Registered number:
10987131

SCCL 3 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

SCCL 3 LIMITED

COMPANY INFORMATION

Directors	M M Preston A T Fuller
Company secretary	S Brannigan
Registered number	10987131
Registered office	Farncombe House Broadway Worcestershire WR12 7LJ
Independent auditors	BDO LLP Two Snowhill Birmingham B4 6GA

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of SCCL 3 Limited (the 'parent company') is that of an investment holding company. The group, comprising SCCL3 Limited and its subsidiaries holds several investment properties (London and Cotswolds) and operates three high-quality hotels in the Cotswolds.

Business review, future developments and the external environment

In the year ended 31 December 2021 group trading has generated turnover of £10.6m (2020: £8.5m), a loss after tax for the year of £4.0m (2020: £5.5m) and an operating cash outflow of £(1.3)m (2020: £(3.2)m).

The group's balance sheet is strong, with a robust asset base, secure financing and prudent capitalisation.

During the year 3,390,895 ordinary shares of £1.00 each were issued by SCCL 3 Limited, satisfied by capitalisation of the loan from SHL3BT Limited advanced in 2021.

The parent company regards the performance of its subsidiaries to be in line with expectations.

Hotel group

The financial outturn for 2021 reflects the impact on the group's hotels of the Covid-19 pandemic second lockdown and the subsequent re-opening of the UK economy. Trading was restricted by the lockdown, but exceptionally strong in the periods the hotels were legally allowed to open, hampered by shortages in staff due to Covid related absences and the UK wide staff shortage and inflation in staff and other (particularly food) costs. Improvements in margins reflect the start of the recovery from the Covid pandemic.

In 2022, trading has normalised somewhat to pre-pandemic levels as UK customers have been able once again to fly abroad. The escalation in food and energy prices which started post-Brexit has been accelerated by the war in Ukraine. This, combined with acute staffing difficulties as experienced by most UK businesses, has caused significant operational and financial stress in 2022. Despite this trading continues broadly on budget for 2022.

The freehold properties and investment properties of the hotel group were revalued at 31 December 2021 by third party external valuers, with a reversal of the prior year Covid related devaluation and growth in value beyond this. This resulted in a revaluation adjustment of £4.6m for freehold property through OCI (note 11) and a revaluation adjustment of £0.1m for investment property (note 13) and £0.2m for freehold property (note 11) through P&L.

During the year the group exercised its call option under a put and call option agreement to purchase a farm neighboring the group's Cotswold estate. The resulting purchase took place post year end during Q1, 2022 and has resulted in a balance sheet debtor balance of £1.3m being replaced by a fixed asset of equal value which is now in operational use.

Property portfolio

A London property was purchased on 2 July 2018 and continues to be held as an investment property. The building is currently being renovated following two years of negotiation with Camden Council and is expected to be available for use during Q4 2022. Presently the building is valued in the accounts at value brought forward plus capital expenditure in 2021 at cost. This is regarded by the directors as a fair and reasonable proxy for market value at 31 December 2021 whilst the building is under renovation and pending a formal third-party valuation which is planned once the building renovation is complete.

Funding

The group continues to be supported by its shareholder, SHL3BT Limited. The group is funded largely by equity, with a further capitalisation of debt of £3.4m during the year. The committed loan facilities provided by the shareholder and third parties continue to give a stable platform for development.

Environmental and social issues

Hotel group

The hotel group is proud to be a responsible business in the Cotswolds area, with much of the produce being sourced locally. The hotel group is also a substantial local employer, offering salaries at the level suggested by the Living Wage Foundation. All structural development is performed in close consultation with the local authorities and increases in room stock have been made in a way sympathetic to the environment whilst being extremely attractive to guests.

Property portfolio

Appropriate planning consent for Skagen Property Limited's remaining investment property has been approved following two years of negotiation with Camden Council. Work commenced on the redevelopment in Q4 2021. Through the planning process the directors considered the wider environmental and social impact of the plans to ensure the building serves a business function but is also accessible to the local community. The approved plans include the provision of space for social and philanthropic enterprise at concessionary terms.

Equality and fairness

The only employees within the group are in the hotel division. In the hotels' latest gender pay report (data as at 5 April 2022), the hotel group had a median gender pay gap of 7.7%, 4.75% lower than the national average. The hotel group remains committed to address the current pay gap and encouraging and developing more women into the senior roles, with the focus on rewarding its team fairly and equitably.

Principal risks and uncertainties and financial risk management

The parent company is financed intra-year by shareholder financing sufficient to cover its own costs, with such financing capitalised at each year end. The group's operating businesses each have related party or third-party loan facilities. Each business has sufficient financing or operating cash flow to accommodate foreseeable trading demands, capital commitments and interest rate fluctuations.

Hotel group

The directors consider the major risks to stem from the current uncertainty in operating the business in the setting of recovery from the Covid 19 pandemic, the impact of Brexit, the present acute staffing constraints and wage rate pressures and the impacts of inflation resulting from the Ukraine war.

In the hotel business credit risk is limited by the customer base with many small value transactions, most of which are settled immediately via credit card, debit card or in cash.

Principal risks and uncertainties and financial risk management (continued)

Property portfolio

The principal risk facing the property portfolio is the rental yield and valuation fluctuations in the London property market.

Credit risk is limited due to the single customer being a related party.

Market risk is mitigated as this property is due to be held for the long term and consequently the directors are confident that within the medium term the property asset will be realisable at or above the value stated in the 2021 accounts.

Section 172 statement

This section serves as SCCL 3 Limited's group section 172 statement and should be read in conjunction with the contents 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.

Key decisions taken in the year largely surrounded the reaction to operational challenges presented by the gradual and evolving move from lockdown to full trading.

The stakeholder groups factored into the decision making of the directors are: the valued customers of the hotels group; 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.

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:

Section 172 statement (continued)

(A) "The likely consequences of any decision in the long term"	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 longer term impacts of impact of Brexit, the inflationary pressures of the Ukraine war and any consequent recession, and the need to stay relevant in the marketplace. 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.
(B) "The interests of the group's employees"	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. 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.
(C) "The need to foster the group's business relationships with suppliers, customers and others"	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. Customer feedback is key to informing operational and commercial strategies in the hotel division. 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.
(D) "The impact of the group's operations on the community and the environment"	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, sourcing much of its produce locally and is 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.
(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, 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"	The parent company and its subsidiaries embrace their responsibilities diligently and with great care to protect the interests of a diverse range of stakeholders. 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 provision of long term, high quality, local employment) and maintaining the environment surrounding its properties and businesses.

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

Going concern

The group's operating businesses are funded by a mixture of bank and shareholder debt. SHL3BT Limited (the group's parent company) has agreed to the postponement of the debt outstanding from Skagen Property Limited; confirming that it will not call for repayment of any debt for a period of at least 12 months from the date of signing of these financial statements.

The board has considered the trading prospects and funding requirements of each of its subsidiaries, considering scenarios of the best and worse-case outlooks to the end of 2023. In these scenarios the board has considered (for the hotel division) occupancy levels, expected room and cover rates, a reasonable expectation of trading in a steady state, post Covid environment with simultaneous inflationary and recessionary pressures. Following this review, the Board has established a reasonable view of the maximum level of funding that would be required for the remainder of 2022 and the whole of 2023.

SHL3BT Limited has committed to support SCCL 3 and its subsidiaries (under a Deed of Guarantee) as is necessary according to the current forecasts detailed above, which will allow the group to continue operations and meet its liabilities as they fall due during the year to 31 December 2023. SCCL 3 (as shareholder) has in turn provided a Deed of Guarantee to its subsidiary, Farncombe Estate Holdings Limited.

Consequently, at the time of approving the financial statements, the directors have a reasonable expectation that the group and parent company has adequate liquid resource and banking facilities available to them to continue in operational existence for no less than 12 months from the date of this report. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Post balance sheet events

During the year the group exercised its call option under a put and call option agreement to purchase a farm neighboring the group's Cotswold estate. The resulting purchase took place post year end during Q1, 2022 and has resulted in a balance sheet debtor balance being replaced by a fixed asset of equal value which is now in operational use.

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

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 for the hotel group include turnover by activity, gross and net margins as well as several other indicators including customer satisfaction and occupancy rates, which have increased slightly in the last year due to the slight increase in the number of trading days.

	2021	2020
	£'000	£'000
Hotel turnover	**10,038**	8,035
Hotel gross margin	**2,680**	1,530
Rental income from commercial office premises and other services	**569**	475
Hotel occupancy (all 3 hotels combined)	***80.7%**	***78.6%**

*based on 229 trading days (2020: 213)

Given the ongoing development of the remaining investment property, there are no clear metrics with which to *monitor the performance of the property portfolio.*

This report was approved by the board on 28 September 2022 and signed on its behalf by.

A T Fuller
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 estate's total energy consumption, with areas identified for improvement.

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

Energy	2021 kWh		2020 kWh	
Gas	2,516,690	48.1%	2,840,801	52.1%
Electricity	2,203,831	42.2%	1,981,964	36.3%
Wood Logs	388,161	7.4%	538,560	9.9%
Transport	120,916	2.3%	92,238	1.7%
	5,229,598	100%	5,453,563	100%

Road fuel purchase data was provided by the accounts department. Monthly totals were divided by the average fuel price for each fuel for that month to calculate the volume 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 (2021), 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 the energy brokers. Again, the UK Government GHG Conversion Factors for Company Reporting (2021) 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 (2021).

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 group continues to strive for energy efficiency and is considering a number of measures as part of its short, medium and long term sustainability plans.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 group and parent company 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 group and the parent company and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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 parent 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 parent company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £3,955,000 (2020: £5,484,000).

No dividends have been proposed or paid in respect of the year ended 31 December 2021 (2020: £nil).

Directors

The directors who served during the year and up to the date of signing of the financial statements were:

M M Preston
A T Fuller

Future developments

These are referred to in the strategic report.

Employee involvement/disabled employees

The directors recognise the importance of good communications with all employees. The group has several divisions and each division is responsible for ensuring employee participation to its own particular needs. Employees are encouraged to put forward any suggestions which would benefit the workplace of the group.

The group is an Equal Opportunities Employer that is committed to the employment of people with disabilities and guarantee an interview for those who meet minimum selection criteria. We provide training and development for people with disabilities, tailored where appropriate, to ensure they have the opportunity to achieve their potential.

If a person becomes disabled whilst in employment, the group will do its best to retain them, including consulting with them about their requirements, making appropriate adjustments, and providing alternative suitable provisions.

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the parent company and the group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the parent company and the group's auditors are aware of that information.

Post balance sheet events

Other than those noted in the strategic report and notes to the financial statements, there have been no significant events affecting the parent company and the group since the year end.

Qualifying third party indemnity provisions

The group maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against the directors and/or officers.

In accordance with section 236 of the Companies Act 2006, qualifying third party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, as far as is permitted by law. Both the insurance and indemnities applied throughout the period and continue through to the date of this directors' report.

Matters covered in the strategic report

Under s414C(11), the strategic report contains a fair review of the business; the principal risks and uncertainties faced by the business; and the key financial and non-financial performance indicators as considered by the board of directors. This information is therefore excluded from the directors' report.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28 September 2022 and signed on its behalf by.

A T Fuller
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCCL 3 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 2021 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of SCCL 3 Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated statement of cash flows, 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCCL 3 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 by the parent company, 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 the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCCL 3 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 and execute 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 the parent company and the industry in which it operates. We also 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, planning permission and building regulations and landlord regulations.

We focused on laws and regulations that could give rise to a material misstatement in the group and parent company 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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCCL 3 LIMITED (CONTINUED)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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:
Andrew Mair
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Andrew Mair (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Birmingham, United Kingdom

Date: 29 September 2022

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		£000	£000
Turnover	4	**10,607**	*8,529*
Cost of sales		**(7,274)**	*(6,505)*
Gross profit		**3,333**	*2,024*
Selling expenses		**(609)**	*(799)*
Administrative expenses		**(7,886)**	*(8,002)*
Property revaluations	11/13	**329**	*(393)*
Other operating income	5	**1,095**	*1,167*
Operating loss	5	**(3,738)**	*(6,003)*
Interest receivable and similar income		**8**	*12*
Interest payable and similar expenses	9	**(399)**	*(406)*
Loss before tax		**(4,129)**	*(6,397)*
Tax on loss	10	**174**	*913*
Loss for the year		**(3,955)**	*(5,484)*
Other comprehensive income/(expense):			
Profit/(loss) on revaluation of fixed assets	11/13	**4,556**	*(305)*
Total comprehensive profit/(loss) for the year		**601**	*(5,789)*

The notes on pages 21 to 43 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £000	2021 £000	*2020 £000*	*2020 £000*
Fixed assets					
Tangible assets	11		38,454		*34,149*
Investment property	13		12,148		*11,209*
			50,602		*45,358*
Current assets					
Inventories	14	146		*122*	
Debtors: amounts falling due after more than one year	16	-		*1,140*	
Debtors: amounts falling due within one year	15	2,192		*1,870*	
Cash at bank and in hand		3,487		*2,856*	
		5,825		*5,988*	
Creditors: amounts falling due within one year	17	(7,547)		*(13,000)*	
Net current liabilities			(1,722)		*(7,012)*
Total assets less current liabilities			48,880		*38,346*
Creditors: amounts falling due after more than one year	18		(6,542)		*-*
Net assets			42,338		*38,346*
Capital and reserves					
Called up share capital	22		57,555		*54,164*
Revaluation reserve	23		5,671		*1,115*
Profit and loss account	23		(20,888)		*(16,933)*
Shareholders' funds			42,338		*38,346*

The financial statements were approved and authorised for issue by the board on 28 September 2022 and were signed on its behalf by

A T Fuller
Director

The notes on pages 21 to 43 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £000	2021 £000	*2020 £000*	*2020 £000*
Fixed assets					
Investments	12		**38,582**		*35,641*
Current assets					
Debtors: amounts falling due within one year	15	**209**		*702*	
Cash at bank and in hand		**553**		*271*	
		762		*973*	
Creditors: amounts falling due within one year	17	**-**		*(421)*	
Net current assets			**762**		*552*
Total assets less current liabilities			**39,344**		*36,193*
Net assets			**39,344**		*36,193*
Capital and reserves					
Called up share capital	22		**57,555**		*54,164*
Profit and loss account	23		**(18,211)**		*(17,971)*
Shareholders' funds			**39,344**		*36,193*

The parent company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss for the year for the parent company was £240,000 (2020: £5,282,000).

The financial statements were approved and authorised for issue by the board on 28 September 2022 and were signed on its behalf by.

A T Fuller
Director

The notes on pages 21 to 43 form part of these financial statements.

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

	Called up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2020	49,131	1,420	(11,449)	39,102
Revaluation loss	-	(305)	-	(305)
Loss for the year	-	-	(5,484)	(5,484)
Total comprehensive loss for the year	-	(305)	(5,484)	(5,789)
Shares issued during the year	5,033	-	-	5,033
Total transactions with owners	5,033	-	-	5,033
At 31 December 2020	54,164	1,115	(16,933)	38,346
At 1 January 2021	54,164	1,115	(16,933)	38,346
Revaluation gain	-	4,556	-	4,556
Loss for the year	-	-	(3,955)	(3,955)
Total comprehensive loss for the year	-	4,556	(3,955)	601
Shares issued during the year	3,391	-	-	3,391
Total transactions with owners	3,391	-	-	3,391
At 31 December 2021	57,555	5,671	(20,888)	42,338

The notes on pages 21 to 43 form part of these financial statements.

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

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2020	49,131	(12,689)	36,442
Loss for the year	-	(5,282)	(5,282)
Total comprehensive loss for the year	-	(5,282)	(5,282)
Shares issued during the year	5,033	-	5,033
Total transactions with owners	5,033	-	5,033
At 31 December 2020	54,164	(17,971)	36,193
Loss for the year	-	(240)	(240)
Total comprehensive loss for the year	-	(240)	(240)
Shares issued during the year	3,391	-	3,391
Total transactions with owners	3,391	-	3,391
At 31 December 2021	57,555	(18,211)	39,344

The notes on pages 21 to 43 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	£000	£000
Cash flows from operating activities		
Loss for the financial year	(3,955)	(5,484)
Adjustments for:		
Interest payable	399	406
Interest receivable	(8)	(12)
Corporation tax charge	(293)	(491)
Deferred tax (credit)/charge	119	(422)
Non-cash tax movements	-	517
Depreciation of tangible assets	2,090	2,499
Loss on disposal of tangible assets	-	69
Impairments and revaluations	(194)	639
(Increase)/decrease in stocks	(24)	36
Decrease/(increase) in debtors	82	(675)
Increase/(decrease) in creditors	581	(394)
Cash from operations	(1,203)	(3,312)
Interest paid	(110)	(298)
Taxation (inc group relief) received	-	397
Net cash used in operating activities	(1,313)	(3,213)
Cash flows used in investing activities		
Purchase of tangible fixed assets	(1,608)	(976)
Additions to investment properties	(840)	(197)
Interest received	8	2
Sale of investment property	-	7,983
Net cash (used in)/generated from investing activities	(2,440)	6,812
Cash flows from financing activities		
Proceeds from share issue	-	632
Loans received	6,187	3,100
Loan advanced	(1,803)	(448)
Repayment of loans	-	(5,743)
Net cash from/(used in) financing activities	4,384	(2,459)
Net increase in cash and cash equivalents	631	1,140
Cash and cash equivalents at the start of year	2,856	1,716
Cash and cash equivalents at the end of year	3,487	2,856
Cash at bank and in hand	3,487	2,856

A debt outstanding with SHL3BT of £3.4m (2020: £5.0m) was settled by way of the issue of new shares to the same value.
The notes on pages 21 to 43 form part of these financial statements.

1. General information

The principal activity of the parent company is that of an investment holding company. The group holds several investment properties and operates three high-quality hotels from an estate in the Cotswolds.

SCCL 3 Limited is a private company limited by shares, registered in England and Wales (Company no: 10987131). The address of its registered office is Farncombe House, Broadway, Worcestershire, WR12 7LJ. For further details please refer to the Strategic Report on page 1.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies (see note 3).

The financial statements are presented in Sterling as that is the primary economic environment in which the company operates.

The following principal accounting policies have been consistently applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its subsidiaries as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The group's operating businesses are funded by a mixture of bank and shareholder debt. SHL3BT Limited (the group's parent company) has agreed to the postponement of the debt outstanding from Skagen Property Limited; confirming that it will not call for repayment of any debt for a period of at least 12 months from the date of signing of these financial statements.

The board has considered the trading prospects and funding requirements of each of its subsidiaries, considering scenarios of the best and worse-case outlooks to the end of 2023. In these scenarios the board has considered (for the hotel division) occupancy levels, expected room and cover rates, a reasonable expectation of trading in a steady state, post Covid environment with simultaneous inflationary and recessionary pressures. Following this review, the Board has established a reasonable view of the maximum level of funding that would be required for the remainder of 2022 and for the whole of 2023.

2.3 Going concern (continued)

SHL3BT Limited has committed to support SCCL 3 and its subsidiaries (under a Deed of Guarantee) as is necessary according to the current forecasts detailed above, which will allow the group to continue operations and meet its liabilities as they fall due during the year to 31 December 2023. SCCL 3 (as shareholder) has in turn provided a Deed of Guarantee to its subsidiary, Farncombe Estate Holdings Limited.

Consequently, at the time of approving the financial statements, the directors have a reasonable expectation that the group and parent company has adequate liquid resource and banking facilities available to them to continue in operational existence for no less than 12 months from the date of this report. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

2.4 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.

2.5 Tangible fixed assets

Tangible fixed assets, other than investment properties and hotel assets, 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.

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.

Depreciation is provided on the following basis:

Freehold property	50 years
Fixtures, fittings & equipment	
▪ Infrastructure assets & semi-permanent structures	5 to 10 years
▪ All other fixtures, fittings & equipment	3 to 5 years

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 disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

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 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.

2.5 Tangible fixed assets (continued)

The group's freehold hotel and office buildings are carried at fair value, including the benefit of the hotel trading in the valuation. Fair values are determined from market-based evidence and valuations are performed with sufficient regularity to ensure that the carrying amount does not differ from the fair value. Revaluation gains and losses in excess of cost are recognised in other comprehensive income. If losses exceed previously recognised gains or previous impairments of cost are reversed, the amounts are recognised in the consolidated operating results.

Assets under construction are not depreciated until brought into use.

2.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.7 Investment property

Investment property is initially recognised at cost and subsequently carried at fair value. The group engages independent valuation specialists to determine fair value over a rolling 3-year period, with the use of directors' valuations in the intervening periods. Fair values are 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. Any costs incurred in developing the properties to bring them into use are capitalised when they are incurred and added to the fair value of the property.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. 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.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

2.12 Creditors

Short term creditors are measured at the transaction price.

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

2.13 Financial instruments

The group only enters into basic financial instruments that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties 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. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 consolidated 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.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Taxation

The tax expense for the period comprises current and deferred tax.

Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.15 Interest receivable and similar income

Interest receivable and similar income represents interest receivable on related party loans and is recognised using the effective interest rate method.

2.16 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.17 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions to a separate entity. Once the contributions have been paid the group has no further payments obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the consolidated statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

2.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the group but are presented separately due to their size or incidence.

2.19 Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Finance lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease

2.20 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.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The items in the financial statements where these estimates and judgements have been made include:

Useful economic lives of tangible assets
The 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.

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. Ultimately the fair value will only be reliably tested by a sale in the open market.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Carrying values of investments in subsidiaries and recoverability of related party receivables
Investments in subsidiaries and related party 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 related* parties and if there is evidence of impairment the carrying amount is reduced to its expected realisable value.

The key judgement in 2021 has been the carrying value of the London investment property, carried at directors estimate of market value, pending a full independent valuation once the property is refurbished.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021	2020
	£000	£000
Operation of hotels	10,038	8,034
Rental income	569	495
	10,607	8,529

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	2021	2020
	£000	£000
Depreciation of tangible fixed assets	2,090	2,499
Other operating lease rentals	16	83
Fees payable to the group's auditor and its associates for the audit of the group's annual financial statements	27	25
Fees payable to the group's auditor for the audit of the annual financial statements of subsidiaries	55	62
Loss on disposal of fixed assets	-	69
Inventory recognised as an expense	1,429	1,285

5. Operating loss (continued)

Fees payable to the group's auditor and its associates for the audit of the group's annual financial statements were settled by the parent company in both current and prior year. Fees payable to the group's auditor and its associates for the audit of the annual financial statements of subsidiaries have been settled as follows: Fees for the hotel group were, in both the current and prior year, settled by the hotel group. Fees for Skagen Property Limited and Skagen Finance Limited were, in both the current and prior year, settled by Skagen Conscience Capital Limited, a related party company.

During the year, the group received other operating income in respect of CJRS claim ("furlough") income of £1,087,000 (2020: £1,167,000). The company received other operating income in respect of furlough income of £Nil (2020: £Nil). In addition, the group received £8,000 (2020: £Nil) sundry operating income.

6. Staff costs

Staff costs were as follows:

	2021 £000	2020 £000
Wages and salaries	6,045	5,619
Social security costs	499	435
Other pension costs	268	265
	6,812	6,319

The parent company had no staff costs for the year ended 31 December 2021 (2020: £Nil).

7. Employee information

The average monthly number of employees, including the directors, during the year was as follows:

	2021	2020
Direct	228	221
Indirect and administration	31	36
	259	257

The parent company has no employees other than the directors, who did not receive any remuneration.

8. Key management remuneration

Key management comprises the directors and senior management.

Key management costs for the parent company, Skagen Property Limited and Skagen Finance Limited are paid by a fellow subsidiary company of the parent company's own parent, Skagen Conscience Capital Limited.

Farncombe Estate Holdings Limited paid compensation to key management for their services, including pension contributions, of £592,000 (2020: £611,000).

9. Interest payable and similar expenses

	2021	*2020*
	£000	*£000*
Bank interest payable	**110**	*160*
Interest payable to related party undertakings	**289**	*246*
	399	*406*

10. Taxation

	2021 £000	*2020 £000*
Corporation tax		
Current tax on losses for the year	-	*(22)*
Group relief receivable (current period losses) (from related party)	(174)	*(73)*
Group relief receivable (prior period losses) (from related party)	(119)	*-*
Adjustments in respect of prior periods	-	*(396)*
	(293)	*(491)*
Total current tax	(293)	*(491)*
Deferred tax		
Origination and reversal of timing differences	119	*(422)*
Total deferred tax	119	*(422)*
Tax on loss	(174)	*(913)*

	2021 £000	*2020 £000*
Factors affecting tax charge for the year		
Loss before tax	(4,129)	*(6,397)*
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(785)	*(1,215)*
Effects of:		
Fixed asset (permanent) differences	335	*-*
Expenses not assessable for tax purposes	-	*(552)*
Profits not assessed for tax purposes	80	*264*
Other permanent differences	(18)	*-*
Deferred tax assets not recognised	2,578	*1,269*
Adjustments for changes in tax rates	(2,175)	*-*
Adjustments in respect of prior periods	-	*(396)*
Other differences	(189)	*(283)*
Total tax credit for the year	(174)	*(913)*

10. Taxation (continued)

Factors that may affect future tax charges

The UK corporation tax rate will remain at 19% until 1 April 2023 when according to enacted legislation it is scheduled to rise to 25%. It was announced by the Chancellor on 23 September 2022 that the increase to 25% would be reversed, keeping the UK corporation tax rate at 19%. As this change was not enacted at the balance sheet date, this reduction is not included in the tax numbers and disclosures for the current year.

Unprovided deferred tax assets for the year to 31 December 2021 were £8.9m (2020: £7.5m), with £0.2m (2020: £0.7m) relating to capital allowances and £8.7m (2020: £6.8m) relating to trading losses.

11. Tangible fixed 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 2021	31,921	5,773	96	37,790
Additions	-	216	1,392	1,608
Disposals	-	(400)	-	(400)
Transfer	664	515	(1,179)	-
Revaluation	3,512	-	-	3,512
At 31 December 2021	36,097	6,104	309	42,510
Depreciation				
At 1 January 2021	547	3,094	-	3,641
Charge for the year	728	1,362	-	2,090
Revaluation	(1,275)	-	-	(1,275)
Disposals	-	(400)	-	(400)
At 31 December 2021	-	4,056	-	4,056
Net book value				
At 31 December 2021	36,097	2,048	309	38,454
At 1 January 2021	31,374	2,679	96	34,149

The freehold properties were valued at 31 December 2021 by external third-party valuers. This resulted in an upward revaluation adjustment of £4,787,000 (2020: downward revaluation adjustment of £305,000).

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

It is determined by the directors that the cost of freehold land is not practicable to obtain.

In 2021 the group entered into a finance lease arrangement for vehicles over a three-year term. These are included within fixtures, fittings and, equipment; the current net book value of these assets as at 31 December 2021 is £74k. The company had no assets held under such leases at either year end.

The parent company has no tangible fixed assets.

12. Fixed asset investments

Company

	Investment in subsidiary companies £000
Cost	
At 1 January 2021	52,231
Additions	2,941
At 31 December 2021	55,172
Impairment	
At 1 January 2021	(16,590)
Charge for the year	-
At 31 December 2021	(16,590)
Net book value	
At 31 December 2021	38,582
At 31 December 2020	35,641

12. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertaking of the parent company:

Name	Country of incorporation	Principal activity	Class of shares	Holding
Farncombe Estate Holdings Limited	UK	Intermediate holding company	Ordinary	100 %
Farncombe Estate Limited*	UK	Property services	Ordinary	100 %
Dormy House Hotel Limited*	UK	Hotels	Ordinary	100 %
The Fish Hotel Limited*	UK	Hotels	Ordinary	100 %
Foxhill Manor Limited*	UK	Dormant	Ordinary	100 %
Skagen Property Limited	UK	Property holding company	Ordinary	100 %
Skagen Finance Limited	UK	Intercompany – finance provider	Ordinary	100 %

All of the above entities are registered at Farncombe House, Broadway, Worcestershire WR12 7LJ.

*shareholdings held via Farncombe Estate Holdings Limited.

After the recognition of impairments of £Nil (2020: £5,168,000), the directors believe that the carrying value of the investments is supported by their underlying net assets and trading prospects.

SCCL 3 Limited has agreed to guarantee the liabilities of its subsidiaries Skagen Finance Limited (registered number 09299298) and Skagen Property Limited (registered number 09827619), thereby allowing them to take exemption from audit under Section 479A of the Companies Act 2006.

13. Investment property

Group

	Investment property £000
Valuation	
At 1 January 2021	**11,209**
Additions	**840**
Revaluation	**99**
At 31 December 2021	**12,148**

Farncombe Estate Holdings Limited

The investment properties were valued at 31 December 2021 by third party external valuers. This resulted in an upward revaluation adjustment of £99,000 (2020: downward revaluation of £195,000).

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 the investment property.

Skagen Property Limited

A London property was purchased on 2 July 2018 and continues to be held as an investment property. The building is currently being renovated following two years of negotiation with Camden Council and is expected to be available for use during Q4 2022. Presently the building is valued in the accounts at value brought forward plus capital expenditure in 2021 at cost. This is regarded by the directors as a fair and reasonable proxy for market value at 31 December 2021 whilst the building is under renovation and pending a formal third-party valuation which is planned once the building renovation is complete.

The parent company has no investment property.

14. Inventories

	Group 2021 £000	Group 2020 £000
Raw materials and consumables	23	12
Goods for resale	123	110
	146	122

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

Inventories are stated after provision for impairment of £59,033 (2020: £59,184) for the group.

The parent company has no inventories.

15. Debtors: Amounts falling due within one year

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Trade debtors	126	-	32	-
Amounts owed by related party undertakings	394	199	447	285
Amounts owed by parent company	-	-	943	417
Other debtors	1	10	2	-
Prepayments and accrued income	274	-	237	-
Deferred tax (note 19)	90	-	209	-
Loans to third parties	1,307	-	-	-
	2,192	209	1,870	702

All amounts owed by related parties are interest free, unsecured and repayable on demand.

Trade debtors are stated after provision for impairment of £16,179 (2020: £32,515).

As set out in note 26, a related party receivable balance has been fully provided against.

16. Debtors: Amounts falling due in more than one year

	Group	Group
	2021	2020
	£000	£000
Loans to third parties	-	1,140
	-	1,140

During December 2017 a loan was provided by the group to a third party, secured against property, with interest at market rates. There existed a put and call option associated with the loan, exercisable by either party, expiring on 31 December 2027.

At 31 December 2020, the directors impaired the carrying value of the debtor by £0.11m based on the valuation of the property against which the loan is secured at that date. The carrying value of the debtor at 31 December 2020 was £1.14m (shown as due in more than one year – note 16).

On 26 April 2021, the directors 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 in Q1 2022.

Based on the value of the property against which the loan is secured, the carrying value of the debtor at 31 December 2021 is £1.31m.

Following the exercise of the put and call option in April 2021, the resulting purchase of the property took place post year end during Q1 2022 (see note 28).

The parent company has no debtors due after more than one year.

17. Creditors: Amounts falling due within one year

	Group	**Company**	*Group*	*Company*
	2021	**2021**	*2020*	*2020*
	£000	**£000**	*£000*	*£000*
Bank loans	-	-	*6,500*	-
Trade creditors	**647**	-	*367*	*4*
Amounts owed to group undertakings	-	-	-	*417*
Amounts owed to related party undertakings	**4,264**	-	*3,757*	-
Other taxation and social security	**176**	-	*282*	-
Other creditors	**114**	-	*61*	-
Obligations under finance leases	**31**	-	-	-
Accruals and deferred income	**2,315**	-	*2,033*	-
	7,547	-	*13,000*	*421*

On 25 May 2018 Skagen Property Limited entered into a £6,100,090 unsecured intercompany loan arrangement with SHL3BT Limited. The loan bears interest at one-month GBP LIBOR + 4.5% and is repayable on demand. In 2021 the (principal) loan was increased by £217,000; the balance outstanding at 31 December 2021 was £3,974,000 (2020: £3,757,000). The facility with SHL3BT is for £8m on an unsecured basis with a further £2m also being available on an unsecured basis at the discretion of the lender. From 2023 SONIA will replace LIBOR as the interest rate benchmark.

A loan of £3,390,895 was advanced from SHL3BT Limited to SCCL 3 Limited in 2021 which was capitalised during the year through the issue of 3,390,895 ordinary shares of £1.00 each by SCCL 3 Limited.

The parent company held a short-term group creditor at 31 December 2020, owed to its subsidiary Skagen Finance Limited, of £417,000 which is interest free, unsecured and repayable on demand. The balance at 31 December 2021 is £Nil.

SHL3BT Limited (the group's parent company) has agreed to the postponement of the debt outstanding from Skagen Property Limited at 31 December 2021, confirming that it will not call for repayment of any debt until at least 31 December 2023.

Finance leases are secured against the assets to which they relate._There are no restrictions imposed by the lease over the assets use and the company has the option to purchase the assets at the end of the term for a nominal fee.

18. Creditors: Amounts falling due after more than one year

	Group	*Group*
	2021 £000	*2020 £000*
Bank loans	6,500	-
Finance leases between 1 and 5 years	42	-
	6,542	-

Finance leases are secured against the assets to which they relate.

The parent company has no creditors due after more than one year.

Bank loans are repayable as follows:

	Group	*Group*
	2021 £000	*2020 £000*
Less than one year	-	*6,500*
Between two and five years	6,500	-
	6,500	-

The bank loan facility of £7.5m was extended during the year for an additional 5 years. £7.0m of the bank loan facility is available to the hotel group (£6.5m as a term loan and £0.5m on a revolving basis) and £0.5m is available to the company (SCCL 3 Limited) on a revolving basis.

The bank loans totalling £6,500,000 (2020: £6,500,000 due in less than one year) bear interest at 1.5% over the Bank of England base rate. It is part of a wider related party borrowing facility which is repayable in full on 3 December 2026 and is secured by a joint and several related party guarantee.

19. Deferred taxation

	Group 2021 £000	*Group 2020 £000*
At the beginning of the year	**209**	*(213)*
Charged to profit or loss	**(119)**	*422*
At the end of the year	**90**	*209*

The deferred taxation balance is made up as follows:

	Group 2021 £000	*Group 2020 £000*
Fixed asset timing differences	**(20)**	-
Losses and other deductions	**110**	*209*
	90	*209*

Following the changes in tax legislation which allow (post 2017) carried forward losses to be group relieved within a tax group the directors have concluded that the carried forward losses of the group will be utilised by a combination of the profits of the group and its related party companies. Consequently, the deferred tax asset relating to carried forward losses has been recognised on the group's balance sheet.

20. Net debt

£000	At 1 January 2021	Cash Flows					Non-cash Movements		At 31 December 2021
		Operating	Capex	Interest	Loans received	Loans advanced	Impairment of loans	Issue of ordinary shares	
Cash at bank and in hand	2,856	(1,203)	(2,440)	(110)	6,187	(1,803)	-	-	3,487
Cash and cash equivalents	**2,856**	**(1,203)**	**(2,440)**	**(110)**	**6,187**	**(1,803)**	**-**	**-**	**3,487**
Loans due to / from related parties	(2,674)	-	-	(289)	(6,187)	1,636	(135)	3,391	(4,258)
Bank loans	(6,500)	-	-	-	-	-	-	-	(6,500)
Loans to / from third parties	1,140	-	-	-	-	167	-	-	1,307
Total debt	**(8,034)**	**-**	**-**	**(289)**	**(6,187)**	**1,803**	**(135)**	**3,391**	**(9,451)**
Net debt	**(5,178)**	**(1,203)**	**(2,440)**	**(399)**	**-**	**-**	**(135)**	**3,391**	**(5,964)**

21. 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.

22. Share capital

Group and company

	2021 **£000**	*2020* *£000*
Ordinary shares of £1.00 each	**57,555**	*54,164*
	57,555	*54,164*

During the year 3,390,895 ordinary shares of £1.00 each were issued by SCCL 3 Limited, satisfied by capitalisation of a loan from SHL3BT Limited advanced in 2021.

23. 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 statement comprehensive income and the revaluation reserve to the extent that they do not reverse revaluation losses previously recognised in profit or loss. The revaluation gain recognised as other comprehensive income for the year to 31 December 2021 was £4,556,000 (2020: £305,000 loss).

Changes in the fair value of investment properties are recognised in the statement of comprehensive income, as are revaluation gains on freehold properties to the extent that they reverse a revaluation decrease previously recognised in profit and loss. The total revaluation gain recognised in profit and loss for the year to 31 December 2021 was £329,000 (2020: £393,000 loss).

24. Pensions

Pension arrangements are provided through a stakeholder scheme, with benefits to pensioners based upon contributions made. The total pension cost for the year was £268,000 (2020: £265,000). As at 31 December 2021 there were £44,000 of pension contributions unpaid (2020: £44,000).

25. Operating lease commitments

The parent company has no operating lease commitments. The group has total commitments under non-cancellable operating leases which are payable as follows:

	Group	*Group*
	2021	*2020*
	£000	*£000*
Not later than 1 year	**31**	*45*
Later than 1 year and not later than 5 years	**22**	*48*
	53	*93*

26. Related party transactions

Rental income of £84,110 (2020: £19,829) was earned by Skagen Property Limited during the year to 31 December 2021 from Skagen Conscience Capital Limited.

Funding is provided for SCCL 3 Limited, the Farncombe sub-group and Skagen Property Limited from SCCL 3's parent company, SHL3BT Limited, as set out in note 17 to the accounts.

Transaction with directors of subsidiary companies who are related parties totalled £852 (2020: £1,621) in the year in respect of hospitality services.

In 2019 £270,000 of financing was provided by Skagen Finance Limited to a related company. No capital repayments were made in the year (2020: £Nil). Interest is charged at 3% above LIBOR per annum. Interest charged in the year was £8,406 (2020: £5,764). The loan is unsecured and is repayable by 20 December 2024. In 2021 a further provision of £135,000, bringing the total provision to £270,000, was applied against the loan (2020: £135,000).

27. Controlling party

The parent company is a wholly owned subsidiary of SHL3BT Limited, a company incorporated in Guernsey. The ultimate controlling party is the SIB3 Business Trust, a trust registered in Guernsey.

28. Post balance sheet events

During the year the group exercised its call option under a put and call option agreement to purchase a farm neighboring the group's Cotswold estate. The resulting purchase took place post year end during Q1, 2022 and has resulted in a balance sheet debtor balance being replaced by a fixed asset of equal value which is now in operational use.