

Company Number 04144192

LAKESIDE CENTRE LIMITED

**DIRECTORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2023**

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LAKESIDE CENTRE LIMITED

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LAKESIDE CENTRE LIMITED

DIRECTORS AND OTHER INFORMATION

Directors	Jeremy Michael Jorgen Malherbe Jensen (resigned 8 May 2024) Neil Jonathan Robson (resigned 8 May 2024) Andrea Trozzi (resigned 8 May 2024) Jaap Tonckens (appointed 8 May 2024) Jonathan Matthew Lurie (appointed 8 May 2024) Christopher Bryan Harris (appointed 16 May 2024) Peter Wodehouse Williams (appointed 16 May 2024)
Company Number	04144192
Registered Office	5 Churchill Place 10th Floor London E14 5HU
Company Secretary	CSC Corporate Services (UK) Limited 5 Churchill Place 10th Floor London E14 5HU
Independent Auditor	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Lloyds Bank plc 25 Gresham Street London EC2V 7HN HSBC Bank PLC 8 Canada Square London E14 5HQ
Asset Manager	Global Mutual Properties Limited 3rd Floor 43-45 Dorset Street London W1U 7NA
Property Manager	Savills (UK) Limited 163 West George Street Glasgow G2 2JJ

LAKESIDE CENTRE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their strategic report of Lakeside Centre Limited (the "Company") for the year ended 31 December 2023.

Principal activities

The principal activity of the Company is the ownership and management 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.

2023 was a year of further progress and value creation for SGS, building on the successful stabilisation of the Properties that took place following the entry into administration of its former parent group, Intu Properties ("Intu"), in June 2020. A number of key asset management initiatives were delivered or agreed during the year, including the following:

At Lakeside, the relocation of M&S to a new 120,000 square foot flagship store was completed, with the store opening in time for Christmas. The store, which was the subject of a two-part ITV documentary, anchors the north end of the centre and resolves a key vacancy which resulted from the collapse of Debenhams in 2020. A similarly landmark deal, with Next, has been agreed to anchor the south end of the centre, replacing a dated House of Fraser store which had been occupied on a short-term tenancy-at-will. The formerly vacant TopShop store was also leased during the year, following its subdivision into two separate units. Footasylum upsized into one of these units, whilst the other was taken by Nike, who were attracted to open a store at Lakeside for the first time.

In total, 39 leases were exchanged or completed at Lakeside in 2023, with a combined annual Net Rental Income ("NRI") of £7.8 million. The NRI achieved on these leases was 28% higher than had been forecast in the 2023 Business Plan which was published on 1 March 2023. The Company is continuously evaluating opportunities and negotiating with key stakeholders to enter into, extend, renew, terminate, modify or otherwise amend leases, some of which may be material, to optimise its portfolio.

Footfall across 2023 as a whole at Lakeside was 3% lower than 2022, and tenant sales were in line with the prior year. This is primarily due to strong comparatives, as Lakeside's recovery from the COVID-19 pandemic was faster than other centres. Lakeside also benefitted in 2022 from increased home working, which led to higher footfall on weekdays. 2023 has seen a further return to office-based working, with a consequent adverse effect on Lakeside's midweek visit numbers. Management expects to see a return to footfall growth once the new Next store is open and the shopping centre is anchored at both end ends by experience-led stores operated by leading high street retailers.

The Company's results and financial position for the year ended 31 December 2023 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 £32.4 million (2022: £31.2 million). The Company's loss before taxation was £27.6 million (2022: £25.8 million). The Company's net liabilities at 31 December 2023 were £545.8 million (2022: £518.2 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 £76.8 million (2022: £64.1 million), which relates primarily to interest on amounts owed to Group undertakings.

LAKESIDE CENTRE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

Business review (Continued)

The continued progress of the Group and the Company during 2023 is also reflected in the third party valuation of the Property. The independent valuation of the Investment Property as at 31 December 2023 was £464.0 million. This is 9% higher than the valuation at 31 December 2022 (£427.5 million) and 13% higher than the valuation low point in June 2021 (£410.0 million). This valuation growth has been driven almost entirely by increasing income, the execution of the asset management strategy and the consequent beneficial impact on net income and Expected Rental Values ("ERV"). Market yields remained stable in an environment in which high interest rates continued to limit transaction volumes.

The development, over the last three years, of SGS' Data & Insights ("D&I") capabilities is an important component for the success of the Company. These D&I resources enable robust, insight-led asset management and leasing strategies and will ultimately provide potential buyers of the Properties with confidence in the sustainability of NRI. As a result of the investment made in D&I, SGS now has good visibility over sales performance for the vast majority of its tenants. This information also enables the Property's valuers to base their valuations on well-informed and robust turnover rent and ERV forecasts.

This momentum in asset management delivery, valuations and results enabled the Group to launch a refinancing and broader capital structure reorganisation process in late 2023, which resulted in SGS raising £445.0 million of new senior debt facilities. This refinancing, which was the largest in the UK shopping centre market for the past five years, completed in April 2024 and was underwritten by Lloyds Bank plc ("Lloyds"). See 'Future developments and events after the reporting date' for further details.

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

On 17 April 2024, SGS completed a landmark £445.0 million refinancing with Lloyds, a new third party lender. The senior facilities provided by Lloyds comprise i) a £395.0 million term loan, which was drawn in full on 17 April 2024; and ii) a £50.0 million capex facility, which can be drawn by the Group (subject to the achievement of customary financial metrics) to fund capital requirements associated with the asset management initiatives as part of the current business plan.

Both facilities have a maturity date of 15 January 2028, with a one year extension option subject to lender consent. Both facilities bear interest at a floating rate based on Sterling Overnight Index Average ("SONIA"), although SGS has hedged its exposure to interest rate risk by purchasing an interest rate cap in respect of the term loan facility. The all-in annual interest cost is expected to be c.8.5%. No repayments of principal are due until maturity of the facilities.

The new term loan and capex facility rank pari passu with each other, and senior to all of the Group's other debt obligations. Security has been granted under the new facilities over the Group's Properties (including the Property) and other assets.

Lloyds has underwritten the full amount of the facilities and is in the process of syndicating the debt to other lenders. This process is expected to be completed early in the second half of 2024.

Also on 17 April 2024, SGS successfully concluded a broader capital structure reorganisation which included the following:

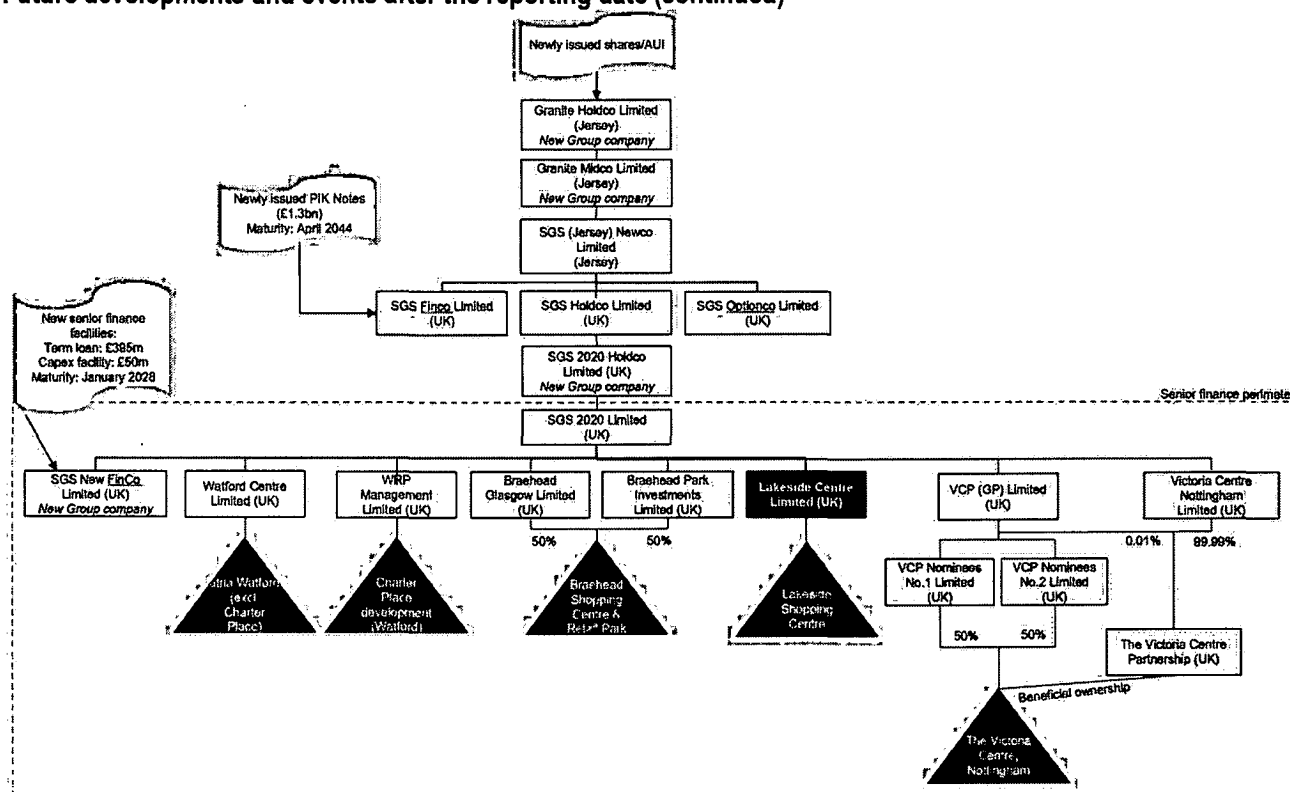
- A £444.0 million partial repayment of borrowings, which was funded through a combination of net proceeds from the new term loan provided by Lloyds (£393.8 million) and excess cash on the Group's balance sheet (£50.2 million); and
- The Group's remaining external debt (which totalled £1.3 billion of principal plus capitalised and accrued interest) were cancelled. In exchange, the Group's former creditors were issued with i) £1.3 billion of newly-issued PIK Notes, under the terms of a Notes Purchase Agreement ("NPA"); and ii) SGS Group equity (or, if a creditor could not hold equity, alternative upside instruments ("AUI")). The ownership structure of the Group has therefore changed as a result of this transaction, with ownership passing from a charitable trust, SGS (Jersey) Trust, to the former creditors.

A structure chart for the Group following the refinancing and capital structure reorganisation, detailing the new borrowings, is set out on the next page.

LAKESIDE CENTRE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

Future developments and events after the reporting date (continued)



The PIK Notes are subordinated to the new senior facilities. They have a maturity date of 17 April 2044 and carry an interest rate of 10.0% p.a., with interest capitalising quarterly. In order to ensure consistency of holdings, the PIK Notes are stapled to the new shares/AUI and cannot be traded separately. The PIK Notes were listed on The International Stock Exchange ("TISE") on 17 June 2024.

The capital structure reorganisation is facilitating a shift to a new market standard governance and management structure for the Group, designed to follow a typical real estate privately-owned structure and empower a newly constituted board of directors to take commercial and operational decisions.

As part of this, the previous board members of all SGS Group companies (including the Company) resigned, effective 8 May 2024. Between 8 May and 16 May 2024, new directors were appointed, all of whom have extensive retail, real estate and investment experience. The new board of directors is led by Jaap Tonckens, former Chief Financial Officer of Unibail-Rodamco-Westfield, as non-executive chairman.

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

DocuSigned by:

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Jaap Tonckens
 Director
 25 July 2024

LAKESIDE CENTRE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2023.

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 2023.

Capital management

The directors consider capital to be ordinary share capital of £196.0 million (2022: £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 had no employees during the reporting period. 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 <https://lakeside-shopping.com/info/modern-slavery-act-statement>.
- 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. Leases are entered into and terminated in the ordinary course of the Company's business. 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 customers are provided with the most appealing shopping experience possible.

LAKESIDE CENTRE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

Business relationships (continued)

- Others – Shopping centres are 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 was 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.

Following SGS Board approval of an Environmental, Social & Governance (ESG) strategy during 2022, good progress has been made on all key medium-and high-impact deliverables identified as priorities for 2023:

- ISO 14001: Certification for Lakeside to the Environmental Management System Standard commenced in 2023 and is scheduled for completion in 2024.
- Solar PV: The Group has reviewed the business case for solar installation across the portfolio and it has been decided to proceed with a pilot implementation at Lakeside initially, to establish economic viability whilst managing cost and execution risk. The pilot kicked off in January 2024.
- Net Zero technical assessment: The Property has undergone full energy and carbon modelling. Net zero roadmap reports and costings to reach net zero will be finalised in 2024.
- Social Value: Local needs analysis and visitor and tenant surveys have been completed. A social value reporting framework has been developed and is in use. A social value baseline has been consolidated for 2023, providing the Company with a robust dataset against which to set targets and report.
- Building Research Establishment Environmental Assessment Methodology ("BREEAM") In-Use assessment: Pre-assessment exercises to determine the Property's predicted scoring and improvement opportunities have been completed. SGS will now proceed with the formal BREEAM certification process in 2024, targeting a 'Very Good' score in the initial ratings.
- EPC strategy: EPC reassessments were completed for 107 units across the three English Properties during the year ended 31 December 2023. All reassessments resulted in a 'C' rating or above.

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

- e) The desirability of the Group maintaining a reputation for high standards of business conduct: Following the administration of Intu Properties plc and the subsequent migration of the Properties to a standalone structure, it was critical that the new Board was able to establish trust with all stakeholders in order to ensure that the Group was viewed as a credible counterparty for the long-term. This was particularly important during an extended period during which retailers and other stakeholders were heavily affected by the COVID-19 pandemic, the war in the Middle East and Ukraine and a highly uncertain macroeconomic environment. SGS, supported by its asset manager and property manager, has adopted an approach based on transparency, partnership and delivery in order to build this trust. 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 of Directors is conscious of the need to act fairly, professionally and with integrity in all of its dealings, and in making decisions the Board regularly takes the advice of relevant experts, including legal counsel and other subject matter specialists. Conflicts of interest, where they arise, are disclosed at the start of each Board meeting, and relevant legal advice is taken in order to address these to ensure they do not compromise the integrity of decisions made by the Board.

LAKESIDE CENTRE LIMITED**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)****Business relationships (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.

At 31 December 2023 the Company continued to show a significant negative equity position, which reflected the impact of various macroeconomic factors and ongoing structural changes in the retail industry on the valuation of the Property.

However, since the financial restructuring and legal and operational separation from Intu which were achieved in 2021, the Group has been financially and operationally stable and supported by borrowing facilities which have enabled it 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 2021 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 paid 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 2021 financial restructuring to enable it to pay £12.7 million of interest and fees and £62.9 million of principal on the super senior financing during the two years to 31 December 2023. Cash and cash equivalents of the Group as at 31 December 2023 was £147.5 million.

The stabilisation and progress made by the Group enabled it, in April 2024, to raise £445.0 million of new senior debt finance from new lenders on market standard terms. The previous borrowings were partially repaid, with the remainder exchanged for new PIK Notes and equity or alternative upside instruments.

The new senior debt facilities have a maturity in January 2028, with an option to extend this maturity for a further year subject to lender consent. The PIK Notes have a maturity in April 2044, and there is no requirement for interest on the PIK Notes to be paid in cash. As such the Group is supported by appropriate, conventional long-term real estate financing which provides it with the flexibility to further develop and optimise the Properties, and ultimately sell them at a time which maximises returns to investors.

The new senior finance put in place in April 2024 contains three financial covenants. These financial covenants will be tested quarterly, with the first test date being 30 June 2024. The covenant levels were set based on SGS' latest business plan, with sufficient headroom to allow for unexpected variances to the business plan forecasts. Based on the latest cash flow forecasts, both base case and downside, the Group expects to be cash generative and remain compliant with these covenants for at least the duration of the going concern period of 12 months to 31 July 2025.

The Company's net liabilities at 31 December 2023 of £545.8 million include amounts owed to SGS Holdco Limited and SGS Finco Limited of £104.8 million and £905.2 million, respectively, under a subordinated intercompany loan agreement. As a result of the capital structure reorganisation completed on 17 April 2024 the amounts owed to SGS Finco Limited were assigned by that entity to SGS Holdco Limited. SGS Holdco Limited has indicated to the Company that, subject to the provisions of the finance documents, it has no intention of demanding repayment of these balances unless the Company has sufficient liquidity to fund such a repayment.

As a result of the 2024 refinancing, the directors consider that the going concern basis of preparation remains appropriate for the Company financial statements for the year ended 31 December 2023.

LAKESIDE CENTRE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**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 (2022: £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 (resigned 8 May 2024)

Neil Jonathan Robson (resigned 8 May 2024)

Andrea Trozzi (resigned 8 May 2024)

Jaap Tonckens (appointed 8 May 2024)

Jonathan Matthew Lurie (appointed 8 May 2024)

Christopher Bryan Harris (appointed 16 May 2024)

Peter Wodehouse Williams (appointed 16 May 2024)

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 2023 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.

LAKESIDE CENTRE LIMITED**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)****Statement of directors' responsibilities in respect of the financial statements (continued)**

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.

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 Partnerships (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

DocuSigned by:

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Jaap Tonckens
Director
25 July 2024

LAKESIDE CENTRE LIMITED

**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 2023 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 2023 which comprise the income statement and statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including material accounting policy information. 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.

Conclusions relating to going concern

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Audited 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,

LAKESIDE CENTRE LIMITED

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

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.

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:

LAKESIDE CENTRE LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LAKESIDE CENTRE LIMITED (CONTINUED)***Non-compliance with laws and regulations*

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations; and

we considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation and the Companies Act 2006.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation and Modern Slavery regulations.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, valuation of investment property and revenue recognition in relation to rental income and lease incentives.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias on the valuation of the investment property by ensuring that the inputs used in the valuation, being principally the yield and the rental values are reasonable and appropriate;
- Challenging the assumptions made by the independent valuer particularly with respect to those not in line with our expectation;
- Verifying revenue recognised back to the underlying lease agreements, rent reviews, invoices and cash receipts; and
- Verifying lease incentives recognised back to the key terms of the lease agreements and performing recalculation of the expected lease incentives balance as at year end.

LAKESIDE CENTRE LIMITED

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

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

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

A69F3BF7808C49C

Christopher Young (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

25 July 2024

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

LAKESIDE CENTRE LIMITED**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £m	2022 £m
Revenue ¹	4	54.7	51.7
Net rental income	4	32.4	31.2
Gain on revaluation of investment property	8	16.8	6.9
Administrative expenses		-	0.2
Operating profit	5	49.2	38.3
Finance costs	6	(76.8)	(64.1)
Loss before taxation		(27.6)	(25.8)
Taxation	7	-	-
Loss for the year		(27.6)	(25.8)

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 18 to 27 form an integral part of the financial statements.

¹ Included within Revenue is a net loss allowance provision charged against trade receivable totalling £1.0 million (2022: net reversal of previous provisions £2.2 million).

LAKESIDE CENTRE LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2023**

	Note	31-Dec-23 £m	31-Dec-22 £m
Non-current assets			
Investment property	8	464.0	427.5
Current assets			
Trade and other receivables	9	14.3	12.6
Cash and cash equivalents		3.5	1.8
Total current assets		<u>17.8</u>	<u>14.4</u>
Total assets		<u>481.8</u>	<u>441.9</u>
Current liabilities			
Trade and other payables	10	<u>(1,027.6)</u>	<u>(960.1)</u>
Net liabilities		<u>(545.8)</u>	<u>(518.2)</u>
Equity			
Share capital	11	196.0	196.0
Accumulated losses		<u>(741.8)</u>	<u>(714.2)</u>
Net deficit		<u>(545.8)</u>	<u>(518.2)</u>

The notes to the financial statements on pages 18 to 27 form an integral part of the financial statements.

The financial statements of Lakeside Centre Limited (registration number: 04144192) on pages 15 to 27 were approved and authorised for issue by the Board of Directors on 25 July 2024 and signed on its behalf by:

DocuSigned by:

 2E91C0C280F84FC...
Jaap Tonckens
Director

LAKESIDE CENTRE LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Share capital £m	Accumulated losses £m	Total £m
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)
At 1 January 2023	196.0	(714.2)	(518.2)
Loss for the year	-	(27.6)	(27.6)
Total comprehensive loss for the year	-	(27.6)	(27.6)
At 31 December 2023	196.0	(741.8)	(545.8)

The notes to the financial statements on pages 18 to 27 form an integral part of the financial statements.

LAKESIDE CENTRE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023****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; and
- 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 material 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 are a number of standards, amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2023 that were not applicable to the Company and therefore have not been applied in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on these financial statements:

- IFRS 17 - Insurance Contracts
- Definition of Accounting Estimates (Amendment to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

LAKESIDE CENTRE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)****3. Material accounting policies**

The principal accounting policies that the Company applied in preparing its financial statements for the financial year ended 31 December 2023 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.

At 31 December 2023 the Company continued to show a significant negative equity position, which reflected the impact of various macroeconomic factors and ongoing structural changes in the retail industry on the valuation of the Property.

However, since the financial restructuring and legal and operational separation from Intu which were achieved in 2021, the Group has been financially and operationally stable and supported by borrowing facilities which have enabled it 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 2021 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 paid 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 2021 financial restructuring to enable it to pay £12.7 million of interest and fees and £62.9 million of principal on the super senior financing during the two years to 31 December 2023. Cash and cash equivalents of the Group as at 31 December 2023 was £147.5 million.

The stabilisation and progress made by the Group enabled it, in April 2024, to raise £445.0 million of new senior debt finance from new lenders on market standard terms. The previous borrowings were partially repaid, with the remainder exchanged for new PIK Notes and equity or alternative upside instruments.

The new senior debt facilities have a maturity in January 2028, with an option to extend this maturity for a further year subject to lender consent. The PIK Notes have a maturity in April 2044, and there is no requirement for interest on the PIK Notes to be paid in cash. As such the Group is supported by appropriate, conventional long-term real estate financing which provides it with the flexibility to further develop and optimise the Properties, and ultimately sell them at a time which maximises returns to investors.

The new senior finance put in place in April 2024 contains three financial covenants. These financial covenants will be tested quarterly, with the first test date being 30 June 2024. The covenant levels were set based on SGS' latest business plan, with sufficient headroom to allow for unexpected variances to the business plan forecasts. Based on the latest cash flow forecasts, both base case and downside, the Group expects to be cash generative and remain compliant with these covenants for at least the duration of the going concern period of 12 months to 31 July 2025.

LAKESIDE CENTRE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)****3. Material accounting policies (continued)****Going concern (continued)**

The Company's net liabilities at 31 December 2023 of £545.8 million include amounts owed to SGS Holdco Limited and SGS Finco Limited of £104.8 million and £905.2 million, respectively, under a subordinated intercompany loan agreement. As a result of the capital structure reorganisation completed on 17 April 2024 the amounts owed to SGS Finco Limited were assigned by that entity to SGS Holdco Limited. SGS Holdco Limited has indicated to the Company that, subject to the provisions of the finance documents, it has no intention of demanding repayment of these balances unless the Company has sufficient liquidity to fund such a repayment.

As a result of the 2024 refinancing, the directors consider that the going concern basis of preparation remains appropriate for the Company financial statements for the year ended 31 December 2023.

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.

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.

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.

LAKESIDE CENTRE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)****3. Material accounting policies (continued)****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

This category comprises in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-the-money derivatives classified as liabilities). They are carried in the balance sheet at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. 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 (eg 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 impairment.

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 Group 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.

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.

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.

LAKESIDE CENTRE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)****3. Material accounting policies (continued)****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 Group and the Company'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 above in going concern, there are no events or conditions that indicate a material uncertainty exists in relation to going concern.

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 periods of macroeconomic or retail sector uncertainty, such as that experienced in recent years following the COVID-19 pandemic.

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.

	2023	2022
	£m	£m
Rent receivable	40.7	39.5
Service charge income	14.0	12.2
Revenue	54.7	51.7
Service charge costs	(18.2)	(16.3)
Other non-recoverable costs	(4.1)	(4.2)
Net rental income	32.4	31.2

LAKESIDE CENTRE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)****5. Operating profit**

The operating profit for the year ended 31 December 2023 of £49.2 million (2022: £38.3 million) did not include any fees in respect of auditor's remuneration of £26,766 (2022: £26,738) 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.

No non-audit services (2022: £nil) were provided during the year.

The directors did not receive or waive any emoluments (2022: £nil) in respect of their services to the Company during the year ended 31 December 2023.

There were no employees employed by the Company during the year (2022: none).

6. Finance costs

	2023 £m	2022 £m
Interest on amounts due to Group undertakings	76.8	64.1

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

7. Taxation

The tax credit for the year is lower than (2022: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2023 £m	2022 £m
Loss before taxation	(27.6)	(25.8)
Loss before tax multiplied by the standard rate of tax in the UK of 23.5% (2022: 19%)	(6.5)	(4.9)
Income not taxable for tax purposes	(3.9)	(1.3)
Expenses not deductible for tax purposes	0.4	0.2
Movement in deferred tax not recognised	(0.1)	0.1
Corporate interest restriction disallowance	10.0	5.9
Tax expense	-	-

As at 31 December 2023 the Company had £10.1 million of unutilised tax losses (2022: £0.3 million), and £111.9 million of restricted corporate interest for potential utilisation in future periods (2022: £68.1 million). No deferred tax asset was recognised in respect of these losses or restricted interest at 31 December 2023 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.

LAKESIDE CENTRE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)****8. Investment property**

	2023	2022
	£m	£m
Market value at 1 January	427.5	415.0
Additions	10.3	4.8
Gain on revaluation	16.8	6.9
Movement in tenant incentives	9.4	0.8
Market value at 31 December	464.0	427.5
 Cost at 31 December	 1,099.9	 1,089.7

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

Included in investment property are tenant lease incentive balances totalling £29.2 million (2022: £19.7 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.

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 2023, the Board of SGS Holdco Limited had approved £21.4 million (2022: £20.4 million) of future expenditure for the purchase, construction, development and enhancement of the Property. Of this, £15.2 million (2022: £18.8 million) was contractually committed at year-end.

LAKESIDE CENTRE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)****9. Trade and other receivables**

	2023	2022
	£m	£m
Trade receivables	4.0	4.7
Prepayments and accrued income	7.1	4.4
Other receivables	3.2	3.5
	14.3	12.6

At 31 December 2023 trade receivables are shown net of provisions totalling £3.0 million, including VAT (2022: £2.3 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.

10. Trade and other payables

	2023	2022
	£m	£m
Trade payables	1.4	0.9
Rent received in advance	7.5	7.3
Amounts owed to Group undertakings	1,010.0	942.0
Accruals and deferred income	6.2	7.4
Other tax and social security	1.6	1.4
Other payables	0.9	1.1
	1,027.6	960.1

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

	2023	2022
	£m	£m
<i>Issued, called up and fully paid:</i>		
196,044,100 (2022: 196,044,100) Ordinary shares of £1 each	196.0	196.0

LAKESIDE CENTRE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)****12. Operating leases**

The Company earns rental income by leasing its investment property to tenants under operating leases. Leases are entered into and terminated in the ordinary course of the Company's business.

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:

	2023	2022
	£m	£m
Not later than one year	34.3	33.9
Later than one year and not later than five years	76.6	79.1
Later than five years	46.0	45.9
	156.9	158.9

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 as at 31 December 2023 and 31 December 2022 was 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 4th Floor, St. Paul's Gate, 22-24 New Street, St. Helier, JE1 4TR, Jersey.

As part the capital structure reorganisation completed in April 2024, the share ownership of SGS (Jersey) Newco Limited has changed. With effect from 17 April 2024 the ultimate parent company of the Company is Granite Holdco Limited, a company incorporated and registered in Jersey, Channel Islands. The registered address of Granite Holdco Limited (registered number: 152586) is 4th Floor, St. Paul's Gate, 22-24 New Street, St. Helier, JE1 4TR, Jersey.

14. Subsequent events

On 17 April 2024, SGS completed a £445.0 million refinancing with Lloyds Bank plc ("Lloyds"), a new third party lender. The senior facilities provided by Lloyds comprise i) a £395.0 million term loan, which was drawn in full on 17 April 2024; and ii) a £50.0 million capex facility, which can be drawn by the Group (subject to the achievement of customary financial metrics) to fund capital requirements associated with the asset management initiatives as part of the current business plan.

Both facilities have a maturity date of 15 January 2028, with a one year extension option subject to lender consent. Both facilities bear interest at a floating rate based on SONIA, although SGS has hedged its exposure to interest rate risk by purchasing an interest rate cap in respect of the term loan facility. The all-in annual interest cost is expected to be c.8.5%. No repayments of principal are due until maturity of the facilities.

The new term loan and capex facility rank pari passu with each other, and senior to all of the Group's other debt obligations. Security has been granted under the new facilities over the Group's Properties (including the Property) and other assets.

Lloyds has underwritten the full amount of the facilities and is in the process of syndicating the debt to other lenders. This process is expected to be completed early in the second half of 2024.

LAKESIDE CENTRE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)****14. Subsequent events (continued)**

Also on 17 April 2024, SGS successfully concluded a broader capital structure reorganisation which included the following:

- A £444.0 million partial repayment of borrowings, which was funded through a combination of net proceeds from the new term loan provided by Lloyds (£393.8 million) and excess cash on the Group's balance sheet (£50.2 million); and
- The Group's remaining external debt (which totalled £1.3 billion of principal plus capitalised and accrued interest) were cancelled. In exchange, the Group's former creditors were issued with i) £1.3 billion of newly-issued PIK Notes, under the terms of a Notes Purchase Agreement ("NPA"); and ii) SGS Group equity (or, if a creditor could not hold equity, alternative upside instruments ("AUI")). The ownership structure of the Group has therefore changed as a result of this transaction, with ownership passing from a charitable trust, SGS (Jersey) Trust, to the former creditors.

The PIK Notes are subordinated to the new senior facilities. They have a maturity date of 17 April 2044 and carry an interest rate of 10.0% p.a., with interest capitalising quarterly. In order to ensure consistency of holdings, the PIK Notes are stapled to the new shares/AUI and cannot be traded separately. The PIK Notes were listed on The International Stock Exchange ("TISE") on 17 June 2024.

The capital structure reorganisation is facilitating a shift to a new market standard governance and management structure for the Group, designed to follow a typical real estate privately-owned structure and empower a newly constituted board of directors to take commercial and operational decisions.

As part of this, the previous board members of all SGS Group companies (including the Company) resigned, effective 8 May 2024. Between 8 May and 16 May 2024, new directors were appointed, all of whom have extensive retail, real estate and investment experience. The new board of directors is led by Jaap Tonckens, former Chief Financial Officer of Unibail-Rodamco-Westfield, as non-executive chairman.

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