

Registration number: 07123857

# SDG (Newport) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



# **SDG (Newport) Limited**

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## **SDG (Newport) Limited**

### **Company Information**

<b>Directors</b>	S C McCabe Esplanade Director Limited J J Tutton
<b>Company secretary</b>	Esplanade Secretarial Services Limited
<b>Registered office</b>	Europa House 20 Esplanade Scarborough North Yorkshire YO11 2AQ
<b>Auditors</b>	Mazars LLP 5th Floor 3 Wellington Place Leeds West Yorkshire LS1 4AP

## **SDG (Newport) Limited**

### **Directors' Report for the Year Ended 31 December 2019**

The Directors present their report and the financial statements for the year ended 31 December 2019.

#### **Directors of the Company**

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

S C McCabe

Esplanade Director Limited

J J Tutton

#### **Impact of Brexit upon the Company**

The Directors have considered the uncertainties regarding the withdrawal of the United Kingdom from the EU, however they do not believe that there will be a material impact on the company as a result of this.

#### **Impact of COVID-19 coronavirus upon the Company**

The Directors have considered the impact of COVID-19 coronavirus upon the company. It is expected that there may be some impact, although this is not expected to be significant.

#### **Going concern**

The Directors consider the company to be a going concern. The Directors' assessment of the going concern status of the company is detailed in note 2 of these financial statements.

#### **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.

This report has been prepared in accordance with the small companies regime of the Companies Act 2006.

Approved by the Board on 7 December 2020 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; 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**

#### **Opinion**

We have audited the financial statements of SDG (Newport) Limited for the year ended 31 December 2019 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 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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.

#### **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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter - Impact of the outbreak of COVID-19 on the financial statements**

In forming our opinion on the financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 virus as disclosed on page 2, and the consideration in the going concern basis of preparation on page 12 and non-adjusting post balance sheet events on page 18.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 continues to evolve and, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that COVID-19 is a non adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **SDG (Newport) Limited**

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

#### **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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

#### **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.

#### **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 Directors' report and take advantage of the small companies exemption from the requirement to prepare a Strategic report.

#### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities 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, 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.

## **SDG (Newport) Limited**

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

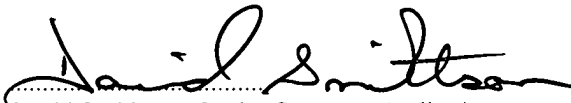
#### **Auditor's responsibilities for the audit of the financial statements**

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of the audit 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.



David Smithson (Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor

5th Floor  
3 Wellington Place  
Leeds  
West Yorkshire  
LS1 4AP

Date: 10 December 2020



## SDG (Newport) Limited

### Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Revenue	3	359,527	358,816
Cost of sales	4	<u>(37,978)</u>	<u>(2,003,347)</u>
Gross profit/(loss)		321,549	(1,644,531)
Administrative expenses		<u>(44,940)</u>	<u>(4,815)</u>
Operating profit/(loss)		276,609	(1,649,346)
Other interest receivable and similar income	6	42	-
Interest payable and similar charges	7	<u>(840,102)</u>	<u>(783,973)</u>
		<u>(840,060)</u>	<u>(783,973)</u>
Loss before tax		<u>(563,451)</u>	<u>(2,433,319)</u>
Loss for the financial year		<u><u>(563,451)</u></u>	<u><u>(2,433,319)</u></u>

The above results were derived from continuing operations.

## **SDG (Newport) Limited**

### **Statement of Comprehensive Income for the Year Ended 31 December 2019**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Loss for the year	<u>(563,451)</u>	<u>(2,433,319)</u>
Total comprehensive loss for the year	<u><u>(563,451)</u></u>	<u><u>(2,433,319)</u></u>

The notes on pages 11 to 17 form an integral part of these financial statements.

# SDG (Newport) Limited

(Registration number: 07123857)

## Balance Sheet as at 31 December 2019

	Note	2019 £	2018 £
<b>Current assets</b>			
Stocks	12	3,996,341	4,000,000
Debtors	13	<u>290,192</u>	<u>291,079</u>
		4,286,533	4,291,079
<b>Creditors: Amounts falling due within one year</b>	14	<u>(17,666,365)</u>	<u>(17,107,460)</u>
<b>Net liabilities</b>		<u>(13,379,832)</u>	<u>(12,816,381)</u>
<b>Capital and reserves</b>			
Called up share capital	15	1	1
Profit and loss account		<u>(13,379,833)</u>	<u>(12,816,382)</u>
<b>Total equity</b>		<u>(13,379,832)</u>	<u>(12,816,381)</u>

Approved and authorised by the Board on 7 December 2020 and signed on its behalf by:



J J Tutton

For and on behalf of Esplanade Director Limited

Director

The notes on pages 11 to 17 form an integral part of these financial statements.

**SDG (Newport) Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2019**

	Share capital £	Profit and loss account £	Total £
At 1 January 2019	1	(12,816,382)	(12,816,381)
Loss for the year	-	(563,451)	(563,451)
Total comprehensive loss	-	(563,451)	(563,451)
At 31 December 2019	<u>1</u>	<u>(13,379,833)</u>	<u>(13,379,832)</u>
	Share capital £	Profit and loss account £	Total £
At 1 January 2018	1	(10,383,063)	(10,383,062)
Loss for the year	-	(2,433,319)	(2,433,319)
Total comprehensive income	-	(2,433,319)	(2,433,319)
At 31 December 2018	<u>1</u>	<u>(12,816,382)</u>	<u>(12,816,381)</u>

## **SDG (Newport) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **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:

Second Floor LHS  
Building 3125  
Century Way, Thorpe Park  
Leeds  
West Yorkshire  
LS15 8ZB  
UK

These financial statements were authorised for issue by the Board on 7 December 2020.

#### **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. They are presented in GBP and are rounded to the nearest pound.

##### **Summary of disclosure exemptions**

The company has taken advantage of the exemption under FRS 102 paragraph 3.1 (b) from preparing a statement of cash flows on the basis that it is a qualifying small entity.

## **SDG (Newport) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **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, together with related parties, has adequate cash and 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.

Although the full impact of the current Covid-19 coronavirus pandemic is not clear it is having a significant detrimental impact on the overall economy. The directors have considered the value of the company's stock and are confident that this has not been significantly impacted by the pandemic. The Directors have assessed that Covid-19 will not have a material impact on the ability of the company to continue as a going concern and do not consider there to be a material non-adjusting post balance sheet event.

#### **Revenue**

Revenue 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.

## SDG (Newport) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 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

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

#### 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.

### 3 Revenue

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

	2019	2018
	£	£
Rental income	<u>359,527</u>	<u>358,816</u>

The Company's rental income is derived from operating leases that are in place with tenants who occupy the portfolio of properties that are held for resale. The Company has the following future minimum lease payments receivable under non-cancellable operating leases for each of the following periods:

## SDG (Newport) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 3 Revenue (continued)

	2019	2018
	£	£
Within 1 year	277,948	363,600
Between 1 and 5 years	652,101	839,799
After 5 years	493,644	583,644
	<u>1,423,693</u>	<u>1,787,043</u>

The Company's operating leases typically require the tenants to be responsible for paying for repairing and insuring the property and include clauses allowing for rent reviews at certain points during the lease. The leases do not contain contingent rents.

#### 4 Cost of sales

	2019	2018
	£	£
Cost of sales	37,978	103,141
Stock property write-down	-	1,900,206
	<u>37,978</u>	<u>2,003,347</u>

#### 6 Interest receivable and similar income

	2019	2018
	£	£
Interest income on bank deposits	9	-
Other finance income	33	-
	<u>42</u>	<u>-</u>

#### 7 Interest payable and similar charges

	2019	2018
	£	£
Interest payable to group undertakings	<u>840,102</u>	<u>783,973</u>

#### 8 Particulars of employees

The average number of employees (excluding directors) during the year was nil (2018: nil).

#### 9 Directors' remuneration

No emoluments were paid to the directors during the year (2018: nil).



## SDG (Newport) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 10 Auditors' remuneration

	2019 £	2018 £
Audit of the financial statements	<u>2,875</u>	<u>2,750</u>
<b>Other fees to auditors</b>		
All other non-audit services	<u>1,815</u>	<u>1,815</u>

#### 11 Taxation

The tax on loss before tax for the year is different from the standard rate of corporation tax in the UK of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Loss before tax	<u>(563,451)</u>	<u>(2,433,319)</u>
Corporation tax at standard rate	(107,056)	(462,331)
Increase from tax losses for which no deferred tax asset was recognised	107,056	467,461
Tax (decrease) from transfer pricing adjustments	<u>-</u>	<u>(5,130)</u>
Total tax charge/(credit)	<u>-</u>	<u>-</u>

The Finance Act 2020 enacted that the main rate of corporation tax would remain at 19% for the tax years starting 1 April 2020 and 1 April 2021 and this has therefore been considered when calculating tax and any deferred tax balances at the reporting date.

#### 12 Stocks

	2019 £	2018 £
Development property	<u>3,996,341</u>	<u>4,000,000</u>

## SDG (Newport) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 13 Debtors

	Note	2019 £	2018 £
Trade debtors	19	131,497	129,724
Other debtors	19	27,582	4,742
Prepayments		13,331	34,831
Accrued income		<u>117,782</u>	<u>121,782</u>
		<u>290,192</u>	<u>291,079</u>

Trade debtors are stated net of an impairment provision of £40,000 (2018: £nil).

#### 14 Creditors

	Note	2019 £	2018 £
<b>Due within one year</b>			
Trade creditors	19	3,690	28,368
Amounts due to group undertakings	18	17,532,246	16,969,849
Social security and other taxes	19	44,469	17,828
Other creditors	19	80,723	81,601
Accrued expenses		<u>5,237</u>	<u>9,814</u>
		<u>17,666,365</u>	<u>17,107,460</u>

#### 15 Share capital

##### Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	1	1	1	1

#### 16 Commitments

##### Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2018 - £Nil).

#### 17 Contingent liabilities

The Company is party to a guarantee in respect of a bank loan provided by Investec Bank plc to Scarborough Development Group Limited which at 31 December 2019 amounted to £5,400,000 (2018: £7,400,000). The loan is secured against development properties held by the Company and fellow subsidiaries SDG Wigan Limited, SDG Glossop Limited, SDG Preston Limited and SDG Boston Limited.

## SDG (Newport) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 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 £840,102 (2018: £783,973). At the balance sheet date the amount due to Scarborough Development Group Limited was £17,532,246 (2018: £16,969,849).

#### 19 Financial instruments

The Company had the following financial instruments:

##### Financial assets measured at transaction price

	Note	2019 £	2018 £
Trade debtors	13	131,497	129,724
Other receivables	13	<u>27,582</u>	<u>4,742</u>

##### Financial liabilities measured at transaction price

	Note	2019 £	2018 £
Trade creditors	14	3,690	28,368
Amounts due to group undertakings	14	17,532,246	16,969,849
Other payables	14	80,723	81,601
VAT creditor	14	<u>44,469</u>	<u>17,828</u>

#### 20 Parent and ultimate parent undertaking

The company is controlled by its immediate parent, Scarborough Development Group Limited, a company registered in England and Wales.

The ultimate parent is The Scarborough 1992 Trust. In the opinion of the directors there is no ultimate controlling party.

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

#### 21 Non adjusting events after the financial period

Subsequent to the year end, coronavirus COVID-19 has resulted in a global pandemic affecting economies globally. The speed and severity of the impact has been unprecedented but many Governments, including within the UK, have introduced considerable measures to help businesses through this extremely challenging time. At the time of approval of these accounts, the full effect of the pandemic is uncertain, but, as noted in note 2, the directors consider that the company remains a going concern.