of the Intu Properties group ("Intu") and the acquisition and development of the Properties were funded through a combination of external debt finance and intercompany debt and equity provided by other Intu group companies.

Following the entry into administration of various Intu group companies in June 2020, including the Company's ultimate parent company, Intu Properties plc, SGS worked with its creditors to secure the financial security of the Group, as well as its financial and operational independence from Intu. A new board of directors was appointed by the Group and each of its subsidiaries (including the Company) in 2020, along with independent asset managers, property managers and restructuring advisers.

In July 2021, the Group's creditors formally approved a restructuring of the Group's debt, based on a three year business plan. The restructuring included SGS raising £86.9 million of new borrowings, in the form of a Super Senior New Money facility, which ranks senior to all of the Group's other borrowings. These new borrowings were raised to support a programme of investment in and alongside key tenants, in order to enhance the value of the Properties. The business plan is updated annually, with the most recent update published on 1 March 2023 and approved by the Group's creditors, via a negative consent process, on 30 March 2023.

The core strategic priorities on which the business plan is based have remained consistent since the original business plan was published in 2021, and are as follows: 1) Create a stable income profile; 2) Transition asset profiles towards the future; 3) Maintain cost discipline; 4) Diversify return drivers; and 5) Integration and development of non-financial value drivers.

Despite multiple external headwinds, SGS continued to make significant progress against each of its strategic objectives in 2022:

1. **Stabilise income profile:** Rent collections have been successfully returned to normal levels, more quickly than had been assumed in both the 2021 and 2022 business plans. The Company's rent collections as a percentage of total billings were in excess of 94% in respect of all four quarters in 2022. 2022 was also a highly active year for leasing activity, in which SGS transacted on 96 leases, representing almost a quarter of the Group's Net Rental Income ("NRI"). 38 of these 96 leases related to Lakeside Shopping Centre. The NRI achieved on these 38 leases was 3% ahead of the 2022 business plan forecasts, and the incentives payable by SGS on these leases was 4% less than forecast.

This leasing activity also drove an increase in occupancy throughout the year, which stood at 87% at 31 December 2022 (2021: 83%). Footfall also stabilised in 2022, and was at 98% of 2019 levels for the year as a whole.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Business review (Continued)

2. Transition asset profiles: The leasing activity in 2022 contributed significantly to SGS' objectives of reducing the Group's exposure to traditional department stores. Leases were signed in respect of both of the Group's former Debenhams units, including the 120,000 square foot unit at Lakeside Shopping Centre, on which M&S have signed a 15 year lease and are in the process of installing a high specification shopfit in readiness for an opening of the store in time for Christmas 2023. SGS has also been focussed on attracting and upsizing top performing retailers, leisure operators and food and beverage brands: H&M, Stradivarius, Pull & Bear, Goldsmiths and Procook all opened new stores in 2022, or signed leases to do so, in addition to which important regears were agreed with key current tenants including Vodafone, Superdry, Levi's, Hugo Boss and Schuh.
3. Maintain cost discipline: SGS continues to drive savings across all areas of its costs base where possible, despite significant inflationary pressure. The 2022 service charge budget remained lower than 2020 (the last year under Intu ownership), despite a 70% increase in energy costs over the two year period. It is currently anticipated, subject to finalisation of the post-year-end true-up that the final service charge cost position will be under budget for 2022. Due to a combination of success in leasing activity and rates mitigation strategies, non-recoverable business rates in 2022 were £2.7 million (26%) lower than forecast for the Group as a whole, and reductions in both property (5%) and Directors' & Officers' (20%) insurance premia were achieved in 2022.
4. Diversify return drivers: Alternative use development opportunities adjacent to the existing centres continue to be progressed at two of the SGS assets, albeit the Group is monitoring feasibility of both schemes constantly in a volatile economic environment. As such, although SGS continues to pursue these developments, other uses for some of the space such as experiential leisure are also being considered in parallel.
5. Develop non-financial value drivers (Data & Insights & ESG):
 - a. The build out of SGS' Data & Insights ("D&I") capabilities is an important component for the success of the Group, both in terms of robust insight-led asset management and leasing strategies, and ultimately in providing potential buyers of the Properties with confidence in the sustainability of NRI. Key projects delivered in 2022 include i) the rollout of a retailer information portal, via which SGS now has visibility over 75% of tenants' sales performance, ii) the establishment of a central affordability database, to assess tenant profitability in each SGS unit, and iii) headroom analysis showing areas of relative overspend/underspend by customers, supporting leasing decisions.
 - b. The SGS Board also approved an Environmental, Social & Governance ("ESG") strategy in 2022. The Group's principal aim is to maintain and enhance asset value through the delivery of an ESG strategy which ensures that each of the Properties meets evolving market requirements regarding ESG criteria. Further detail on the Group's ESG strategy is provided in the Directors' Report.

The Company's results and financial position for the year ended 31 December 2022 are set out in full in the income statement and statement of comprehensive income, the balance sheet, the statement of changes in equity and the notes to the financial statements. These results reflect the progress and achievements of the year described above.

Net rental income for the Company in the year was £31.2 million (2021: £21.7 million). The Company's loss before taxation was £25.8 million (2021: £55.7 million). The Company's net liabilities at 31 December 2022 were £518.2 million (2021: £492.4 million), which principally comprise amounts owed to Group undertakings. The main driver of both the loss before taxation and the increase in the net liabilities position during the year was finance costs of £64.1 million (2021: £53.3 million), which relates primarily to interest on amounts owed to Group undertakings.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Business review (Continued)

The further stabilisation of the Group and the Company during 2022 is also reflected in the third party valuation of the Property. The independent valuation of the Property as at 31 December 2022 was £427.5 million. This is 3.0% higher than the 31 December 2021 valuation (£415.0 million), with improved valuer sentiment reflecting the quality of the Property and the asset management progress made during the year, despite an extremely challenging macroeconomic environment in which increases in inflation and interest rates led to a widening of market yields.

In the prior year, the Company, along with a number of the Group's other subsidiaries, entered into agreements with Intu Properties plc (in administration) and various other subsidiaries of the Intu group (the "Intu Parties") which resulted in i) the settlement and release of various outstanding intercompany balances between the Group and the Intu Parties; and ii) the consensual transfer of 100% of the share capital in SGS Holdco Limited to a new holding company independent of the Intu group.

Further, on 4 April 2022 the Company, along with a number of the Group's other subsidiaries, entered into a Settlement Agreement with Intu Retail Services Limited (in administration), the purpose of which was to settle substantially all outstanding matters between the Group and the Intu group under the TSAs (as defined in note 9 to the Financial Statements).

As a result of these agreements, the Company and the Group operate entirely independently of the Intu group under separate ownership, with no remaining obligations or liabilities towards Intu.

Financial key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Future developments and events after the reporting date

SGS has made further operational progress in early 2023, including the securing of agreements with two household name retailers to open stores in the Group's largest remaining vacant unit, the 240,000 square feet former John Lewis store at Atria Watford. At Lakeside, strong progress is being made in filling the remaining vacant units at the Property, including the former TopShop store. Footasylum have signed a lease to take approximately half of the 30,000 square feet unit, and the Company is in advanced discussions with another premium brand regarding the remaining space. Calvin Klein will backfill the current Footasylum unit.

Rent and service charge collections have also been resilient throughout the first quarter, which can be a period of particular cash flow pressure for retailers following the festive period and subsequent periods of discounting, as they invest in new stock and settle VAT liabilities. By mid-May, the Company's rent collections in respect of Q4 2022 had reached 96%, and in respect of Q1 2023 were also 96%. Rent collections in respect of Q2 2023 were 79%, which is c.5 percentage points below Q1 2023 collections at a similar point in time. However, the outstanding billings include a number of turnover rent invoices, which often take longer to settle due to the need for both parties to review the calculations. Also included are amounts which, it is expected, will be collected upon completion of ongoing lease regear discussions. As such, SGS expects Q2 2023 collections to increase to levels consistent with those achieved in respect of previous quarters in due course.

Footfall and tenant sales have both shown year-on-year growth of 7% in the first quarter of 2023.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

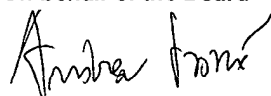
Principal risks and uncertainties

The Company is a wholly owned subsidiary within the SGS Holdco Limited group. The Company faces largely those risks and uncertainties faced by the Group. The Group categorises its principal risks and uncertainties using the following categories: Financing, Property Market, and Operations. These risks and uncertainties, including financial risks and the management thereof, are disclosed in the SGS Holdco Limited annual report and consolidated financial statements.

Section 172(1) of the Companies Act 2006

Refer to Business Relationships section in the Directors' Report.

On behalf of the Board



Andrea Trozzi
Director
30 June 2023

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

The Company is incorporated and registered in England and Wales (company number 04144192). The Company's registered office is 5 Churchill Place, 10th Floor, London, E14 5HU.

Dividend

No dividend was paid in the current or prior year. The directors do not recommend a dividend for 2022.

Capital management

The directors consider capital to be ordinary share capital of £196.0 million (2021: £196.0 million). Management of this capital is performed at a Group level.

Financial risk management

The financial risks of the Company are managed at a Group level as disclosed in the SGS Holdco Limited annual report and consolidated financial statements.

Business relationships

The Board makes decisions for the long-term success of the Company and its stakeholders and complies with the requirements of section 172 of the Companies Act 2006. The directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- a) The likely consequences of any decision in the long-term: all decisions taken by the Board are taken only after consideration of the long-term consequences of those decisions for all relevant stakeholders. The directors are mindful that the Property has been serving its community for more than 30 years, and that decisions taken today are likely to have an impact beyond their tenure. This is particularly true in respect of leasing decisions and capital investment. Appraisals for each of these decisions consider the cost and benefit of the proposed actions over the full course of their life, and not just the current business plan period.
- b) The interests of the Company's employees: the Company operates an outsourced model, and as such has no employees. The individuals working at the Property are employed by the Company's appointed property manager, Savills. Nevertheless, the Board considers the impact of decisions on these individuals regularly, including as part of the annual review of service charge budgets. The Company strongly opposes slavery and human trafficking in any form. The steps taken by the Company, directly and through its contractors to ensure slavery and human trafficking are not occurring in any part of its business or supply chains are set out in the Statement on Transparency in Supply Chains, which can be read at [CSC ConnectSM \(cscgfm.com\)](https://www.cscgfm.com).
- c) The need to foster the Company's business relationships with suppliers, customers and others:
 - Suppliers - As we rely on our suppliers to help our business run smoothly, from day-to-day operations through to the construction of major developments, we aim to have open, transparent and long-term relationships to ensure they maintain the same high standards we set ourselves. This includes ensuring that they adhere to the Modern Slavery regulations, as set out in (b) above.
 - Customers (tenants) - Building strong business relationships with our customers is a key part of our business model. Since the entry into administration of Intu Properties plc in June 2020 and the appointment of Global Mutual and Savills as Asset Manager and Property Manager, respectively, the Group has made it a priority to engage proactively with tenants to agree fair and sustainable long- and short-term tenancy deals which reflect the circumstances and strategic intent of both parties. In many cases this has involved SGS investing alongside tenants to ensure that interests are aligned, that leases are affordable and sustainable for the long-term, and that shoppers are provided with the most appealing shopping experience possible.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Business relationships (continued)

- Others – Shopping centres are necessarily at the heart of their respective communities and have a social responsibility to their customers (shoppers), as well as to community stakeholders such as local authorities, charities and community organisations and the local business community. The Lakeside Shopping Centre management team operates a proactive outreach programme which ensures that the Property remains central to its community, and these are reported to the Board monthly, along with operational KPIs such as mystery shopper scores. In 2023, this programme will be co-ordinated further at a SGS Group level with the equivalent programmes at each of the other Properties, as part of the Group's ESG strategy, which will result in best practice being shared more widely within the Group. See further information on the ESG strategy under (d) below.
- d) The impact of the Company's operations on the community and the environment: As a Company and as part of the SGS Group, we have taken significant steps to develop and support our aspirations to deliver sustainability, social value and a wider ESG programme. We are going beyond our legal obligations to ensure that the Property is resilient, future-proofed and working towards ESG initiatives that will maintain and add value, and continue to meet increasing market requirements.

During 2022, the SGS Board approved an ESG strategy for each of the Properties, including Lakeside Shopping Centre. In order to create a strategy that is appropriate to each Property's local geographical and market requirements we undertook a full peer, market and legal review, a sustainability baseline assessment, a stakeholder engagement exercise and a materiality assessment. These deliverables have allowed us to understand the requirements for each scheme and we have set up a full ESG governance structure from each individual shopping centre up to SGS Board level, via a new ESG steering group.

As part of the ESG strategy, we are actively assessing the Property to understand the opportunities to deliver net zero carbon, the cost implications and also the opportunities that exist for energy efficiency improvements. The development of a net zero carbon pathway for the Property will be completed during the 2023 financial year.

During 2023, we are working on delivering the following as part of our ESG strategy:

- Implementing ISO14001 environmental management systems
- Assessing the Property against the BREEAM In Use green building certification framework, with the aim of certifying the Property to provide third party verification of performance
- Developing a net zero pathway for the Property
- Improving our environmental and social data quality and baseline
- Assessing each the Property for the potential for solar photovoltaic deployment and generation

We will continue to develop, implement and report across ESG, net zero and energy efficiency themes in future years.

- e) The desirability of the Company maintaining a reputation for high standards of business conduct: Following the administration of Intu Properties plc and the subsequent migration of the Property to a standalone structure, it was important that the new Board was able to establish trust with all stakeholders in order to ensure that the Company and the Group were viewed as credible counterparties for the long-term. This was particularly critical during an extended period during which retailers and other stakeholders were heavily affected by the COVID-19 pandemic, the war in Ukraine and a highly uncertain macroeconomic environment. The Company, supported by Global Mutual and Savills, has adopted an approach based on transparency, partnership and delivery in order to build this trust. Financial stability was delivered in 2021 through the financial restructuring (including the raising of additional funds for investment in and alongside tenants) and the legal and financial separation from Intu. The success achieved in leasing since migration, including attracting premium retailers to sign landmark leases for flagship stores, is testament to the collaborative, swift and trustworthy reputation SGS has built with key tenants.
- f) The need to act fairly as between members of the Company: As described above, the Board is conscious of the need to act fairly, professionally and with integrity in all of its dealings and decisions. In making decisions, the Board regularly takes the advice of relevant experts, including legal counsel and other subject matter specialists.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Going Concern

The directors have prepared the financial statements on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and will have adequate funds available to meet its obligations as they fall due.

In considering the appropriateness of this assumption, the Directors have assessed the likelihood of whether the Company will be able to continue trading over the foreseeable future versus the likelihood of either intending to or being forced to cease trading and place the Company into liquidation. In making this assessment, the directors have considered that the Company's going concern status is intrinsically linked to the prospects of the Group.

The Company continues to show a significant negative equity position, which reflects the impact of various factors including the COVID-19 pandemic, the war in Ukraine, high inflation and interest rates and ongoing structural changes in the retail industry on the valuation of the Properties and the expected credit losses recognised by the Company in respect of its receivables.

However, following the financial restructuring and legal and operational separation from Intu which were achieved in the prior year, the Company and the Group are financially and operationally stable and supported by borrowing facilities which enable them to operate with flexibility and remain solvent as a result of a call option over the Group's borrowings held by SGS OptionCo Limited, an affiliate of the Company. As part of the financial restructuring i) the Group raised £86.9 million of new super senior ranking financing to support a programme of investment in the Properties and key tenant relationships; and ii) the requirement for interest on the Group's borrowings to be paid in cash was removed, and replaced with a semi-annual "cash sweep" arrangement, under which the Group pays interest and principal on its borrowings only to the extent that its cash flow forecasts indicate that it has sufficient cash to do so, based on pre-agreed methodology. The Group has generated sufficient cash since the financial restructuring to enable it to pay £10.9 million of interest and fees and £31.7 million of principal on the super senior financing during the financial year. The Group's available cash as at 31 December 2022 was £166.4 million. A further £3.2 million of interest and fees and £31.2 million of principal was paid in early 2023. The Company's investment property is provided as security for the Group's borrowing facilities.

The financial covenants under the Group's finance documents were also removed and replaced with i) a revised loan to value covenant, which reflects the reduction in the valuation of the Properties during 2020 and was tested for the first time on 31 December 2021; ii) a minimum Net Rental Income covenant, which was set based on the Group's three year business plan and was tested for the first time on 31 March 2022; and iii) a minimum liquidity covenant, including cash and undrawn facilities, of £5 million, which was tested for the first time on 30 June 2021. The Group has complied with all of the new financial covenants at each relevant test date since their introduction, with substantial headroom against each. Based on the Group's latest cash flow forecasts, the Company expects to remain compliant with these covenants for the foreseeable future. Covenants are managed and monitored at a Group level.

Continued access to appropriately structured debt financing is of significant importance to the Group's ability to continue to deliver against its business plan and maximise value on a disposal of the Properties in due course. Following the 2021 financial restructuring, the maturities of the Group's borrowing facilities were rescheduled and a number of these facilities (representing approximately £818 million of principal and interest) are due to mature on 31 March 2024. The directors are currently engaged in discussions with an ad hoc group of the Group's larger creditors with a view to extending the maturity of some or all of the facilities in question, potentially in conjunction with a broader reorganisation of the Group's capital structure. Whilst discussions are ongoing, no agreements have yet been reached with creditors. As the related party's borrowing facilities, against which the Company's investment property is secured, are due to mature on 31 March 2024 and no formal contracts are in place to refinance or extend the borrowing facilities, based on current circumstances a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern, and it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors are targeting reaching formal agreement with creditors on the terms of a capital reorganisation, including extensions to relevant maturity dates, before 31 March 2024.

The Company's net liabilities at 31 December 2022 of £518.2 million include amounts owed to SGS Holdco Limited and SGS Finto Limited of £104.8 million and £837.2 million, respectively, under a subordinated intercompany loan agreement. Both counterparties have indicated to the Company, subject to the provisions of the finance documents, that they have no intention of demanding repayment of these balances unless the Company has sufficient liquidity to fund such a repayment. SGS Finto Limited has also indicated that it intends to provide support to the Company in funding its day-to-day operational expenditure to the extent required, subject to the provisions of the finance documents.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Going Concern (continued)

As such, the directors consider that the going concern basis of preparation remains appropriate for the Company's financial statements for the year ended 31 December 2022. The financial statements do not include adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Subsequent events

Relevant subsequent events are described in the Strategic Report and in note 14 to the financial statements.

Charitable and political donations

The Company did not make any political or charitable donations during the financial year (2021: £nil).

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Jeremy Michael Jorgen Malherbe Jensen
Neil Jonathan Robson
Andrea Trozzi

The company secretary throughout the year and up to the date of signing the financial statements was CSC Corporate Services (UK) Limited.

The directors and their immediate relatives and the company secretary did not hold an interest in any shares of the Company as at 31 December 2022 or at any time during or since the financial year ended.

Directors' indemnity provision

A qualifying third party indemnity provision (as defined in S234 of the Companies Act 2006) was in force for the benefit of the directors of the Company during the financial year and at the date of the approval of the financial statements. The Group maintains directors' and officers' insurance which is reviewed annually.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, 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 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).

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 judgements 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 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Statement of directors' responsibilities in respect of the financial statements (continued)

Independent auditor

BDO LLP have expressed their willingness to continue in office. An ordinary resolution for the re-appointment of BDO LLP will be proposed in accordance with the timeframes set out in section 485 of the Companies Act 2006.

Streamlined Energy and Carbon Reporting ("SECR")

The Company is classed as a large company for the purposes of the SECR requirements. The Company's reporting obligations in this regard are satisfied by its inclusion in the consolidated SECR information which is disclosed in the SGS Holdco Limited Annual Report and Consolidated Financial Statements. As such, the Company has nothing to report under the Companies (Directors' Report) and Limited Liability Company's (Energy and Carbon Report) Regulation 2018.

Statement of disclosure of information to auditor

The directors confirm that:

- so far as the directors are aware, there is no relevant audit information of which the auditor is unaware; and
- each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

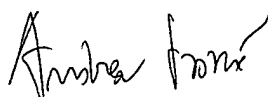
Directors' confirmations

Each director in office at the date the Directors' Report is approved confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance.

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

On behalf of the Board



Andrea Trozzi
Director
30 June 2023

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LAKESIDE CENTRE LIMITED**

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Lakeside Centre Limited ("the Company") for the year ended 31 December 2022 which comprise the *Income statement and Statement of comprehensive income*, *Balance sheet*, *Statement of changes in equity* and notes to the financial statements, including a summary of significant accounting policies. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 3 to the financial statements, which indicates that the related party's borrowing facilities, against which the Company's investment property is secured, are due to mature on 31 March 2024 and no formal contracts are in place to refinance or extend the borrowing facilities. As stated in note 3, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LAKESIDE CENTRE LIMITED (CONTINUED)**

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 reporting

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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LAKESIDE CENTRE LIMITED (CONTINUED)**

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.

Extent to which the audit was 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 gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud.
- We assessed the susceptibility of the financial statements to material misstatement, including fraud.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have appropriate competence and capabilities, to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We considered the processes and controls that the Company has established to address risks identified, or that otherwise prevent deter and detect fraud. We focused on laws and regulations that could give rise to a material misstatement in the financial statements including, but not limited to, the Companies Act 2006.
- Our tests included agreeing the financial statement disclosures to underlying supporting documentation and reviewing relevant Board meeting minutes, enquiries with management as to the risks of non-compliance and any instances thereof. We challenged the estimates and judgements made by management in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LAKESIDE CENTRE LIMITED (CONTINUED)**

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.

DocuSigned by:

Chris Young

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Christopher Young (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
30 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £m	2021 £m
Revenue ¹	4	51.7	39.5
Net rental income	4	31.2	21.7
Gain/(loss) on revaluation of investment property	8	6.9	(23.9)
Administrative expenses		0.2	(0.2)
Operating profit/(loss)	5	38.3	(2.4)
Finance costs	6	(64.1)	(53.3)
Loss before taxation		(25.8)	(55.7)
Taxation	7	-	-
Loss for the year		(25.8)	(55.7)

Other than items in the income statement above there are no items of comprehensive income, and accordingly a separate statement of comprehensive income has not been presented.

The notes to the financial statements on pages 19 to 29 form an integral part of the financial statements.

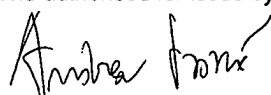
¹ Included within Revenue is a net reversal of loss allowance provisions previously charged against trade receivable totalling £2.2 million (2021: £5.9 million).

LAKE SIDE CENTRE LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2022**

	Note	31-Dec-22 £m	31-Dec-21 £m
Non-current assets			
Investment property	8	427.5	415.0
Current assets			
Trade and other receivables	9	12.6	18.6
Cash and cash equivalents		1.8	1.5
Total current assets		<u>14.4</u>	<u>20.1</u>
Total assets		<u>441.9</u>	<u>435.1</u>
Current liabilities			
Trade and other payables	10	<u>(960.1)</u>	<u>(927.5)</u>
Net liabilities		<u>(518.2)</u>	<u>(492.4)</u>
Equity			
Share capital	11	196.0	196.0
Accumulated losses		<u>(714.2)</u>	<u>(688.4)</u>
Net deficit		<u>(518.2)</u>	<u>(492.4)</u>

The notes to the financial statements on pages 19 to 29 form an integral part of the financial statements.

The financial statements of Lakeside Centre Limited (registration number: 04144192) on pages 16 to 29 were approved and authorised for issue by the Board of Directors on 30 June 2023 and signed on its behalf by:



Andrea Trozzi
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital £m	Accumulated losses £m	Total £m
At 1 January 2021	196.0	(632.7)	(436.7)
Loss for the year	-	(55.7)	(55.7)
Total comprehensive loss for the year	-	(55.7)	(55.7)
At 31 December 2021	196.0	(688.4)	(492.4)
At 1 January 2022	196.0	(688.4)	(492.4)
Loss for the year	-	(25.8)	(25.8)
Total comprehensive loss for the year	-	(25.8)	(25.8)
At 31 December 2022	196.0	(714.2)	(518.2)

The notes to the financial statements on pages 19 to 29 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Reporting entity

Lakeside Centre Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 2.

The nature of the Company's operations and its principal activities are set out in the strategic report on page 3.

These financial statements are presented in pounds sterling (£) which is the currency of the primary economic environment in which the Company operates.

Statement of compliance

These financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and with the requirements of the Companies Act 2006.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The Company has taken advantage of certain disclosure exemptions in FRS 101 as its financial statements are included in the publicly available annual report and consolidated financial statements of SGS Holdco Limited. Copies of the annual report and consolidated financial statements can be obtained from SGS Holdco Limited at 5 Churchill Place, 10th Floor, London, E14 5HU.

In preparing these financial statements the Company has taken advantage of the following disclosure exemptions conferred by FRS 101, and therefore the financial statements do not include:

- certain comparative information as otherwise required by IFRS;
- disclosures in relation to the objectives, policies and process for managing capital;
- a statement of cash flows;
- disclosures in respect of financial instruments;
- disclosures in respect of IFRS 13 fair value measurement;
- disclosure of related party transactions;
- the effect of future accounting standards not yet adopted;
- remuneration of key management personnel.

The above disclosure exemptions have been adopted because equivalent disclosures are included in the SGS Holdco Limited annual report and consolidated financial statements into which the Company is consolidated. A summary of the significant accounting policies as applied to the Company is set out below.

Except as described above, the accounting policies are consistent with those applied in the last annual financial statements, as amended when relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year.

2. Adoption of new and revised standards

New and revised Standards and Interpretations in issue

There were a number of narrow scope amendments to existing standards which were effective from 1 January 2022. None of these had a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3. Significant accounting policies

The principal accounting policies that the Company applied in preparing its financial statements for the financial year ended 31 December 2022 are set out below.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property and in accordance with the Companies Act 2006.

Going concern

The directors have prepared the financial statements on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and will have adequate funds available to meet its obligations as they fall due.

In considering the appropriateness of this assumption, the Directors have assessed the likelihood of whether the Company will be able to continue trading over the foreseeable future versus the likelihood of either intending to or being forced to cease trading and place the Company into liquidation. In making this assessment, the directors have considered that the Company's going concern status is intrinsically linked to the prospects of the Group.

The Company continues to show a significant negative equity position, which reflects the impact of various factors including the COVID-19 pandemic, the war in Ukraine, high inflation and interest rates and ongoing structural changes in the retail industry on the valuation of the Properties and the expected credit losses recognised by the Company in respect of its receivables.

However, following the financial restructuring and legal and operational separation from Intu which were achieved in the prior year, the Company and the Group are financially and operationally stable and supported by borrowing facilities which enable them to operate with flexibility and remain solvent as a result of a call option over the Group's borrowings held by SGS OptionCo Limited, an affiliate of the Company. As part of the financial restructuring i) the Group raised £86.9 million of new super senior ranking financing to support a programme of investment in the Properties and key tenant relationships; and ii) the requirement for interest on the Group's borrowings to be paid in cash was removed, and replaced with a semi-annual "cash sweep" arrangement, under which the Group pays interest and principal on its borrowings only to the extent that its cash flow forecasts indicate that it has sufficient cash to do so, based on pre-agreed methodology. The Group has generated sufficient cash since the financial restructuring to enable it to pay £10.9 million of interest and fees and £31.7 million of principal on the super senior financing during the financial year. The Group's available cash as at 31 December 2022 was £166.4 million. A further £3.2 million of interest and fees and £31.2 million of principal was paid in early 2023. The Company's investment property is provided as security for the Group's borrowing facilities.

The financial covenants under the Group's finance documents were also removed and replaced with i) a revised loan to value covenant, which reflects the reduction in the valuation of the Properties during 2020 and was tested for the first time on 31 December 2021; ii) a minimum Net Rental Income covenant, which was set based on the Group's three year business plan and was tested for the first time on 31 March 2022; and iii) a minimum liquidity covenant, including cash and undrawn facilities, of £5 million, which was tested for the first time on 30 June 2021. The Group has complied with all of the new financial covenants at each relevant test date since their introduction, with substantial headroom against each. Based on the Group's latest cash flow forecasts, the Company expects to remain compliant with these covenants for the foreseeable future. Covenants are managed and monitored at a Group level.

Continued access to appropriately structured debt financing is of significant importance to the Group's ability to continue to deliver against its business plan and maximise value on a disposal of the Properties in due course. Following the 2021 financial restructuring, the maturities of the Group's borrowing facilities were rescheduled and a number of these facilities (representing approximately £818 million of principal and interest) are due to mature on 31 March 2024. The directors are currently engaged in discussions with an ad hoc group of the Group's larger creditors with a view to extending the maturity of some or all of the facilities in question, potentially in conjunction with a broader reorganisation of the Group's capital structure. Whilst discussions are ongoing, no agreements have yet been reached with creditors. As the related party's borrowing facilities, against which the Company's investment property is secured, are due to mature on 31 March 2024 and no formal contracts are in place to refinance or extend the borrowing facilities, based on current circumstances a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern, and it may be unable to realise its assets and discharge its liabilities in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3. Significant accounting policies (continued)

Going concern (continued)

The directors are targeting reaching formal agreement with creditors on the terms of a capital reorganisation, including extensions to relevant maturity dates, before 31 March 2024.

The Company's net liabilities at 31 December 2022 of £518.2 million include amounts owed to SGS Holdco Limited and SGS Finco Limited of £104.8 million and £837.2 million, respectively, under a subordinated intercompany loan agreement. Both counterparties have indicated to the Company, subject to the provisions of the finance documents, that they have no intention of demanding repayment of these balances unless the Company has sufficient liquidity to fund such a repayment. SGS Finco Limited has also indicated that it intends to provide support to the Company in funding its day-to-day operational expenditure to the extent required, subject to the provisions of the finance documents.

As such, the directors consider that the going concern basis of preparation remains appropriate for the Company's financial statements for the year ended 31 December 2022. The financial statements do not include adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Revenue

Revenue comprises rental and service charge income receivable.

Rental income receivable is recognised on a straight-line basis over the term of the lease. Directly attributable lease incentives (eg rent free periods or cash contributions for tenant fit out) are recognised within rental income on the same basis as the underlying rental income received.

Short-term, historical rent concessions are recognised in the statement of comprehensive income in the period in which they are granted, net of any expected credit losses previously recognised in respect of the relevant receivables.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, the most significant being rents linked to tenant revenues or increases arising on rent reviews, are recorded as income in the periods in which they are earned. Rent reviews are recognised as income from the date of the rent review, based on management's estimates. Estimates are derived from knowledge of market rents for comparable properties determined on an individual property basis and updated for progress of negotiations.

Service charge income is recorded as income over time in the year in which the services are rendered and the performance obligations are satisfied.

Interest expense

Interest expense is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

Investment property

Investment property is owned by the Company and held for long-term rental income and capital appreciation.

The Company has elected to use the fair value model. Property is initially recognised at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value. Valuations conform with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards incorporating the International Valuation Standards and the UK National Supplement (the Red Book).

The main estimates and assumptions underlying the valuations are described in note 8.

The cost of investment property includes capitalised interest and other directly attributable outgoings incurred during development. Interest is capitalised on the basis of the average interest rate on the relevant debt outstanding. Interest ceases to be capitalised on the date of practical completion.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3. Significant accounting policies (continued)

Investment property (continued)

Gains or losses arising from changes in the fair value of investment property are recognised in the income statement. Depreciation is not provided in respect of investment property.

Sales and purchases of investment property are recognised when control passes on completion of the contract. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for expected credit losses.

When applying a loss allowance for expected credit losses, judgement is exercised as to the collectability of trade receivables and to determine if it is appropriate to impair these assets. When considering expected credit losses, management has taken into account days past due, credit status of the counterparty and the status of negotiations between the Company and the counterparty. On confirmation that the trade debtor will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3. Significant accounting policies (Continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company does not have any liabilities held for trading nor does it voluntarily classify any financial liabilities as being at fair value through profit or loss. The Company's accounting policy for each category is as follows:

- Borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding. The Company has no outstanding borrowings at year-end.
- Trade creditors and other short-term monetary liabilities, which are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the country where the Company operates and generates taxable income.

Deferred balances are recognised on temporary differences where the carrying amount of an asset or liability differs from its tax base, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Leases

A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are normally classified as operating leases.

Investment properties are leased to tenants under operating leases, with rental income being recognised on a straight-line basis over the lease term. For more detail see the revenue recognition accounting policy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3. Significant accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with banks.

Current/non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption within one year of the reporting date, plus demand loans with no specified date of repayment. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes and expected to be settled within one year of the reporting date, plus demand loans with no specified date of repayment. All other liabilities are classified as non-current liabilities.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with the Company's accounting policies requires management to make judgements and use estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these judgements and estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those judgements and estimates.

Critical accounting judgements

Going concern – when preparing the financial statements, management is required to make an assessment of the entity's ability to continue as a going concern and prepare the financial statements on this basis unless it either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. As set out earlier in this note, £818 million of the Group's borrowings are currently due to be repaid on 31 March 2024. Although the Group is engaged in discussions with its creditors with a view to extending the maturities of some or all of these borrowings, the outcome of these discussions is not yet certain. This represents a material uncertainty regarding the Company's ability to continue as a going concern as at the date of this report. Having taken all relevant factors into consideration, including the current status of discussions with the Group's creditors and the intended timeline for their conclusion, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

Key sources of estimation uncertainty

Valuation of investment property – see investment property accounting policy in note 3 as well as the publicly available annual report and consolidated financial statements of SGS Holdco Limited for details on estimates and assumptions used in the valuation process and sensitivity.

Loss allowance on trade receivables – the Company applies an expected credit loss ("ECL") model to establish its loss allowance on trade receivables. The directors have estimated the loss allowance on trade receivables on a detailed, bottom-up basis, utilising information on actual post-balance sheet collections as well as knowledge of the financial position of each tenant and the status of discussions regarding settlement and tenancy agreement revisions. However, such estimates are inherently uncertain, and particularly so in the prior year given the unprecedented impact of COVID-19 on tenants and the associated government support measures which restricted the Company's ability to collect overdue amounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

4. Revenue and net rental income

Revenue arose in the United Kingdom from continuing operations and in the opinion of the directors the Company carries on only one class of business.

	2022 £m	2021 £m
Rent receivable	39.5	30.2
Service charge income	12.2	9.3
Revenue	51.7	39.5
Service charge costs	(16.3)	(12.7)
Other non-recoverable costs	(4.2)	(5.1)
Net rental income	31.2	21.7

Net rental income is stated net of £0.5 million (2021: £7.0 million) of credit notes issued to tenants during the year in respect of periods of time during which non-essential retailers were not able to open due to restrictions imposed by the UK Government as a result of the COVID-19 pandemic. This revenue has been derecognised in accordance with applicable UK Accounting Standards.

5. Operating profit/loss

The operating profit for the year ended 31 December 2022 of £38.3 million (2021: operating loss of £2.4 million) did not include any fees in respect of auditor's remuneration of £26,738 (2021: £23,000) for the audit of the financial statements, which were settled on behalf of the Company by another Group company, SGS Finco Limited, and have not been recharged.

The directors did not receive or waive any emoluments (2021: £nil) in respect of their services to the Company during the year ended 31 December 2022.

There were no employees employed by the Company during the year (2021: none).

6. Finance costs

	2022 £m	2021 £m
Interest on amounts due to Group undertakings	64.1	53.3

Interest on amounts owed to Group undertakings is charged at rates agreed between the Company and Group undertakings. During the prior year, the rate of interest charged by the Group undertakings increased, reflecting changes in the interest rates payable on the Group's external borrowings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

7. Taxation

The tax credit for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2022 £m	2021 £m
Loss before taxation	(25.8)	(55.7)
Loss before tax multiplied by the standard rate of tax in the UK of 19% (2021: 19%)	(4.9)	(10.6)
Income not taxable for tax purposes	(1.3)	-
Expenses not deductible for tax purposes	0.2	4.9
Deferred tax not recognised	0.1	-
Corporate interest restriction disallowance	5.9	4.5
Group relief surrender (without payment)	-	1.2
Tax expense	-	-

As at 31 December 2022 the Company had £0.3 million of unutilised tax losses (2021: £0.1 million), and £68.1 million of restricted corporate interest for potential utilisation in future periods (2021: £37.3 million). No deferred tax asset was recognised in respect of these losses or restricted interest at 31 December 2022 as the Company's ability to utilise the losses/restricted interest is dependent upon various future events including the profitability of the Company and the Group, both of which are considered uncertain. The value of this restricted interest to the Company in future will depend on various factors, including the prevailing rate of Corporation Tax in the United Kingdom, which increased from 19% to 25% with effect from 1 April 2023.

8. Investment property

	2022 £m	2021 £m
Market value at 1 January	415.0	440.0
Additions	4.8	0.4
Gain/(loss) on revaluation	6.9	(23.9)
Movement in tenant incentives	0.8	(1.5)
Market value at 31 December	427.5	415.0
 Cost at 31 December	 1,089.7	 1,084.9

Investment property represents the Lakeside Shopping Centre, Thurrock, Essex.

Included in investment property are tenant lease incentive balances totalling £19.7 million (2021: £18.9 million).

The Company is an obligor of the Group's external borrowings. The Group's borrowings are secured against the Company's investment property.

Investment property is measured at fair value and is categorised as Level 3 in the fair value hierarchy as one or more inputs to the valuation are partly based on unobservable market data. The main estimates and assumptions underlying the valuations are described in the annual report and consolidated financial statements of SGS Holdco Limited which are publicly available.

Transfers into and transfers out of the fair value hierarchy levels are recognised on the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 for investment property during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

8. Investment property (continued)

Valuation process and methodology

The Company's investment property has been independently valued by Knight Frank LLP in accordance with the definitions published by the Royal Institute of Chartered Surveyors' ("RICS") Valuation – Professional Standards, July 2020, Global and UK Editions (commonly known as the "Red Book"). Knight Frank LLP is among the most recognised professional firms within property valuation and has sufficient current local and national knowledge and skills and understanding to undertake the valuations competently.

Fair value of the investment property is calculated using the investment method/present value income approach. The main assumptions underlying the valuations are in relation to rent profile and yields.

The key driver of the property valuations is the terms of the leases in place at the valuation date. These determine the majority of the cash flow profile of the property for a number of years and therefore form the base of the valuation. The valuation assumes adjustments from these rental values in place at the valuation date to market rent (ERV) at the time of the next rent review and as leases expire and are replaced by new leases. The ERV is assessed based on evidence provided by the most recent relevant leasing transactions and negotiations. This is based on evidence available at the date of valuation and does not assume future increases in market rent.

Capital commitments

At 31 December 2022, the Board of SGS Holdco Limited had approved £20.4 million (2021: £23.8 million) of future expenditures for the purchase, construction, development and enhancement of the Property. Of this, £18.8 million (2021: £23.4 million) was contractually committed at year-end.

9. Trade and other receivables

	2022 £m	2021 £m
Trade receivables	4.7	6.1
Prepayments and accrued income	4.4	5.7
Other receivables	3.5	6.8
	<u>12.6</u>	<u>18.6</u>

At 31 December 2022 trade receivables are shown net of provisions totalling £2.3 million, including VAT (2021: £5.8 million). Reference is made to the annual report and consolidated financial statements of SGS Holdco Limited, which explain how the Group manages and measures credit quality of trade receivables.

Included within other receivables at 31 December 2021 are amounts receivable from Intu Retail Services Limited (in administration). This receivable relates to refunds due to the Company in respect of Transitional Services Agreement ("TSA") under which Intu group companies had provided services to the Company in 2020, following the administration of Intu Properties plc. Payments under the TSA had been made in advance on an "on-account" basis, and the refund due was calculated and agreed through a series of "true-up" exercises during 2021. The Settlement Agreement was signed in April 2022, following which all outstanding balances were settled.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

10. Trade and other payables

	2022 £m	2021 £m
Trade payables	0.9	0.4
Rent received in advance	7.3	7.2
Amounts owed to Group undertakings	942.0	906.0
Accruals and deferred income	7.4	10.0
Other tax and social security	1.4	3.3
Other payables	1.1	0.6
	<u>960.1</u>	<u>927.5</u>

Amounts owed to Group undertakings are unsecured and repayable on demand.

Interest on amounts owed to Group undertakings is charged at rates agreed between the Company and the Group undertakings.

11. Issued share capital

	2022 £m	2021 £m
Issued, called up and fully paid:		
196,044,100 (2020: 196,044,100) Ordinary shares of £1 each	<u>196.0</u>	<u>196.0</u>

12. Operating leases

The Company earns rental income by leasing its investment property to tenants under operating leases.

In the UK the standard shopping centre lease is for a term of 3 to 10 years. Standard lease provisions include service charge payments, recovery of other direct costs and periodic rent reviews. Standard turnover-based leases have a turnover percentage agreed with each lessee which is applied to a retail unit's annual sales and any excess between the resulting turnover rent and the minimum rent is receivable by the Company and recognised as income in the period in which it arises.

The future minimum lease amounts receivable under non-cancellable operating leases for continuing operations are as follows:

	2022 £m	2021 £m
Not later than one year	33.9	34.5
Later than one year and not later than five years	79.1	84.6
Later than five years	45.9	51.6
	<u>158.9</u>	<u>170.7</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

13. Immediate and ultimate controlling party

The immediate parent company of the Company is SGS 2020 Limited (registered number: 08355675), a company registered in England and Wales. The registered office of this entity is 5 Churchill Place, 10th Floor, London, E14 5HU.

The ultimate parent company of the Company is SGS (Jersey) NewCo Limited, a company incorporated and registered in Jersey, Channel Islands. The registered address of SGS (Jersey) NewCo Limited (registered number: 138555) is Charter Place, 23-27 Seaton Place, St. Helier, JE1 1JY, Jersey.

14. Subsequent events

The Group's 2023 Business Plan & Exit Strategy Update was published on 1 March 2023 and approved by its creditors, via a negative consent process, on 30 March 2023.

As disclosed in note 3, the directors have commenced discussions with an ad hoc group of the Group's larger creditors regarding the extension of maturities of certain borrowings, potentially in conjunction with a broader reorganisation of the Group's capital structure.

There have been no other significant events affecting the Company since the year end.