

Registration number: 07123857

SDG (Newport) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016



SDG (Newport) Limited

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SDG (Newport) Limited

Company Information

| | |
|--------------------------|---|
| Directors | S C McCabe Esplanade Director Limited |
| Company secretary | Esplanade Secretarial Services Limited |
| Registered office | Europa House 20 Esplanade Scarborough North Yorkshire YO11 2AQ |
| Auditors | Mazars LLP Mazars House Gelderd Road Gildersome Leeds West Yorkshire LS27 7JN |

SDG (Newport) Limited

Directors' Report for the Year Ended 31 December 2016

The Directors present their report and the financial statements for the year ended 31 December 2016.

Directors of the Company

The directors who held office during the year were as follows:

S C McCabe

Esplanade Director Limited

Dividends

The directors recommend a final dividend payment of £Nil be made in respect of the financial year ended 31 December 2016.

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

Mazars LLP continue in office in accordance with section 487(2) Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Approved by the Board on 26 May 2017 and signed on its behalf by:



.....
J J Tutton

For and on behalf of Esplanade Director Limited
Director

SDG (Newport) Limited

Statement of Directors' Responsibilities

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 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

SDG (Newport) Limited

Independent Auditor's Report to the members of SDG (Newport) Limited

We have audited the financial statements of SDG (Newport) Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its profit 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

SDG (Newport) Limited

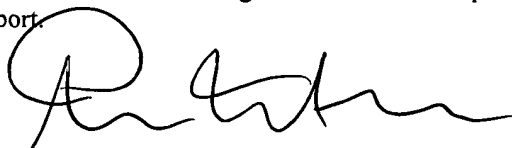
Independent Auditor's Report to the members of SDG (Newport) Limited

Matters on which we are required to report by exception

In 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 Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



.....
Richard Metcalfe (Senior Statutory Auditor)
For and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Mazars House
Gelderd Road
Gildersome
Leeds
West Yorkshire
LS27 7JN

26 May 2017

SDG (Newport) Limited

Profit and Loss Account for the Year Ended 31 December 2016

| | Note | 2016 £ | 2015 £ |
|--|------|-----------------------|---------------------------|
| Turnover | 3 | 345,865 | 332,683 |
| Cost of sales | 4 | <u>650,509</u> | <u>(2,886,671)</u> |
| Gross profit/(loss) | | 996,374 | (2,553,988) |
| Administrative expenses | | <u>(5,000)</u> | <u>(3,450)</u> |
| Operating profit/(loss) | | 991,374 | (2,557,438) |
| Other interest receivable and similar income | 6 | 4 | - |
| Interest payable and similar charges | 7 | <u>(758,456)</u> | <u>(715,581)</u> |
| | | <u>(758,452)</u> | <u>(715,581)</u> |
| Profit/(loss) before tax | | 232,922 | (3,273,019) |
| Taxation | 11 | <u>(56,828)</u> | <u>56,828</u> |
| Profit/(loss) for the financial year | | <u><u>176,094</u></u> | <u><u>(3,216,191)</u></u> |

The above results were derived from continuing operations.

The notes on pages 11 to 16 form an integral part of these financial statements.

SDG (Newport) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

| | Note | 2016 £ | 2015 £ |
|---|-------------|-----------------------|---------------------------|
| Profit/(loss) for the year | | <u>176,094</u> | <u>(3,216,191)</u> |
| Total comprehensive income for the year | | <u><u>176,094</u></u> | <u><u>(3,216,191)</u></u> |

The notes on pages 11 to 16 form an integral part of these financial statements.

SDG (Newport) Limited
(Registration number: 07123857)
Balance Sheet as at 31 December 2016

| | Note | 2016 £ | 2015 £ |
|---|------|---------------------|---------------------|
| Current assets | | | |
| Stocks | 12 | 5,829,770 | 4,991,257 |
| Debtors | 13 | <u>349,536</u> | <u>208,528</u> |
| | | 6,179,306 | 5,199,785 |
| Creditors: Amounts falling due within one year | 14 | <u>(16,092,882)</u> | <u>(15,289,455)</u> |
| Net liabilities | | <u>(9,913,576)</u> | <u>(10,089,670)</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | 1 | 1 |
| Profit and loss account | | <u>(9,913,577)</u> | <u>(10,089,671)</u> |
| Total equity | | <u>(9,913,576)</u> | <u>(10,089,670)</u> |

Approved and authorised by the Board on 26 May 2017 and signed on its behalf by:



J J Tutton

For and on behalf of Esplanade Director Limited

Director

SDG (Newport) Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

| | Share capital £ | Profit and loss account £ | Total £ |
|----------------------------|--------------------|---------------------------------|--------------|
| At 1 January 2016 | 1 | (10,089,671) | (10,089,670) |
| Profit for the year | - | 176,094 | 176,094 |
| Total comprehensive income | - | 176,094 | 176,094 |
| At 31 December 2016 | 1 | (9,913,577) | (9,913,576) |
| | Share capital £ | Profit and loss account £ | Total £ |
| At 1 January 2015 | 1 | (6,873,480) | (6,873,479) |
| Loss for the year | - | (3,216,191) | (3,216,191) |
| Total comprehensive income | - | (3,216,191) | (3,216,191) |
| At 31 December 2015 | 1 | (10,089,671) | (10,089,670) |

SDG (Newport) Limited

Statement of Cash Flows for the Year Ended 31 December 2016

| | Note | 2016 £ | 2015 £ |
|--|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Profit/(loss) for the year | | 176,094 | (3,216,191) |
| Adjustments to cash flows from non-cash items | | | |
| Finance income | 6 | (4) | - |
| Finance costs | 7 | 758,456 | 715,581 |
| Income tax expense | 11 | <u>56,828</u> | <u>(56,828)</u> |
| | | 991,374 | (2,557,438) |
| Working capital adjustments | | | |
| (Increase)/decrease in stocks | 12 | (838,513) | 2,028,378 |
| (Increase)/decrease in trade debtors | 13 | (197,836) | 42,654 |
| (Decrease)/increase in trade creditors | 14 | <u>(11,857)</u> | <u>321,598</u> |
| Cash generated from operations | | (56,832) | (164,808) |
| Income taxes received | 11 | <u>56,828</u> | <u>164,808</u> |
| Net cash flow from operating activities | | (4) | - |
| Cash flows from investing activities | | | |
| Interest received | 6 | <u>4</u> | <u>-</u> |
| Net increase/(decrease) in cash and cash equivalents | | - | - |
| Cash and cash equivalents at 1 January | | <u>-</u> | <u>-</u> |
| Cash and cash equivalents at 31 December | | <u><u>-</u></u> | <u><u>-</u></u> |

The notes on pages 11 to 16 form an integral part of these financial statements.

SDG (Newport) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1 General information

The company is a private company limited by share capital incorporated in England and Wales.

The principal activity of the company is property development.

The address of its registered office is:

Europa House
20 Esplanade
Scarborough
North Yorkshire
YO11 2AQ
UK

The principal place of business is:

Ground Floor RHS
Building 3150
Century Way, Thorpe Park
Leeds
West Yorkshire
LS15 8ZB
UK

These financial statements were authorised for issue by the Board on 26 May 2017.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Going concern

The company is currently funded by its immediate parent company, Scarborough Development Group Limited, which has provided confirmation that it will continue to provide financial support to the company for the foreseeable future. Scarborough Development Group Limited has adequate bank credit facilities to fund planned development expenditure of its subsidiary undertakings. Consequently, these financial statements have been prepared on a going concern basis which assumes that the company is able to realise its assets and discharge its liabilities in the normal course of business.

In considering the going concern status of the company, the Directors focused on the twelve month period from the date of signing these financial statements. The company and its lenders, Investec Bank plc, are committed to ensuring the project is developed out in a manner satisfactory to both parties and are committed to ensure that no third parties will suffer financial loss.

SDG (Newport) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

Turnover

Turnover represents amounts invoiced, net of value added tax, in respect of rental income from let properties and proceeds from the sale of properties.

Tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Trade debtors

Trade debtors are amounts due from customers for rent or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Critical accounting estimates and assumptions

The directors regularly update development appraisals to monitor the profitability of ongoing projects, and where the appraisals suggest that the carrying value of stock is above its net realisable value they make the necessary provisions.

Stocks

Stock is valued at the lower of cost and net realisable value. Cost is based on the cost of the land and the cost incurred to date including any demolition costs. Net realisable value is based on estimated selling price after taking into account all further costs expected to be incurred up to the point of disposal.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial Instruments

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price. Most debt instruments are subsequently measured at amortised cost using the effective interest rate method. Short term payables and receivables are measured at the invoice price.

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price. Short term payables are measured at the invoice price.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

SDG (Newport) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

3 Turnover

The analysis of the company's revenue for the year from continuing operations is as follows:

| | 2016 £ | 2015 £ |
|---------------|----------------|----------------|
| Rental income | <u>345,865</u> | <u>332,683</u> |

4 Cost of sales

| | 2016 £ | 2015 £ |
|--|------------------|------------------|
| Cost of sales excluding exceptional items | 28,460 | 143,857 |
| Exceptional property (write-back)/impairment | <u>(678,969)</u> | <u>2,742,814</u> |
| | <u>(650,509)</u> | <u>2,886,671</u> |

6 Interest receivable and similar income

| | 2016 £ | 2015 £ |
|----------------------|-----------|-----------|
| Other finance income | <u>4</u> | <u>-</u> |

7 Interest payable and similar charges

| | 2016 £ | 2015 £ |
|--|----------------|----------------|
| Interest payable to group undertakings | <u>758,456</u> | <u>715,581</u> |

8 Particulars of employees

The average number of employees (excluding directors) during the year was nil (2015: nil).

9 Directors' remuneration

No emoluments were paid to the directors during the year (2015: nil).

10 Auditors' remuneration

| | 2016 £ | 2015 £ |
|-----------------------------------|--------------|--------------|
| Audit of the financial statements | <u>2,500</u> | <u>2,500</u> |
| Other fees to auditors | | |
| All other non-audit services | <u>1,650</u> | <u>1,650</u> |

SDG (Newport) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

11 Taxation

Tax charged/(credited) in the income statement

| | 2016 £ | 2015 £ |
|--|---------------|-----------------|
| Current taxation | | |
| UK corporation tax | - | (56,828) |
| UK corporation tax adjustment to prior periods | 56,828 | - |
| | <u>56,828</u> | <u>(56,828)</u> |

The tax on profit before tax for the year is different from the standard rate of corporation tax in the UK of 20% (2015 - 20.25%).

The differences are reconciled below:

| | 2016 £ | 2015 £ |
|---|----------------|--------------------|
| Profit/(loss) before tax | <u>232,922</u> | <u>(3,273,019)</u> |
| Corporation tax at standard rate | 46,584 | (662,688) |
| Effect of expense not deductible in determining taxable profit (tax loss) | 20 | 4,165 |
| Increase (decrease) from tax losses for which no deferred tax asset was recognised | - | 614,856 |
| Increase (decrease) in UK and foreign current tax from adjustment for prior periods | 56,828 | - |
| Tax increase (decrease) arising from group relief | (39,404) | - |
| Tax increase (decrease) from transfer pricing adjustments | <u>(7,200)</u> | <u>(13,161)</u> |
| Total tax charge/(credit) | <u>56,828</u> | <u>(56,828)</u> |

12 Stocks

| | 2016 £ | 2015 £ |
|----------------------|------------------|------------------|
| Development property | <u>5,829,770</u> | <u>4,991,257</u> |

13 Debtors

| | Note | 2016 £ | 2015 £ |
|-----------------------|------|----------------|----------------|
| Trade debtors | 19 | 202,644 | 55,657 |
| Other debtors | | 14,349 | 30,814 |
| Prepayments | | 13,544 | 6,466 |
| Accrued income | | 118,999 | 58,763 |
| Income tax refundable | 11 | <u>-</u> | <u>56,828</u> |
| | | <u>349,536</u> | <u>208,528</u> |

SDG (Newport) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

14 Creditors

| | Note | 2016 £ | 2015 £ |
|-----------------------------------|------|-------------------|-------------------|
| Due within one year | | | |
| Trade creditors | 19 | 10,809 | 97,116 |
| Amounts due to group undertakings | 18 | 15,861,898 | 15,069,374 |
| Social security and other taxes | | 62,398 | 52,770 |
| Other creditors | | 209 | 211 |
| Accrued expenses | | 100,740 | 69,984 |
| Income tax liability | 11 | 56,828 | - |
| | | <u>16,092,882</u> | <u>15,289,455</u> |

15 Share capital

Allotted, called up and fully paid shares

| | No. | 2016 £ | No. | 2015 £ |
|----------------------------|----------|-----------|----------|-----------|
| Ordinary shares of £1 each | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |

16 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2015 - £Nil).

17 Contingent liabilities

The company is party to a guarantee covering the bank loans and overdrafts of Scarborough Development Group Limited and its subsidiary companies, which at 31 December 2016 amounted to £59,670,864 (2015: £52,595,570). The borrowing is secured against all of the assets of the respective companies.

18 Related party transactions

Scarborough Development Group Limited

The company has a loan from its parent company, Scarborough Development Group Limited, that it utilises for the financing of its development property. Interest was charged in the year at 5%. Interest payable on the loan during the year amounted to £758,456 (2015: £715,581). At the balance sheet date the amount due to Scarborough Development Group Limited was £15,861,898 (2015: £15,069,374).

SDG (Newport) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

19 Financial instruments

The company had the following financial instruments:

Financial assets measured at transaction price

| | Note | 2016 £ | 2015 £ |
|---------------|-------------|-------------------|-------------------|
| Trade debtors | 13 | <u>202,644</u> | <u>55,657</u> |

Financial liabilities measured at transaction price

| | Note | 2016 £ | 2015 £ |
|-----------------------------------|-------------|-------------------|-------------------|
| Trade creditors | 14 | 10,809 | 97,116 |
| Amounts due to group undertakings | 14 | <u>15,861,898</u> | <u>15,069,374</u> |

20 Parent and ultimate parent undertaking

The company's immediate parent is Scarborough Development Group Limited, incorporated in England and Wales.

The ultimate parent is The Scarborough 1992 Trust.

The accounts of Scarborough Development Group Limited are available from Europa House, 20 Esplanade, Scarborough, YO11 2AQ.