

Company Number 4144192

LAKESIDE CENTRE LIMITED

**DIRECTORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2021**



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LAKESIDE CENTRE LIMITED

DIRECTORS AND OTHER INFORMATION

Directors	Jeremy Michael Jorgen Malherbe Jensen Neil Jonathan Robson Andrea Trozzi
Company Number	4144192
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 2021

The directors present their strategic report of Lakeside Centre Limited (the "Company") for the year ended 31 December 2021.

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"): Victoria Centre and Atria Watford in England, and Braehead in Scotland. The Company and the Group were historically part of the Intu Properties group 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.

2021 was a year of operational and financial transformation for the Company and the Group, following a challenging 2020 in which the Group's shopping centres, including the Property, were closed for significant proportions of the year due to the COVID-19 pandemic. The third party valuation of the Property declined by 56% in 2020 and the third party valuation of the Group's Properties as a whole declined by 58%. Two events in particular have stabilised the Group in 2021 and provided it with increased visibility over the medium-term future.

Firstly, on 16 July 2021 the Group's creditors formally approved a restructuring of the Group's debt, based on a three year business plan (the "Fifth Master Amendment Agreement"). This restructuring followed a series of shorter-term agreements with creditors in late 2020 and early 2021 which had facilitated the capitalisation (rather than cash payment) of interest, waiver of covenants, and forbearance in respect of certain facilities which were due to mature in March 2021. The key features of the Fifth Master Amendment Agreement were as follows:

- An extension of maturities on all debt facilities to, at the earliest, 31 March 2024 (with the potential to extend to 31 December 2024 assuming certain conditions are met);
- An increase of the interest rate on all external debt to 9.00%. Interest terms were aligned across all debt, such that interest on all instruments became payable on a 'pay-if-you-can' basis, to be determined by a semi-annual cash flow forecast;
- The financial covenants on all facilities were reset. Effective from the restructuring date, the Group is subject to three covenants (a minimum liquidity covenant, a maximum loan-to-value ("LTV") covenant and a minimum cash net rental income covenant), all of which were set based on the Group's business plan;
- New money was made available to the Group via an £86.9 million 'Super Senior' facility, which ranks senior to the rest of the Group's debt. £60.0 million was drawn down on this facility on 22 July 2021 and on 23 July 2021 the Group prepaid both tranches of the Additional Liquidity Facility borrowings (£30.0 million principal in total, plus £1.8 million of capitalised and accrued interest). The remaining £26.9 million of Super Senior commitments remain undrawn and are available for utilisation by the Group until 31 December 2022, unless cancelled before that date; and
- The Fifth Master Amendment Agreement includes a call option, exercisable by SGS Optionco Limited, to acquire all of the Group's outstanding secured external borrowings for a nominal sum. This option is only exercisable once all of the Group's Properties have been sold and the proceeds used to discharge the Group's borrowings in accordance with the financing documentation which governs the Group's external borrowings (the "Finance Documents"), providing a mechanism for the solvent liquidation of the Group once all Properties have been sold. No commitment to sell the Properties has been made, either during the reporting period or subsequently, and as such the option is not currently exercisable. SGS Optionco Limited is a subsidiary of SGS (Jersey) Newco Limited (the immediate parent company of the Group), and the directors of SGS Optionco Limited are the same as those of the Company.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Business review (Continued)

Secondly, on 28 October 2021 the Company, along with other members of the Group, 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 of SGS Holdco Limited from Intu (SGS) Topco Limited to a new holding company independent of the Intu group.

As a result of these two events, the Group has a stable financial footing until 2024 from which to execute its business plan, and is entirely independent of the Intu group under separate ownership.

The business plan, which includes £112 million of investment over a three year period, in and alongside tenants to support leasing events across the portfolio, was approved by the Group's creditors in July 2021 as part of the Fifth Master Amendment Agreement, and an update to the business plan, which reaffirmed the core strategy, was approved by creditors in March 2022. The core strategic priorities which guide the Group's operations are: 1) Stabilisation of the Group's income; 2) Transition of the asset profiles of the Properties; 3) Improvement of the cost base; 4) Diversification of return drivers; and 5) Establishment of data & insights capabilities.

The Group has made significant progress against each of its strategic objectives in 2021:

- **Stabilise income profile:** Rent collections have been stabilised progressively since migration of the Properties from the Intu group. As at 26 April 2022, 93% of billed rent and service charge had been collected by the Company in respect of Q4 2021, which was significantly ahead of the level of collections assumed in the business plan. More than 130 leases were completed across the Group during the year, with critical tenants retained and a number of significant void spaces filled. Occupancy at Lakeside at 31 December 2021 was 83%.
- **Transition asset profiles:** Department store exposure has been reduced, including the 94,000 sq ft former Debenhams unit at Lakeside, for which a new 10 year lease has recently been agreed with M&S. Outperforming retailers across the Group's portfolio are being upsized and moved to more prominent units and exciting new entrants have been attracted to the SGS centres. The experiential leisure offering has been dramatically improved, with Boom Battle Bar and Puttshack now open at Lakeside.
- **Improve cost base:** SGS is on track to deliver a 12% saving in operating costs (comprising service charge, car parks, insurance and void costs relating to the Braehead Arena) across the Group between 2020 and 2022, based on current budgets, despite significant headwinds in the form of sharp cost inflation (particularly energy) and legacy capex works.
- **Diversify return drivers:** SGS has been investing in feasibility studies and engaging in conversations with planning authorities and potential development partners in respect of specific development plans at two of the Group's shopping centres, including the Property. Consistent with the original business plan, all investment associated with development under SGS ownership is focussed on design and planning. Given the three year business plan horizon, it remains the Group's intention not to take any of the identified development projects into construction.
- **Data & Insights capabilities:** Data & Insights has always been a part of the Group's strategy since migration. The experience of 2021, however, has elevated its importance. Data & Insights adds value by informing asset management and leasing decisions from consumer-based data concerning how customers are behaving and which brands and categories are consequently the best fit for the Properties. As such, Data & Insights capabilities are fundamental to the successful delivery of each of the four other strategic priorities. During 2021, SGS identified the resource necessary to enhance its Data & Insights capability and, following approval by creditors of the 2022 business plan update, has secured the services of an experienced Data & Insights professional and made investment in key analytical tools.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Business review (Continued)

The Company's results and financial position for the year ended 31 December 2021 are set out in full in the income statement, 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, as well as a generally improving market environment which saw early signs of recovery in the retail market as the country emerged from the COVID-19 pandemic. Footfall at the SGS shopping centres has recovered progressively since non-essential retail re-opened in April 2021, and in December 2021 Lakeside was at 92% of 2019 (i.e. pre-pandemic) levels. Tenant sales have recovered more quickly than footfall, as visitors have made the most of their shopping trips. This has resulted in a higher average spend per head in 2021 compared to 2019.

Net rental income for the Company in the year was £21.7 million (2020: £16.0 million). The Company's loss before taxation was £55.7 million (2020: loss before taxation of £578.2 million). The Company's net liabilities at 31 December 2021 were £492.4 million (2020: net liabilities of £436.7 million). The principal driver of both the loss before taxation and the increase in the net liabilities position during the year was finance costs of £53.3 million (2020: £30.0 million), which principally comprise interest on intercompany loans.

The stabilisation of the Group and the Company during 2021 is also reflected in the third party valuation of the Properties. The independent third party valuation of the Property as at 31 December 2021 was £415.0 million. Although this is 6% lower than the 31 December 2020 valuation (£440.0 million), it is 1% higher than the most recent previous valuation, at 30 June 2021 (£410.0 million), with improved valuer sentiment reflecting the quality of the Properties and the asset management progress made during the year.

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

As at the date of this Strategic Report, substantially all of the restrictions introduced by the UK and devolved Scottish governments to combat the COVID-19 pandemic have been withdrawn, and the Property is open and trading relatively normally. Footfall, tenant trading and rent collections continue to recover, slowly, although all remain below pre-pandemic levels. However, rising inflation and interest rates, combined with disruption to supply chains which is being exacerbated by the current conflict in Ukraine are placing pressure on consumers and retailers. It is possible that these pressures will affect the speed with which the Company and the Group can fully execute their operational recovery and business plan.

Nevertheless, the Group and the Company have made a promising start to 2022. Footfall at the Property in the four months to 30 April 2022 was at 2% higher than 2019 levels over the comparable period. Collection rates have also continued to sustain the progress made in recent quarters. As at 26 April 2022, the Company had collected 95% of the net rent and service charge billed in respect of Q1 2022, and by 25 May 2022 86% of the net rent and service charge billed in respect of Q2 2022 had been collected. Collections in respect of Q2 2022 are expected to increase further as the quarter progresses.

The Group's 2022 Business Plan & Exit Strategy Update was published on 2 March 2022 and approved by its creditors, via a negative consent process, on 30 March 2022.

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).

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

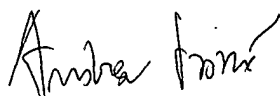
Principal risks and uncertainties

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 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
23 June 2022

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

The Company is incorporated and registered in England and Wales (company number 4144192). 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 2021.

Capital management

The directors consider capital to be ordinary share capital of £196.0 million (2020: £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 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. As part of any decision-making processes, the directors will consider the need to foster the Company's business relationships with suppliers, customers and others. The engagement with and consideration of such stakeholders is as set out below.

- Our 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.

The Company strongly opposes slavery and human trafficking in any form. The steps taken by the Company, directly and through its subsidiaries and contractors to ensure slavery and human trafficking are not occurring in any part of its business or supply chains are set out in the Company's Statement on Transparency in Supply Chains, which can be read at <https://portal.cscgfm.com/disclaimer/sgs-shopping-centres?folder=modern-slavery-act-statement>.

- Our customers

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 Properties Limited and Savills (UK) Limited as Asset Manager and Property Manager, respectively, the Company 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.

- Our community and environment

As regards the impact of the Company's operations on the community and the environment, we have a deeply ingrained culture of behaving responsibly and working with our stakeholders to address social and environmental issues. Centre management teams are responsible for building relationships with their respective communities and community leaders. In order to build on, and harmonise, the work already taking place at a shopping centre level, the Group has recently appointed Savills Earth as Environmental, Social and Governance ("ESG") consultant. Savills Earth's remit is to i) carry out a peer and legal review to establish ESG best practice in the shopping centre sector; ii) conduct a stakeholder analysis to determine priorities; iii) collate data to establish the Group's baseline for key metrics; and iv) design appropriate ESG objectives, targets and commitments, together with a costed implementation plan.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (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.

The impact of COVID-19 on the UK retail and real estate industries has been significant and is reflected in the valuation of the Property and the expected credit losses recognised by the Company in respect of its receivables. Recognition of these valuations and expected credit losses has resulted in a significant negative equity position for the Company at both 31 December 2021 and 31 December 2020.

However, as described in the Strategic Report, the Company and the Group have, since the administration of Intu Properties plc, been in proactive discussions with both tenants and all classes of creditor, and have developed a three year business plan for the current market environment. On the basis of this business plan, on 16 July 2021 the Company, amongst others, became party to the Fifth Master Amendment Agreement, which gave effect to a financial restructuring of the Group. Amongst other terms, the Fifth Master Amendment Agreement removed the requirement for interest on any of the Group's debt to be paid in cash, unless the Group has sufficient excess cash to fund such payments. The financial covenants under the Finance Documents (with which the Group was not able to comply from 30 June 2020 onwards) 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 cash net rental income covenant, which has been 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 covenants at each relevant test date since their introduction, with substantial headroom against each. Based on the base case financial forecasts which support the Group's business plan, which were updated on 2 March 2022 and approved by creditors on 30 March 2022, the Group expects to remain compliant with these covenants for the foreseeable future.

The Fifth Master Amendment Agreement extended, where necessary, the maturity of all debt facilities until at least 31 March 2024, providing the Group with a clear runway to execute its business plan and ultimately sell the properties. As part of the financial restructuring, the Group also secured £86.9 million in Super Senior New Money to fund the execution of its business plan.

The Company's net liabilities at 31 December 2021 of £492.4 million included amounts owed to SGS Holdco Limited and SGS Finco Limited of £104.8 million and £801.2 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, based on the stable footing provided by the recent financial restructuring, the current cash position and the forecasts indicating the continued liquidity of the Group for the three year business plan period even under reasonably plausible downside scenarios, the directors consider that the going concern basis of preparation is appropriate for the Company's financial statements for the year ended 31 December 2021, and that there exists no material uncertainty as to the Company's ability to continue as a going concern.

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 (2020: £nil).

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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 2021 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) is 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 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 UK adopted international accounting standards.

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 they have been prepared in accordance with UK adopted international accounting standards, 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.

Independent auditor

BDO LLP have expressed their willingness to continue in office until the next annual general meeting. Pursuant to section 489 of the Companies Act 2006, a resolution for the re-appointment of BDO LLP will be proposed at the forthcoming annual general meeting.

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. As such, the Company has nothing to report under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulation 2018.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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

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.

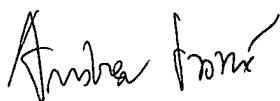
Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved confirm 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
23 June 2022

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 2021 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 2021 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 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.

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 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.

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

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, 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:

- 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.

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

- We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be revenue recognition, investment property valuations and management override of controls.
- We communicated identified laws and regulations and potential fraud risks throughout our team and remained alert to any indications of non-compliance or fraud 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 detect 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.

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:



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Christopher Young (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom

Date 23 June 2022

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 2021**

	Note	2021 £m	2020 £m
Revenue ¹	4	<u>39.5</u>	<u>39.2</u>
Net rental income	4	21.7	16.0
Revaluation of investment property	8	(23.9)	(563.4)
Administration expenses		<u>(0.2)</u>	<u>(0.1)</u>
Operating loss	5	(2.4)	(547.5)
Finance costs	6	(53.3)	(30.0)
Finance income		-	0.1
Other finance costs		<u>-</u>	<u>(0.8)</u>
Loss before taxation		<u>(55.7)</u>	<u>(578.2)</u>
Taxation		-	-
Loss for the year		<u>(55.7)</u>	<u>(578.2)</u>

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

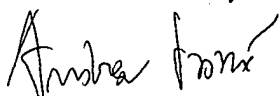
¹ Included within Revenue is a net reversal of loss allowance provisions previously charged against trade receivable totalling £5.9 million (2020: net charge in respect of loss allowance provisions of £10.1 million).

**BALANCE SHEET
AS AT 31 DECEMBER 2021**

	Note	31-Dec-21 £m	31-Dec-20 £m
Non-current assets			
Investment property	8	415.0	440.0
Current assets			
Trade and other receivables	9	18.6	27.0
Cash and cash equivalents		1.5	5.8
Total current assets		<u>20.1</u>	<u>32.8</u>
Total assets		<u>435.1</u>	<u>472.8</u>
Current liabilities			
Trade and other payables	10	<u>(927.5)</u>	<u>(909.5)</u>
Net liabilities		<u>(492.4)</u>	<u>(436.7)</u>
Equity			
Share capital	11	196.0	196.0
Accumulated losses		<u>(688.4)</u>	<u>(632.7)</u>
Total equity		<u>(492.4)</u>	<u>(436.7)</u>

The notes to the financial statements on pages 17 to 27 form an integral part of the financial statements.

The financial statements of Lakeside Centre Limited (registration number: 4144192) on pages 14 to 27 were approved and authorised for issue by the Board of Directors on 23 June 2022 and signed on its behalf by:



Andrea Trozzi
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital £m	Accumulated losses £m	Total £m
At 1 January 2020	196.0	(54.5)	141.5
Loss for the year	-	(578.2)	(578.2)
Total comprehensive loss for the year	-	(578.2)	(578.2)
At 31 December 2020	196.0	(632.7)	(436.7)
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)

The notes to the financial statements on pages 17 to 27 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 UK adopted international accounting standards 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 consolidated financial statements of SGS Holdco Limited. Copies of those 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 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 2021. None of these had a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (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 2021 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.

The impact of COVID-19 on the UK retail and real estate industries has been significant and is reflected in the valuation of the Property and the expected credit losses recognised by the Company in respect of its receivables. Recognition of these valuations and expected credit losses has resulted in a significant negative equity position for the Company at both 31 December 2021 and 31 December 2020.

However, as described in the Strategic Report, the Company and the Group have, since the administration of Intu Properties plc, been in proactive discussions with both tenants and all classes of creditor, and have developed a three year business plan for the current market environment. On the basis of this business plan, on 16 July 2021 the Company, amongst others, became party to the Fifth Master Amendment Agreement, which gave effect to a financial restructuring of the Group. Amongst other terms, the Fifth Master Amendment Agreement removed the requirement for interest on any of the Group's debt to be paid in cash, unless the Group has sufficient excess cash to fund such payments. The financial covenants under the Finance Documents (with which the Group was not able to comply from 30 June 2020 onwards) 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 cash net rental income covenant, which has been 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 covenants at each relevant test date since their introduction, with substantial headroom against each. Based on the base case financial forecasts which support the Group's business plan, which were updated on 2 March 2022 and approved by creditors on 30 March 2022, the Group expects to remain compliant with these covenants for the foreseeable future.

The Fifth Master Amendment Agreement extended, where necessary, the maturity of all debt facilities until at least 31 March 2024, providing the Group with a clear runway to execute its business plan and ultimately sell the properties. As part of the financial restructuring, the Group also secured £86.9 million in Super Senior New Money to fund the execution of its business plan.

The Company's net liabilities at 31 December 2021 of £492.4 million included amounts owed to SGS Holdco Limited and SGS Finco Limited of £104.8 million and £801.2 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

3. Significant accounting policies (continued)

Going concern (continued)

As such, based on the stable footing provided by the recent financial restructuring, the current cash position and the forecasts indicating the continued liquidity of the Group for the three year business plan period even under reasonably plausible downside scenarios, the directors consider that the going concern basis of preparation is appropriate for the Company's financial statements for the year ended 31 December 2021, and that there exists no material uncertainty as to the Company's ability to continue as a going concern.

Revenue

Revenue comprises rental and service charge income receivable. Revenue is recognised only to the extent it is expected to be collectible, after applying loss allowances for expected credit losses.

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. In respect of rents linked to tenant revenues, where information is not available, management uses estimates based on knowledge of the tenant and past data. 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 income and expense

Interest income and expense are 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

3. Significant accounting policies (continued)

Impairment of non-financial assets

The Company's assets are reviewed at each balance sheet date to determine whether events or changes in circumstances exist that indicate that their carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs').

At each balance sheet date the Company reviews whether there is any indication that an impairment loss recognised in previous periods may have decreased. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount. In this case the asset's carrying amount is increased to its recoverable amount but not exceeding the carrying amount that would have been determined had no impairment loss been recognised. The reversal of an impairment loss is recognised in the income statement.

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 (eg trade debtors), 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 2021 (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 had no outstanding borrowings as 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 2021 (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 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 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 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 given the unprecedented impact of COVID-19 on tenants and the associated government support measures which have restricted the Company's ability to collect overdue amounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (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.

	2021 £m	2020 £m
Rent receivable	30.2	29.6
Service charge income	9.3	9.6
Revenue	39.5	39.2
Service charge costs	(12.7)	(11.7)
Other non-recoverable costs	(5.1)	(11.5)
Net rental income	21.7	16.0

Rent receivable includes £0.3 million of premia received from tenants on the surrender of leases (2020: £0.5 million).

Net rental income is stated net of £7.0 million (2020: £3.6 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 loss

The operating loss for the year ended 31 December 2021 of £2.4 million (2020: operating loss of £547.5 million) did not include any fees in respect of auditor's remuneration of £23,000 (2020: £22,173) in respect of 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 were provided during the current or prior year.

The directors did not receive or waive any emoluments (2020: £nil) in respect of their services to the Company during the year ended 31 December 2021.

There were no employees employed by the Company during the year (2020: none).

6. Finance costs

	2021 £m	2020 £m
Interest on amounts due to Group undertakings	53.3	30.0

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

7. Taxation

The tax credit for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2021 £m	2020 £m
Loss before taxation	(55.8)	(578.2)
Loss before tax multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	(10.6)	(109.9)
Expenses not deductible for tax purposes	4.9	107.3
Deferred tax not recognised	-	0.3
Corporate interest restriction disallowance	4.5	2.2
Group relief surrender (without payment)	1.2	0.1
Tax expense	-	-

As at 31 December 2021 the Company had £0.1 million of unutilised tax losses (2020: £1.8 million), and £37.3 million of restricted corporate interest for potential utilisation in future periods (2020: £4.1 million). No deferred tax asset was recognised in respect of these losses or restricted interest at 31 December 2021 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 is due to increase from 19% to 25%, with effect from 1 April 2023.

8. Investment property

	2021 £m	2020 £m
Market value at 1 January	440.0	1,000.0
Additions	0.4	5.0
Deficit on revaluation	(23.9)	(563.4)
Movement in tenant incentives	(1.5)	(1.6)
Market value at 31 December	415.0	440.0
Cost at 31 December	1,084.9	1,084.4

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

Included in investment property are tenant lease incentive balances totalling £18.9 million (2020: £20.4 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 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 2021 (CONTINUED)

8. Investment property (continued)

Valuation methodology

The fair value of the Company's investment property at 31 December 2021 was determined by Knight Frank LLP, an independent external valuer at that date. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards incorporating the International Valuation Standards and the RICS UK National Supplement (the Red Book) and were arrived at by reference to market transactions for similar properties and rent profiles. Fair values for investment properties are calculated using the present value income/investment method 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 (where a typical lease allows only for upward adjustment) 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.

Valuation process

It is the Company's policy to engage an independent external valuer to determine the market value of its investment property at both 30 June and 31 December each year. This independent external valuer holds recognised and relevant professional qualifications and has recent experience in location and category of the investment property being valued. The Company provides information to the valuer, including current lease and tenant information along with asset specific business plans. The valuer uses this and other inputs including market transactions for similar properties to produce valuations. These valuations and the assumptions they have made are then discussed and reviewed with the directors.

Capital commitments

At 31 December 2021, the Board of SGS Holdco Limited had approved £23.8 million (2020: £1.0 million) of future expenditure for the purchase, construction, development and enhancement of the Property. Of this, £23.4 million (2020: £0.8 million) was contractually committed at year-end.

9. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	6.1	16.5
Prepayments and accrued income	5.7	6.9
Other receivables	6.8	3.6
	<u>18.6</u>	<u>27.0</u>

At 31 December 2021 trade receivables are shown net of provisions totalling £5.8 million, including VAT (2020: £12.8 million, including VAT). Reference is made to the consolidated financial statements of SGS Holdco Limited, which explain how the Group manages and measures credit quality of trade receivables.

Included within other receivables 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. Heads of terms confirming the refund amount were signed in December 2021, with a formal Settlement Agreement signed in April 2022. Other receivables also include energy security deposits and balances held on-account by the Company's property manager.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

10. Trade and other payables

	2021 £m	2020 £m
Trade payables	0.4	-
Rent received in advance	7.2	8.4
Amounts owed to Group undertakings	906.0	895.4
Accruals and deferred income	10.0	2.5
Other tax and social security	3.3	1.5
Other payables	0.6	1.7
	<u>927.5</u>	<u>909.5</u>

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

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

11. Issued share capital

	2021 £m	2020 £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:

	2021 £m	2020 £m
Not later than one year	34.5	25.9
Later than one year and not later than five years	84.6	60.5
Later than five years	51.6	44.8
	<u>170.7</u>	<u>131.2</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

13. 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.

On 28 October 2021 the Company and other members of the Group entered into agreements with Intu Properties plc (in administration) and various other subsidiaries of the Intu group (the "Intu Parties") which resulted the consensual transfer of 100% of the share capital in the Group from Intu (SGS) Topco Limited to a new holding company independent of the Intu group.

As such, effective from 28 October 2021, 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 2022 Business Plan & Exit Strategy Update was published on 2 March 2022 and approved by its creditors, via a negative consent process, on 30 March 2022.

On 4 April 2022, the Company, along with a number of members of the Group, 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. See note 9 for further details.