

Registered number: 02382336

FARNCOMBE ESTATE HOLDINGS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**



Farncombe Estate Holdings Limited

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Farncombe Estate Holdings Limited

Directors and advisors

Directors

M P Sorensen
A C Grahame
J R A Richardson
J A C Lohan
A T Fuller
M M Preston

Company secretary

M J Proffitt

Registered office

Farncombe House
Broadway
Worcestershire
WR12 7LJ

Independent auditors

BDO LLP
2 Snowhill
Birmingham
B4 6GA

Farncombe Estate Holdings Limited

Strategic Report for the year ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activities

The Farncombe Estate Holdings Limited group operates from the freehold land and property it owns on the Farncombe Estate at Broadway in Worcestershire. The principal operation is the provision of high-quality hotel accommodation, event hosting and activities from Dormy House Hotel, the Fish Hotel and Foxhill Manor Hotel. The group also provides a range of office premises in the estate buildings both for third party businesses and for use by the Skagen group. The company is an intermediate holding company within the larger SCCL3 Limited group.

Strategy and business model

The estate business model is to use the setting of the estate for the maximum benefit of the principal business of running three high quality hotels. The group's ethos continues to be one of world class customer service delivery, offering intimate accommodation associated with the country house hotel market but with contemporary facilities and a quality culture mindset.

The wider estate provides a unique landscape in which to run the hotels. The strategy for the estate is to maximise rental income in order to provide a return incremental to that of the hotels. This allows the estate to be maintained to a very high standard whilst utilising the other properties within the grounds as offices or for appropriate commercial use.

Business review and future developments

The group recorded a turnover of £8,510,000 (2019: £13,503,000) and a loss before tax of £6,061,000 (2019 restated: loss of £3,360,000 – note 32). The financial position of the group is shown on page 17 and the cash flow statement is on page 20, with the continued investment in the fixed assets financed by group subscriptions for additional equity, as set out on page 18.

The financial outturn for 2020 reflects the impact of the Covid19 pandemic. The hospitality sector was one of the hardest hit sectors, the restrictions on trading significantly impacting the group's turnover, with only 213 days trading versus a normal year of 364 days.

Despite this, the hotels were continually maintained, with guest facing disruptive work accelerated during the periods of closure in the year. Most notable was an investment to connect the sewage works at The Fish to mains supply and the complete re-surface of the road running through the centre of the estate.

Whilst the estate has remained closed to the public, investment has continued into 2021, increasing the range of accommodation with the addition of five more Shepherd Brace Huts or 'Hideaway Huts' as they are referred to, and further development of The Farmhouse, now branded 'The Hoot', where a new kitchen has been added to increase the versatility of the property, resulting in a luxury self-catered house as well as the option to continue to be used as hotel bedrooms.

In addition, the wider estate has seen the renovation of an existing building, Longhill Cottage, now branded as 'The Nook', which will add further to the luxury self-catered products.

During the months that trading was permitted in 2020 the occupancy and room rates remained strong, reflecting the high demand following the investment in the buildings, fittings and the services available in the hotels over the last few years, supplemented by an enhanced marketing strategy.

The health and wellbeing of our staff remained a key focus throughout the year, with regular 'keeping-in-touch' calls carried out by HR and the Senior Leadership Team. This was followed up by regular email updates from the CEO as guidelines and significant dates were released, with each communication containing details of our employee assistance program.

Farncombe Estate Holdings Limited

Strategic Report **for the year ended 31 December 2020 (continued)**

The group also benefitted from government interventions targeted at hospitality through local restriction grants and local authority business rate reduction support during the height of the restrictions.

With the Covid19 crisis ongoing, the directors have considered the impact of the crisis on the current value attributed to the freehold properties and investment properties on the estate. The estate valuation for the year ended 31 December 2020 has been determined by the directors with reference to the most recent valuation performed in 2019 by an external valuer, adjusting for the expected impacts on the valuations of recent events. The directors have analysed and assessed the 2019 valuation and updated this to reflect the current 2020 environment, resulting in a downward revaluation of £304,000 in respect of freehold properties and a downward revaluation of £195,000 in respect of investment properties

External business environment

At the initial outbreak of the Covid19 pandemic there was a requirement to close the Hotels on the estate, with the last guests departing on the 21 March 2020 as the UK went into its' first lockdown. The hospitality sector was allowed to reopen from 4 July 2020 with the directors taking the decision to adopt a phased approach with Foxhill Manor and The Fish opening to guests on 13 July 2020 followed by Dormy House on 20 July 2020.

The summer months traded well as demand for UK holidays surged, and the hospitality sector saw a 'staycations' boom. During this period occupancy rates were high and room rates sustained.

On 5 November 2020 guests were again asked to leave as the UK entered a second lockdown and further restrictions were placed on the hospitality sector. The hotels then re-opened on 3 December 2020 for a short period of time, during which the Tiered approach to restrictions started to impact on occupancy levels. The directive to close after Christmas brought about a phased approach to the impending closure, with The Fish and Foxhill Manor closing on 22 December 2020 and Dormy House closing on 27 December 2020. All having remained closed until 17 May 2021.

Demand for UK holidays has continued to surge following each government announcement. The group has seen the appetite for bookings result in call volumes and web enquires far above the normal level. All having been factored into the constantly evolving forecasts and plans.

Reflective of the challenges faced by the industry generally, our business plans remain fluid, as uncertainty continues, but with shareholder support and a strong order book for the rest of 2021 and the first half of 2022, the group's directors remain confident of a full recovery.

It is clear that the investment in our IT infrastructure over the past 12 months facilitated the switch to home working for the central teams without disruption, coupled with the enhanced security protections that mitigated any heightened risk. Processes to ensure that we continued to operate in an effective control environment had already been tested and proved effective.

The impact of Brexit still remains a threat to the industry as a result of the general uncertainty and the potential for increased food costs, coupled with the potential impact on staffing. Currently 27% of our work force are from the EU or wider EEA working predominately within our food, beverage and housekeeping functions.

The national minimum wage and NEST pension costs continue to put pressure on our largely people-based business; however, we strive to be a responsible 'employer of choice' whilst being acutely aware of the need to control our costs.

Farncombe Estate Holdings Limited

Strategic Report for the year ended 31 December 2020 (continued)

Key Performance Indicators

The group's directors consider a range of KPIs to measure business performance. The KPIs are regularly reviewed and may change over time with the development of the business. Current KPI's include turnover by activity, gross and net margins as well as several other indicators including customer satisfaction and occupancy rates.

	2020	2019
	£'000	£'000
Hotel turnover	8,035	13,042
Hotel gross margin	2,033	4,908
Rental income from commercial office premises and other services	475	461
Hotel occupancy (all 3 hotels combined)	*78.6%	81.2%

*based on 213 trading days (2019 – 364)

Funding

The group continues to be supported by its shareholder, SCCL3 Limited. The group is funded largely by equity, with a substantial capitalisation of the debt used to finance the recent capital projects having been made by the shareholder in the year. The committed loan facilities provided by the shareholder and third parties continue to give a stable platform following the resumption of operations and future development.

Environmental and social issues

The group is proud to be a responsible business in the Cotswolds area. We source much of our produce locally and are a substantial local employer, offering salaries above the minimum wage. All structural development is performed in close consultation with the local authorities and increases in room stock has been made in a way sympathetic to the environment whilst being extremely attractive to our guests.

Equality and fairness

Our people are at the centre of everything we do, regardless of which part of the business they work in. In our latest gender pay report (data as at 5 April 2020), the group had a mean gender pay gap of 10.2%, an overall decrease of 2.4% on the previous year and 5.3% lower than the national average.

The median pay gap has seen a slight reduction, from 10.6% to 10.0%. The most significant differences in mean and median pay exist in the top quartile, which can be attributed to gender mix by seniority. This is reflective of the national data - the ONS Annual Survey of Hours and Earnings showed that the highest earners had a larger pay gap than the lowest, but the gap is closing, albeit more slowly for the top earners.

We remain passionate about addressing the current pay gap, encouraging, and developing more women into senior roles. Our focus remains on rewarding all our team fairly and equitably.

Strategic Report

for the year ended 31 December 2020 (continued)

Principal risks and uncertainties

The directors consider the major risks to stem from the current uncertainty in operating the business in the setting of an ongoing pandemic, the impact on the economy of the resulting recession and Brexit.

The ability to learn and adapt our operating plans as new information becomes available is key, along with our ability to alter our approach efficiently and effectively. Innovation in our service proposition and technology advances will help to mitigate risk without negatively impacting on our guest experience.

In operational terms, the Covid19 risk manifests through the social distancing guidelines and new workplace protocols to meet new health and safety challenges, with increased focus on enhanced cleaning practices with the clear aim of keeping our guests and staff safe.

The economic climate, and the uncertainty around the impact of Brexit, coupled with keeping the hotels facilities fresh and relevant in the marketplace will also continue to pose challenges. The directors are aware that in general the UK hospitality market had been trading very strongly prior to the pandemic but now, with additional uncertainty, the overheads need to remain under constant review to ensure that the profitability of the businesses can be restored.

Section 172 statement

This section serves as Farncombe Estate Holdings Limited's group section 172 statement and should be read in conjunction with the information elsewhere in this strategic report. Section 172 of the Companies Act 2006 requires directors to take into consideration the interests of stakeholders in their decision making. The directors continue to have regard to the interests of the group's employees and other stakeholders, including the impact of its activities on the community.

The stakeholder groups factored into the decision making of the directors are: the valued customers of the hotels; the valued employees who enable the business to operate; the essential suppliers of goods and services with whom the group partners; and the supportive shareholders who continue to provide financial and operational support which is focused on the long term.

The issues and factors considered by the directors in complying with its obligations under this section are (amongst others): customer satisfaction and experiences; the local and wider national environment; social responsibility and impacts on the local community; operating the group's businesses with integrity and exercising good corporate governance.

The board of directors consider that they have acted in good faith for the benefit of, and with regards to, the stakeholders in decisions taken during the year ended 31 December 2020, in particular the approval of capital expenditure projects to be delivered during the lockdown / closure period. The stakeholder factors considered in reaching the decision included the impact on estate employees and the ability to work safely within government guidelines, and the positive impact on suppliers and contractors in providing work in such a volatile time. The board also took account of the financial impact of the project and considered it was in the best interest of the group to approve the expenditure.

Farncombe Estate Holdings Limited

Strategic Report for the year ended 31 December 2020 (continued)

Section 172 statement (continued)

When making decisions, the directors are fully aware of their responsibilities to promote the success of the group in accordance with the act and ensure that they take regular steps to consider, at a board level, how it is operating in line with good corporate practice and in doing so have regard to:

(A) "The likely consequences of any decision in the long term"	<p>The directors understand the business and the environment in which the group operates, including the challenges posed by the economic climate, the uncertainty around the impact of Brexit and the need to stay relevant in the marketplace.</p> <p>The directors are supported by shareholders who are interested in the long term and who take decisions in the long-term interest of the group.</p>
(B) "The interests of the group's employees"	<p>The directors recognise that the group's employees are at the centre of our service delivery and a key part of the business's success. The group's focus is on attracting, retaining, and motivating employees, by ensuring we remain a responsible employer, from pay and benefits to health and safety in the workplace.</p> <p>Employee feedback is vital in addressing operational efficiencies and maintaining a healthy and motivated workforce. The group invests actively in the physical and mental wellbeing of its employees and maintains a safe and stimulating workplace environment.</p>
(C) "The need to foster the group's business relationships with suppliers, customers and others"	<p>Management have built strong relationships with our suppliers, customers, and other stakeholders, maintaining these are key to the success of the business. Regular reviews are held with companies who supply products and services to the hotel and property businesses. Feedback from our very valued hotel customers is sought throughout their stay and more formally via a satisfaction survey. The directors also receive updates on the latest Trip Advisor scores and comments.</p> <p>Customer feedback is key to informing operational and commercial strategies in the hotels. In a highly competitive market, a hotel group which does not listen to its customers will quickly become uncompetitive. The directors' strategy is to invest in the customer experience with new and innovative product offerings which give the customers an excellent experience.</p>
(D) "The impact of the group's operations on the community and the environment"	<p>The directors consider the environmental and community impacts of their decision making to be of great importance. The group is proud to be a responsible business in the Cotswolds area. We source much of our produce locally and are a substantial local employer. All structural development is performed in close consultation with the local authorities and increases in room stock has been made in a way sympathetic to the environment.</p>

Farncombe Estate Holdings Limited

Strategic Report for the year ended 31 December 2020 (continued)

Section 172 statement (continued)

(E) "The desirability of the group maintaining a reputation for high standards of business conduct"	The directors recognise the importance of respecting commercial necessities and safeguarding the interests of its shareholders. The board satisfies this objective by robust planning and scrutiny of each company within the group, to facilitate successful performance in accordance with the approved business plans, in order to maximise its impact on stakeholders through the achievement of targeted financial performance.
(F) "The need to act fairly as between members of the group"	<p>The parent company and its subsidiaries embrace their responsibilities diligently and with great care to protect the interests of a diverse range of stakeholders.</p> <p>Discussions with the shareholder are collaborative and look at more than merely the financial results of the group. Equally important are continuing to operate first class assets in a well governed manner and considering the impacts of decision making on the local community (for example the provision of long term, high quality, local employment) and maintaining the environment surrounding its properties and businesses.</p>

Going concern

The group has been materially impacted by the Covid19 crisis and there remain significant uncertainties about trading levels for the remainder of 2021 and into 2022. Following government guidance, the estate and its hotels closed for business during each of the three UK lockdowns, resulting in 151 days of closure during 2020, with the hotels reopening on 17 May 2021 following the government lifting of Covid19 hospitality restrictions.

As we have progressed through the stages of the government roadmap, we have seen a surge in demand for rooms resulting in higher than expected occupancy levels for the remainder of the FY21 and into FY22.

The board envisages ongoing volatility of the business in a post-Covid19 environment, with significant uncertainties remaining in relation to the provision of guest services under evolving government guidelines, uncertain customer reactions to hotel and food & beverage services as we emerge from lockdown and the sustainability of the spike in demand for 'staycations'.

Looking further ahead the board have considered a number of scenarios from operating at 65% capacity to full pre-Covid19 trading levels, resulting in a worse and best-case outlook into 2022, thus identifying the maximum level of funding that will be required and for which committed funding has been agreed with the group's shareholder.

The board remains positive about the group's prospects reflecting:

- indications that latent demand for high quality, rural based, naturally segregated, hotel services will recover strongly, borne out by the number of ongoing bookings which have rolled forward to later in 2021 and into 2022 and by the growing order book; and

Farncombe Estate Holdings Limited

Strategic Report **for the year ended 31 December 2020 (continued)**

Going concern (continued)

- the support from the group's shareholder has been extremely positive and this has resulted in generous funding being advanced during 2020 to support the business through the lock down periods and the subsequent restart periods and by guaranteed funding being committed for worst case estimates of trading through to 2022.

In this light, the Board are confident that the group remains a going concern and will be able to trade as such through 2021 and 2022.

This report was approved by the board and signed on its behalf.



A C Grahame
Director

21 October 2021

Farncombe Estate Holdings Limited

Directors' Report for the year ended 31 December 2020

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

Directors

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

M P Sorensen
A C Grahame
J R A Richardson
J A C Lohan
A T Fuller
M M Preston

Dividends

No dividends have been paid or declared in respect of the year (2019: £nil).

Future developments

These are referred to in the strategic report.

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of changes in market prices, liquidity, interest rate and credit risk. The group has in place risk management processes that seek to limit the adverse effects on the financial performance of the group.

Interest rate risk: Floating rate interest agreements are in place and this is considered appropriate given the external borrowings are considered medium term in maturity, low in relation to the property assets of the group and with current market expectations of medium term interest rates.

Credit risk: The group has implemented policies that require appropriate credit checks on potential corporate customers before sales are made and subsequent monitoring of credit levels. Covid19 has highlighted some credit risk associated with commercial tenants and this remains under review.

Liquidity risk: The group uses a mixture of third-party loans and medium-term finance from other group companies that are designed to ensure the group has sufficient available funds for operations and planned expansions.

Market risk: The group is pursuing strategies to further strengthen its position in its markets and to expand its offering. The risk of Covid19 on the UK hospitality market remains under constant review by the group with regular updates, including industry insights, which are reflected in rolling forecasts.

Directors' indemnities

The company maintains liability insurance for its directors and officers. This is a qualifying indemnity provision for the purposes of the Companies Act 2006 and was in place during the financial year and up to the date of signing these financial statements.

Farncombe Estate Holdings Limited

Directors' report for the year ended 31 December 2020 (continued)

Streamlined Energy and Carbon Reporting ("SECR")

The directors consider the environmental impacts of their decision making to be of great importance and as such all structural development is performed in close consultation with the local authorities and any increases in room stock are made in a way that is sympathetic to the environment.

The group has an annual report prepared by a third party on the estates total energy consumption, with areas identified for improvement.

For the period 1 January 2020 to 31 December 2020 the energy consumption figures were as follows:

Energy	kWh	
Gas	2,840,801	52.1%
Electricity	1,981,964	36.3%
Wood Logs	538,560	9.9%
Transport	92,238	1.7%
	5,453,563	100%

Road fuel purchase data was provided by the accounts department. Monthly totals were divided by the average price for each fuel for that month to calculate the quantities of each fuel purchased. CO2 emissions were calculated from each annual total using the appropriate CO2 factor applied from the UK Government GHG Conversion Factors for Company Reporting (2020), and from those figures it was possible to calculate the miles covered and hence the kWh totals. Gas, and also LPG consumption, via boilers for the provision of heating and/or hot water to premises, were derived from data supplied by our energy brokers. Again, the UK Government GHG Conversion Factors for Company Reporting (2020) were used to calculate CO2 emissions from these sources.

Electricity consumption data was provided by the energy brokers. The total kWh usage was calculated and the appropriate CO2 factors applied from the UK Government GHG Conversion Factors for Company Reporting (2020).

Business mileage claims data, where private cars were used, was provided by the accounts department. No record is kept of the respective fuels used hence an average factor was calculated and applied to the total mileage to calculate both the kWh total and the CO2 emissions.

The basis for the calculations has been to use the electricity meters when selecting buildings for audit. The main meter at Dormy House Hotel, an HV meter, has the largest number of buildings by area and by count, hence this meter was selected by the third-party energy auditor.

A fully detailed holistic analysis was undertaken, whilst the analysis of most of the rest of the buildings on the estate was based on an estimated proportioning of the energy consumption based on an internal %.

The report provided by the external third party sought to examine the energy efficiency opportunities for the buildings analysed, it was deemed suitable for extrapolation to the remainder of the estate because the profile of the buildings not covered by this meter to be similar.

Farncombe Estate Holdings Limited

Directors' report for the year ended 31 December 2020 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the group and parent company 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102), 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 group and the company and of the profit or loss of the group for that year.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

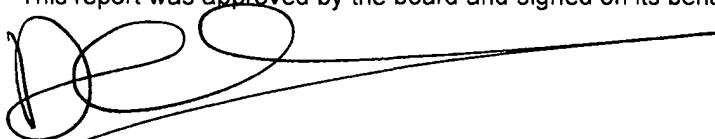
Statement as to disclosure of information to auditors

As far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and the directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Independent auditors

A resolution to reappoint BDO LLP as auditors to the company will be proposed at the annual general meeting.

This report was approved by the board and signed on its behalf.



A C Grahame

Director

21 October 2021

Farncombe Estate Holdings Limited

Independent Auditors' Report to the members of Farncombe Estate Holdings Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's 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 Farncombe Estate Holdings Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the group and company statements of financial position, the consolidated cash flow statement, the consolidated and company statements of changes in equity and the 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (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.

Independence

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of 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.

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 group's or parent 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.

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Independent Auditors' Report to the members of Farncombe Estate Holdings Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent 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 parent company 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 group's and parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Farncombe Estate Holdings Limited

Independent Auditors' Report to the members of Farncombe Estate Holdings Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the group and parent Company and the industry in which it operates, and considered the risk of acts by the parent company and group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006, the principles of United Kingdom Generally Accepted Accounting Practice, corporate taxes and VAT legislation, employment taxes, health and safety, licensing and food hygiene regulations.

We designed audit procedures to respond to the 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.

We focused on laws and regulations that could give rise to a material misstatement in the group and parent company's financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- review of the accounting policies for non-compliance with relevant standards;
- enquiries of management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and procedures relating to;
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- review of correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations;
- review of minutes of directors' board meetings throughout the year; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Farncombe Estate Holdings Limited

Independent Auditors' Report to the members of Farncombe Estate Holdings Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)


We also addressed the risk of management override of internal controls, including testing journals, assessing and challenging the significant accounting estimates made and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. We also addressed the risk of fraud in revenue, including testing journals in revenue and assessing the revenue recognition accounting policies and controls.

There are inherent limitations in the audit procedures described above 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 would 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 parent 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 parent 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 parent company and the parent 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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Andrew Mair (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
Birmingham, United Kingdom

Date: 21 October 2021

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

Farncombe Estate Holdings Limited

Consolidated statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £'000	Restated – note 32 2019 £'000
Turnover	5	8,510	13,503
Cost of sales		(6,505)	(8,372)
Gross profit		2,005	5,131
Selling expenses		(799)	(780)
Administrative expenses		(7,399)	(7,874)
Other operating income	9	1,167	-
Loss from changes in fair value of investment property	14	(195)	(56)
Revaluation of property fixed assets	13	(588)	440
Operating loss	9	(5,809)	(3,139)
Interest payable and similar charges	10	(252)	(221)
Loss before taxation		(6,061)	(3,360)
Tax on loss	11	608	-
Loss for the financial year		(5,453)	(3,360)
Other comprehensive income:			
Gain on revaluation of fixed assets	13	284	980
Total comprehensive expense for the year		(5,169)	(2,380)

The notes on pages 21 to 41 form part of these financial statements.

Farncombe Estate Holdings Limited

Group and company statement of financial position as at 31 December 2020

		Group		Company	
			Restated – note 32		
	Note	2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12	-	-	-	-
Tangible assets	13	34,148	36,046	16	31
Investment property	14	3,711	3,906	-	-
Investments	15	-	-	25,323	25,686
		37,859	39,952	25,339	25,717
Current assets					
Inventories	16	122	158	34	15
Debtors:					
Amounts falling within one year	17	562	408	522	253
Amounts falling after one year	18	1,140	1,250	-	1,250
Cash at bank and in hand		1,977	1,196	1,118	270
		3,801	3,012	1,674	1,788
Creditors: amounts falling due within one year	19	(9,215)	(3,250)	(6,910)	(468)
Net current (liabilities) / assets		(5,414)	(238)	(5,236)	1,320
Creditors: amounts falling due after more than one year	20	-	(6,500)	-	(6,500)
Net assets		32,445	33,214	20,103	20,537
Capital and reserves					
Called up share capital	24	76,000	71,600	76,000	71,600
Revaluation reserve	25	3,234	2,950	-	-
Profit and loss account	25	(46,789)	(41,336)	(55,897)	(51,063)
Total equity		32,445	33,214	20,103	20,537

As permitted by section 408 of the Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The holding company's loss for the financial year was £4,834,000 (2019: loss of £7,731,000).

These financial statements on pages 21 to 41 were approved by the board of directors on 21/01/21 and were signed on its behalf by:

A C Grahame
Director

Registered number: 02382336

Farncombe Estate Holdings Limited

Consolidated statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2019 (as previously stated)	70,000	1,780	(37,786)	33,994
Prior year adjustments (note 32)	-	190	(190)	-
At 1 January 2019 (as restated)	70,000	1,970	(37,976)	33,994
Loss for the financial year (as restated)	-	-	(3,360)	(3,360)
Revaluation gain (as restated)	-	980	-	980
Shares issued in the year	1,600	-	-	1,600
At 31 December 2019 (as restated)	71,600	2,950	(41,336)	33,214
Loss for the financial year	-	-	(5,453)	(5,453)
Revaluation gain	-	284	-	284
Shares issued in the year	4,400	-	-	4,400
At 31 December 2020	76,000	3,234	(46,789)	32,445

Farncombe Estate Holdings Limited

Company statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
At 1 January 2019	70,000	(43,332)	26,668
Loss and total comprehensive expense for the financial year	-	(7,731)	(7,731)
Shares issued in the year	1,600	-	1,600
At 31 December 2019	71,600	(51,063)	20,537
Loss and total comprehensive expense for the financial year	-	(4,834)	(4,834)
Shares issued in the year	4,400	-	4,400
At 31 December 2020	76,000	(55,897)	20,103

The notes on pages 21 to 41 form part of these financial statements.

Farncombe Estate Holdings Limited

Consolidated cash flow statement for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Net cash used in operating activities	26	(2,391)	(145)
Cash flows from investing activities			
Purchase of tangible fixed assets	13	(976)	(716)
Net cash used in investing activities		(976)	(716)
Cash flows from financing activities			
Group loans advanced		4,400	1,600
Interest paid		(252)	(221)
Net cash generated from financing activities		4,148	1,379
Increase in cash and cash equivalents		781	518
Cash and cash equivalents at beginning of year		1,196	678
Cash and cash equivalents at end of year (all cash balances)		1,977	1,196

The issue of £4,400,000 (2019 - £1,600,000) of new shares was satisfied through a reduction in the amounts due to group undertakings.

The notes on pages 21 to 41 form part of these financial statements.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020

1 General information

The Farncombe Estate Holdings Limited group operates from the freehold land and property it owns on the Farncombe Estate at Broadway in Worcestershire. The principal operation is the provision of high quality hotel accommodation, event hosting and activities from Dormy House Hotel, the Fish Hotel and Foxhill Manor Hotel. The group also provides a range of office premises in the estate buildings both for third party businesses and for use by the Skagen group. The company is an intermediate holding company within the larger SCCL3 Limited group. The company is a private company limited by shares, incorporated and domiciled in the UK. The address of the registered office is Farncombe House, Broadway, Worcestershire, WR12 7LJ.

2 Statement of compliance

The Group and individual financial statements of Farncombe Estate Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

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

These financial statements are prepared on a going concern basis, under the historical cost convention as modified by the recognition of freehold and investment properties at fair value through profit and loss.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Going concern

The group has been materially impacted by the Covid19 crisis and there remain significant uncertainties about trading levels for the remainder of 2021 and into 2022. Following government guidance, the estate and its hotels closed for business during each of the three UK lockdowns, resulting in 151 days of closure during 2020, with the hotels reopening on 17 May 2021 following the government lifting of Covid19 hospitality restrictions.

As we have progressed through the stages of the government roadmap, we have seen a surge in demand for rooms resulting in higher than expected occupancy levels for the remainder of the FY21 and into FY22.

The board envisages ongoing volatility of the business in a post-Covid19 environment, with significant uncertainties remaining in relation to the provision of guest services under evolving government guidelines, uncertain customer reactions to hotel and food & beverage services as we emerge from lockdown and the sustainability of the spike in demand for 'staycations'.

Looking further ahead the board have considered a number of scenarios from operating at 65% capacity to full pre-Covid19 trading levels, resulting in a worse and best-case outlook into 2022, thus identifying the maximum level of funding that will be required and for which committed funding has been agreed with the group's shareholder.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

Going concern (continued)

The board remains positive about the group's prospects reflecting:

- indications that latent demand for high quality, rural based, naturally segregated, hotel services will recover strongly, borne out by the number of ongoing bookings which have rolled forward to later in 2021 and into 2022 and by the growing order book; and
- the support from the group's shareholder has been extremely positive and this has resulted in generous funding being advanced during 2020 to support the business through the lock down periods and the subsequent restart periods and by guaranteed funding being committed for worst case estimates of trading through to 2022.

In this light, the Board are confident that the group remains a going concern and will be able to trade as such through 2021 and 2022.

Financial assets

Basic financial assets, including trade and other receivables, amounts due from other group undertakings, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial liabilities

Basic financial liabilities, including trade and other payables, accruals and loans from banks and fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Investments

Investments are stated at cost less any provisions for impairment which are made for amounts considered to represent a permanent diminution in value.

Leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes delivery costs. Net realisable value is the estimated or actual selling price less all further costs to be incurred to completion and disposal. Where necessary, provision is made for obsolete, slow moving and defective inventory.

Turnover

Turnover is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Turnover, which excludes VAT and sales between group companies, represents the value of work done and services supplied and is recognised in the period the work is done or services are provided to the customer. Amounts received from customers in advance of the provision of goods or services are included within accruals and deferred income.

Taxation

The charge for taxation is based on the result for the year as adjusted for disallowable items.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date. Deferred taxation assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the reversal of the underlying timing differences can be deducted.

Deferred tax, including tax that would arise on disposal of revalued property at the balance sheet valuation, is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

• Freehold buildings	-	50 years
• Infrastructure assets and semi-permanent structures	-	5 to 10 years
• Motor vehicles	-	5 years
• Fixtures, fittings & equipment	-	3 to 5 years

Assets under the course of construction are not depreciated until the asset is brought into use. Costs continue to be capitalised until the construction is complete.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

Tangible fixed assets and depreciation (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the consolidated statement of comprehensive income.

Fixed assets are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use.

Investment property

Investment property is carried at fair value determined annually by the directors, and external valuers every 3 years, and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the consolidated statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Pensions

The cost of providing retirement benefits under defined contribution arrangements is charged to the statement of comprehensive income in the year to which they relate.

Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature, including government support received under the Coronavirus Job Retention Scheme, are recognised in the consolidated statement of comprehensive income in the same period as the related expenditure.

4 Critical accounting judgements and estimation uncertainty

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not always equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

Carrying value of tangible assets

Tangible assets are assessed at each reporting date to determine whether there is any indication that the assets are impaired by reference to the cash generation of the individual hotels and the fair values of other assets held by the group. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Investment and other freehold property

Investment properties and freehold property in use by the group is carried at fair value determined annually by the directors, having periodic reference to external valuers. There is inevitably a degree of judgement involved in a valuation in respect of the factors applied including estimated rental values, trends in trading or identifying comparable property which could only be reliably tested by a sale in the open market.

Carrying values of investments in subsidiaries and recoverability of intercompany receivables

Investments in subsidiaries and intercompany receivables are carried at cost less provisions for impairment. Impairment is judged on the basis of expected future cash flows and trading in the subsidiaries and if there is evidence of impairment the carrying amount is reduced to its expected realisable value.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

5 Turnover

Turnover consists of sales made in the UK and is analysed as follows;

	2020	2019
	£'000	£'000
Hotel services	8,035	13,042
Rental income and other services	475	461
	8,510	13,503

6 Directors' emoluments

	2020	2019
	£'000	£'000
Aggregate emoluments (including benefits in kind)	352	322
Pension contributions in respect of 1 director (2019: 1)	10	10
	362	332

The remuneration of the highest paid director for the year ended 31 December 2020 was £161,000 (2019: £185,000) and employer pension contributions were £10,000 (2019: £10,000).

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

7 Employee information

The average monthly number of staff (including executive directors) employed by the group during the year was:

	2020	2019
	Number	Number
Direct	221	233
Indirect and administration	36	37
	257	270

Staff costs	2020	2019
	£'000	£'000
Wages and salaries	5,619	5,872
Social security costs	435	461
Other pension costs	265	216
	6,319	6,549

The average monthly number of staff (including executive directors) employed by the company was 36 (2019: 37). The staff costs included wages and salaries of £1,359,000 (2019: £1,438,000), social security costs of £109,000 (2019: £140,000) and pension costs of £85,000 (2019: £53,000).

8 Key management compensation

Key management comprises the directors and senior management of the group. The compensation paid to key management for their services including pension contributions was £611,000 (2019: £609,000).

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

9 Operating loss

The operating loss is stated after charging/(crediting):

	2020	2019
	£'000	£'000
Depreciation charge - owned tangible fixed assets	2,501	2,624
Fees payable to the company's auditors for:		
- The audit of the company and group financial statements	23	21
- The audit of the subsidiaries	22	20
Operating leases		
- hire of plant and machinery	83	102
Loss on disposal of fixed assets	69	6
Inventory recognised as an expense	1,285	1,999

During the year, the group received other operating income in respect of furlough income of £1,167,000 (2019 - £Nil). The company received other operating income in respect of furlough income of £29,000 (2019 - £Nil).

10 Interest payable and similar charges

	2020	2019
	£'000	£'000
Bank interest payable	120	149
Interest payable to group undertakings	132	72
	252	221

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

11 Tax on loss

	2020	2019
	£'000	£'000
Current tax	-	-
Deferred tax	-	-
Group relief	(608)	-
Tax credit on loss	(608)	-

Factors affecting the tax credit for the year

The tax credit assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	Restated 2019
	£'000	£'000
Loss before taxation	(6,061)	(3,360)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(1,152)	(638)
Effects of:		
Changes in property values not taxable/deductible for tax purposes	65	(192)
Other expenses not deductible for tax purposes	219	20
Chargeable gains / (losses)	176	-
Group relief surrendered	(608)	331
Deferred tax asset not recognised in respect of losses carried forward	692	479
Tax credit for the year	(608)	-

Factors that may affect future tax charges

The standard rate of tax applied to reported profits is to remain at 19% until 1 April 2023 when it will rise to 25%.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

12 Intangible assets

Group and company	Trademark £'000
Cost at 1 January 2020 and 31 December 2020	12
Accumulated amortisation at 1 January 2020 and 31 December 2020	(12)
Net book value at 31 December 2019 and 2020	-

13 Tangible assets

Group	Freehold property, infrastructure assets & semi-permanent structures	Fixtures, fittings & equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 January 2020	30,481	11,282	122	41,885
Additions	-	16	960	976
Transfer	952	-	(952)	-
Transfer to freehold property	1,363	(1,363)	-	-
Revaluation	(874)	-	-	(874)
Disposals	-	(2,389)	(34)	(2,423)
At 31 December 2020	31,922	7,546	96	39,564
Accumulated depreciation				
At 1 January 2020	-	5,839	-	5,839
Charge for the year	727	1,774	-	2,501
Transfer to freehold property	392	(392)	-	-
Revaluation	(570)	-	-	(570)
Disposals	-	(2,354)	-	(2,354)
At 31 December 2020	549	4,867	-	5,416
Net book amount				
At 31 December 2020	31,373	2,679	96	34,148
At 31 December 2019	30,481	5,443	122	36,046

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

13 Tangible assets (continued)

Freehold property

The freehold properties were valued at 31 December 2020 by the directors with reference to market conditions. This resulted in a downward revaluation adjustment of £304,000 (2019: upward revaluation adjustment of £1,420,000).

As a result of a number of valuations and additions over the years, the directors consider that they do not have sufficient reliable evidence to determine the historical cost of freehold property.

The transfer from fixtures, fittings and equipment to freehold property relates to infrastructure assets and semi-permanent structures which are integral to the hotel properties. This reclassification has not resulted in any changes to the estimated useful lives and depreciation rates applied.

Company	Fixtures, fittings & equipment £'000	Assets under construction £'000	Total £'000
Cost			
At 1 January 2020	194	-	194
Disposals	(38)	-	(38)
At 31 December 2020	156	-	156
Accumulated depreciation			
At 1 January 2020	163	-	163
Charge for the year	15	-	15
Disposals	(38)	-	(38)
At 31 December 2020	140	-	140
Net book amount			
At 31 December 2020	16	-	16
At 31 December 2019	31	-	31

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

14 Investment property

Group

	£'000
<hr/>	
Valuation	
At 1 January 2020	3,906
Revaluation in year	(195)
At 31 December 2020	3,711

The investment properties were valued at 31 December 2020 by the directors with reference to market conditions.

As a result of a number of valuations and additions over the years, the directors consider that they do not have sufficient reliable evidence to determine the historical cost of the investment property.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

15 Investments

Company	Shares in group undertakings £'000
Cost	
At 1 January 2020	60,435
Additions	3,645
At 31 December 2020	64,080
Impairment	
At 1 January 2020	34,749
Impairment in the year	4,008
At 31 December 2020	38,757
Net book value	
At 31 December 2020	25,323
At 31 December 2019	25,686

Additions in the year reflect the capitalisation of amounts due from subsidiary undertakings.

Details of the subsidiary undertakings as at 31 December 2020, which are all registered at Farncombe House, Broadway, Worcestershire, WR12 7LJ, are as follows:

Name	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares or capital held	Principal activity
Farncombe Estate Limited	England and Wales	Ordinary	100%	Property services
Dormy House Hotel Limited	England and Wales	Ordinary	100%	Hotel
The Fish Hotel Limited	England and Wales	Ordinary	100%	Hotel
Foxhill Manor Limited	England and Wales	Ordinary	100%	Dormant

After the recognition of impairments of £4,008,000, the directors believe that the carrying value of the investments is supported by their underlying net assets and trading prospects.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

16 Inventories

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Raw materials and consumables	12	48	-	-
Goods for resale	110	110	34	15
	122	158	34	15

Inventories are stated after provision for impairment of £59,000 (2019: £46,000) for the Group and £nil (2019: £nil) for the Company.

There is no material difference between the statement of financial position amount of inventories and their replacement cost.

17 Debtors: Amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	27	94	-	-
Amounts owed by group undertakings	288	2	288	6
Other debtors	23	3	80	58
Prepayments and accrued income	224	309	154	189
	562	408	522	253

Trade debtors are stated after provision for impairment of £33,000 (2019: £11,000) for the Group.

Amounts owed by group undertakings are repayable on demand, unsecured and interest free. They are stated after provision for impairment of £nil (2019 - £nil).

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

18 Debtors: amounts falling due after one year

During December 2017 a loan of £1.44m was provided to a third party, secured against property, with interest at market rates, by Farncombe Estate Holdings Limited. This loan was transferred to Farncombe Estate Limited, the entity's subsidiary company, during the year at a carrying value, following previous impairments, of £1.25m. There is a put and call option associated with the loan which is exercisable by either party and expires on 31 December 2027.

At 31 December 2020, based on the latest valuation of the property against which the loan is secured, the directors have impaired the carrying value of the debtor by a further £0.11m. The impairment is recorded in the consolidated statement of comprehensive income.

The carrying value of the debtor at 31 December 2020 is £1.14m (31 December 2019 - £1.25m).

Subsequent to the year end on 26 April 2021, the directors have formally exercised the put and call option associated with the loan. As a result, further consideration of £167,000 was paid to the third party with an expected completion date of 30 April 2022.

19 Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank loans	6,500	-	6,500	-
Trade creditors	355	623	16	45
Amounts owed to group undertakings	-	-	116	42
Taxation and social security	285	503	32	27
Other creditors	61	272	14	12
Accruals and deferred income	2,014	1,852	232	342
	9,215	3,250	6,910	468

Amounts owed to group undertakings are repayable on demand, unsecured and interest free.

The bank loan of £6,500,000 bears interest at 1.5% over LIBOR, is secured by a corporate guarantee and is repayable on 3 December 2021.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

20 Creditors: amounts falling due after more than one year

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank loans	-	6,500	-	6,500
	-	6,500	-	6,500

21 Deferred taxation

Analysis of unrecognised assets:

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Deferral of capital allowances compared to depreciation	594	623	67	79
Other timing differences	8	8	3	2
Losses	5,908	5,171	2,401	2,282
	6,510	5,802	2,471	2,363

No deferred tax assets are recognised as the directors are, as yet, uncertain, when the group and company will utilise the assets.

The potential deferred taxation liability is calculated at 19% (2019 – 19%).

22 Financial instruments

There are no financial instruments measured at fair value. All material cash balances, trade debtors, prepayments, trade creditors, other creditors, accruals, loans and amounts owed to group undertakings are measured at amortised cost which is considered to be the same as the fair value.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

23 Pensions

Pension arrangements are provided through a stakeholder scheme with benefits to pensioners based on contributions made. The total pension costs for the year was £265,000 (2019: £216,000) and at 31 December 2020 there were contributions unpaid of £44,000 (2019: £38,000).

24 Called up share capital

Group and company	2020	2019
	£'000	£'000
Allotted, called up and fully paid		
76,000,133 ordinary shares of £1 each (2019: 71,600,133)	76,000	71,600

4,400,000 £1 ordinary shares were issued at par on 31 December 2020.

25 Reserves

The profit and loss account relates to cumulative gains and losses recognised in the statement of comprehensive income.

The revaluation reserve represents revaluation gains and losses in excess of cost on freehold properties which are recognised in other comprehensive income and the revaluation reserve. The total revaluation gain for the year was £284,000 (2019 restated: £980,000).

Changes in the fair value of investment properties are recognised in the consolidated statement of comprehensive income. The total revaluation loss for the year was £195,000 (2019: Gain £56,000).

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

26 Reconciliation of loss for the financial year to net cash outflow used in operating activities

	2020	Restated 2019
	£'000	£'000
Loss for the financial year	(6,061)	(3,360)
Taxation	608	-
Interest payable and similar charges	252	221
Operating loss	(5,201)	(3,139)
Depreciation of tangible fixed assets	2,501	2,624
Loss on disposal of fixed assets	69	6
Impairments and revaluations	892	(490)
Working capital movements:		
Decrease in inventories	36	29
(Increase) / decrease in debtors	(154)	98
(Decrease) / increase in creditors	(534)	727
Net cash used in operating activities	(2,391)	(145)

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

27 Commitments and contingencies

There were capital commitments of £341,000 (2019: £Nil), contracted but not provided for, in the group at 31 December 2020. The company had no capital commitments (2019: £Nil) at 31 December 2020.

28 Operating lease commitments

The group and company had commitments under non-cancellable operating leases as follows:

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Within one year	45	19	6	-
After one year but within five years	48	10	9	-
	93	29	15	-

29 Ultimate controlling party and related party transactions

At 31 December 2020, the company is a wholly owned subsidiary of SCCL3 Limited, a company registered in the United Kingdom.

A subsidiary of SCCL 3 Limited, Skagen Finance Limited (SFL), loaned £4,400,000 to FEHL during the year, which was repaid to SFL on 31 December 2020 following a new share capital subscription from FEHL's shareholder, SCCL3 Limited for the amount of £4,400,000.

During 2020, interest of £132,000 was paid to SFL (2019: £72,000).

Transactions with directors who are related parties totalled £1,621 (2019: £3,042) in the year in respect of Hospitality Services.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

30 Net debt reconciliation

	1 January 2020	Cash inflows / (outflows)	Other non-cash changes	31 December 2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,196	781	-	1,977
Debt (third party)	6,500	-	-	6,500
Debt (related party)	-	4,400	(4,400)	-
Debt	6,500	4,400	(4,400)	6,500
Net Debt	5,304	3,619	(4,400)	4,523

31 Post balance sheet events

Subsequent to year end on 13 May 2021, the directors have revised the existing bank loan facility increasing the amount made available by £1,000,000, from £6,500,000 to £7,500,000. The bank loan bears interest at 1.5% over LIBOR and is secured by corporate guarantee by FEHL's shareholder SCCL 3 Limited.

In addition to the above, the directors have also entered into an agreement with FEHL's shareholder SCCL 3 Limited to provide a loan facility of £10,000,000. Per the terms of the loan agreement, the facility bears interest at 4.8% over the Bank of England base rate. The loan facility is unsecured with the provision of the facility due to expire after a five year period on 31 May 2026.

Farncombe Estate Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

32 Prior period adjustment

During the year, the directors have undertaken a review of the historical treatment of freehold property revaluations and the presentation of the movements between the profit and loss account and other comprehensive income. As a result of this review, it was identified that the allocation of revaluations between the profit and loss account and other comprehensive income was incorrect in respect of the years ended 31 December 2018 and 31 December 2019. However, there is no impact on total equity in either year.

For the year ended 31 December 2018, a devaluation of £190,000 was incorrectly offset against other upward valuations presented in other comprehensive income rather than accounted for as an impairment in the profit and loss account. As a result, the revaluation reserve at 1 January 2019 has been increased by £190,000 and the profit and loss account reserve at 1 January 2019 has been reduced by £190,000.

For the year ended 31 December 2019, a devaluation of £1,083,000 was also incorrectly offset against other upward valuations rather than accounted for as an impairment in the profit and loss account. As a result, the revaluation allocated to other comprehensive income has been increased by £1,083,000 (from a £103,000 loss previously reported to a £980,000 gain) and the revaluation uplift reported in the profit and loss account has decreased by £1,083,000 (from a £1,523,000 gain previously reported to a £440,000 gain). As a result this adjustment, the loss for the financial year has increased by £1,083,000 (from a loss of £2,277,000 previously reported to a £3,360,000 loss) meaning the profit and loss account reserve has decreased by £1,083,000, whilst the revaluation reserve has increased by £1,083,000.

The restatements have not impacted the overall comprehensive losses reported or the consolidated net assets.