

Atlas Hotels (Luton Airport) Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number SC208635

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Atlas Hotels (Luton Airport) Limited

Company Information

Directors	S J Lowe A P Bradley
Registered number	SC208635
Registered office	Brodies 15 Atholl Cresent Edinburgh EH3 8HA

Atlas Hotels (Luton Airport) Limited

Contents

	Page
Directors' Report	1 - 3
Independent Auditors' Report	4 - 6
Income Statement	7
Statement of Total Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 27

Atlas Hotels (Luton Airport) Limited

Directors' Report For the Year Ended 31 December 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019. The prior comparatives represent a 15 month period to 31 December 2018.

Principal activities

For the period from 1 January 2019 to 25 October 2019, the principal activity of the Company is that of owning and operating hotels.

On 25 October 2019, the Company sold the hotel business and associated assets and liabilities to Atlas Hotels (Trading) Limited, with the exception of the hotel property. Further details are given in note 7 to the financial statements.

Following the disposal, the principal activity of the Company became leasing of hotel properties.

Going concern

Subsequent to the year end, COVID-19 has had a significant impact on the UK economy with Hospitality and Leisure being affected through Government intervention, directly through imposition of trading restrictions and indirectly through limiting consumers ability to travel.

The Company's assets are secured against a bank loan taken out by its intermediary parent company, Titan Acquisition Limited ("TAL"). As a direct result of COVID-19 and the consequence of the varying government lockdowns across the UK since March 2020, TAL has been in breach of its loan covenants and no waiver has been received from the lender. The directors are in discussion with the Special Servicer (lender's agent) to find a workable practical resolution and agree an amendment for future covenant tests. Whilst the directors have reasonable expectations, based on discussions with the Special Servicer so far, that a resolution will be agreed upon, as at the date of signing these financial statements there is some uncertainty as to how the discussions will end and the impact on the Company if an agreement with the Special Servicer is not reached.

These circumstances indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might arise should the Company cease to be a going concern.

The Company's directors have received confirmation from Titan Acquisition Limited that it currently intends to provide the necessary financial support to the Company for at least 12 months from the date of signing to enable the Company to continue as a going concern. As disclosed in the financial statements of TAL, it also requires financial support from its ultimate beneficial owner. Neither confirmation is binding and therefore receipt of the financial support is not certain.

The directors continue to adopt the going concern basis of preparing the financial statements.

Directors

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

S J Lowe

A P Bradley (appointed 19 March 2019)

Atlas Hotels (Luton Airport) Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Qualifying third party indemnity provisions

The Group headed by Titan Financing Holdco Limited, on behalf of the Company, maintains appropriate Directors' and Officers' Liability Insurance on behalf of the directors and General Counsel and Company Secretary. In addition, individual qualifying third-party indemnities are given to the directors and General Counsel and Company Secretary which comply with the provisions of Section 234 of the Companies Act 2006, and were in force throughout the year and up to the date of signing the Annual Report.

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 Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

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

Atlas Hotels (Luton Airport) Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006 and the Company is therefore exempt from the requirement to prepare a Strategic Report.

This report was approved by the board on 26 February 2021 and signed on its behalf.



S J Lowe
Director

Atlas Hotels (Luton Airport) Limited

Independent Auditors' Report to the Members of Atlas Hotels (Luton Airport) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Atlas Hotels (Luton Airport) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Income Statement, the Statement of Total Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.3 to the financial statements concerning the company's ability to continue as a going concern. The Company's assets are secured against a bank loan taken out by its intermediary parent company, Titan Acquisition Limited ("TAL"). As a direct result of COVID-19, TAL has been in breach of its loan covenants and no waiver has been received from the lender. The directors are in discussion with the Special Servicer (lender's agent) to find a workable practical resolution and agree an amendment for future covenant tests. Whilst the directors have reasonable expectations, based on discussions with the Special Servicer so far, that a resolution will be agreed upon, as at the date of signing these financial statements there is no agreement. There is uncertainty as to the outcome of those discussions and the impact of the outcome on the Company. These conditions, along with the other matters explained in note 2.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Atlas Hotels (Luton Airport) Limited

Independent Auditors' Report to the Members of Atlas Hotels (Luton Airport) Limited (continued)

Reporting on other information (continued)

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Atlas Hotels (Luton Airport) Limited

Independent Auditors' Report to the Members of Atlas Hotels (Luton Airport) Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 February 2021

Atlas Hotels (Luton Airport) Limited

Income Statement For the Year Ended 31 December 2019

		Continuing operations Year ended 31 December 2019 £	Discontinued operations Year ended 31 December 2019 £	Total Year ended 31 December 2019 £	Continuing operations Period ended 31 December 2018 £	Discontinued operations Period ended 31 December 2018 £	Total Period ended 31 December 2018 £
	Note						
Turnover	4	42,016	3,276,876	3,318,892	-	5,087,970	5,087,970
Cost of sales		-	(1,220,846)	(1,220,846)	-	(1,847,562)	(1,847,562)
Gross profit		42,016	2,056,030	2,098,046	-	3,240,408	3,240,408
Administrative expenses		-	(1,068,879)	(1,068,879)	-	(1,739,434)	(1,739,434)
Investment property fair value movements	12	17,618	-	17,618	-	-	-
Operating profit	5	59,634	987,151	1,046,785	-	1,500,974	1,500,974
Profit on disposal of operations	7	-	730,175	730,175	-	-	-
Interest receivable and similar income	8	534,570	-	534,570	554,895	-	554,895
Interest payable and similar expenses	9	(204,664)	-	(204,664)	(268,215)	-	(268,215)
Profit on ordinary activities before taxation		389,540	1,717,326	2,106,866	286,680	1,500,974	1,787,654
Tax on profit on ordinary activities	10	(2,332)	-	(2,332)	(52,660)	-	(52,660)
Profit for the financial year/period		387,208	1,717,326	2,104,534	234,020	1,500,974	1,734,994

The notes on pages 11 to 27 form part of these financial statements.

Atlas Hotels (Luton Airport) Limited

Statement of Total Comprehensive Income For the Year Ended 31 December 2019

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Profit for the financial year/period	2,104,534	1,734,994
Other comprehensive income/(expense)		
Property revaluation	1,081,896	(906,581)
Tax relating to other comprehensive income/(expense)	(148,327)	97,846
Other comprehensive income/(expense) for the year/period	933,569	(808,735)
Total comprehensive income for the year/period	3,038,103	926,259

The notes on pages 11 to 27 form part of these financial statements.

Atlas Hotels (Luton Airport) Limited
Registered number: SC208635

Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	11		-		21,134,344
Investment property	12		20,782,613		-
			<u>20,782,613</u>		<u>21,134,344</u>
Current assets					
Stocks	13		-	7,885	
Debtors	14	12,865,231		9,969,033	
Cash at bank and in hand	15	47,431		110,869	
		<u>12,912,662</u>		<u>10,087,787</u>	
Creditors: amounts falling due within one year	16	(330,974)		(813,006)	
Net current assets			<u>12,581,688</u>		<u>9,274,781</u>
Total assets less current liabilities			<u>33,364,301</u>		<u>30,409,125</u>
Creditors: amounts falling due after more than one year	17		(1,487,534)		(1,434,344)
Provisions for liabilities					
Deferred tax	18		(2,198,909)		(2,335,026)
Net assets			<u>29,677,858</u>		<u>26,639,755</u>
Capital and reserves					
Called up share capital	19		2		2
Revaluation reserve	20		15,607,409		14,769,881
Retained earnings	20		14,070,447		11,869,872
Total equity			<u>29,677,858</u>		<u>26,639,755</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 February 2021.


S J Lowe
Director

The notes on pages 11 to 27 form part of these financial statements.

Atlas Hotels (Luton Airport) Limited

Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital £	Revaluation reserve £	Retained earnings £	Total equity £
At 1 October 2017	2	15,258,973	10,454,521	25,713,496
Profit for the financial period	-	-	1,734,994	1,734,994
Deficit on revaluation of leasehold property	-	(906,581)	-	(906,581)
Tax relating to components of other comprehensive expense	-	-	97,846	97,846
Total comprehensive income/(expense) for the period	-	(906,581)	1,832,840	926,259
Transfer to revaluation reserve	-	417,489	(417,489)	-
At 31 December 2018	2	14,769,881	11,869,872	26,639,755
Profit for the financial year	-	-	2,104,534	2,104,534
Surplus on revaluation of leasehold property	-	1,081,896	-	1,081,896
Tax relating to components of other comprehensive income	-	-	(148,327)	(148,327)
Total comprehensive income for the year	-	1,081,896	1,956,207	3,038,103
Transfer from revaluation reserve	-	(244,368)	244,368	-
At 31 December 2019	2	15,607,409	14,070,447	29,677,858

The notes on pages 11 to 27 form part of these financial statements.

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Atlas Hotels (Luton Airport) Limited is a private company limited by shares and incorporated in Scotland. The address of the registered office is given on the Company Information page. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

These financial statements are presented in Sterling which is the currency of the primary economic environment in which the Company operates.

1.1 Statement of compliance

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS102) and the requirements of the Companies Act 2006.

2. Accounting policies

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

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention, modified to include the revaluation of hotel properties.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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 3.

2.2 Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" because equivalent disclosures are included in the consolidated financial statements of Titan Financing Holdco Limited. The financial statements of London and Regional Group Hotels Ltd can be obtained from the address provided in note 24.

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Going concern

Subsequent to the year end, COVID-19 has had a significant impact on the UK economy with Hospitality and Leisure being affected through Government intervention, directly through imposition of trading restrictions and indirectly through limiting consumers ability to travel.

The Company's assets are secured against a bank loan taken out by its intermediary parent company, Titan Acquisition Limited ("TAL"). As a direct result of COVID-19 and the consequence of the varying government lockdowns across the UK since March 2020, TAL has been in breach of its loan covenants and no waiver has been received from the lender. The directors are in discussion with the Special Servicer (lender's agent) to find a workable practical resolution and agree an amendment for future covenant tests. Whilst the directors have reasonable expectations, based on discussions with the Special Servicer so far, that a resolution will be agreed upon, as at the date of signing these financial statements there is some uncertainty as to how the discussions will end and the impact on the Company if an agreement with the Special Servicer is not reached.

These circumstances indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might arise should the Company cease to be a going concern.

The Company's directors have received confirmation from Titan Acquisition Limited that it currently intends to provide the necessary financial support to the Company for at least 12 months from the date of signing to enable the Company to continue as a going concern. As disclosed in the financial statements of TAL, it also requires financial support from its ultimate beneficial owner. Neither confirmation is binding and therefore receipt of the financial support is not certain.

The directors continue to adopt the going concern basis of preparing the financial statements.

2.4 Turnover

Turnover is primarily derived from hotel operations, including the rental of rooms and food and beverage sales. Turnover is recognised when rooms are occupied and food and beverages are sold. Turnover is recognised exclusive of Value Added Tax and trade discounts.

2.5 Tangible fixed assets

Tangible assets, with the exception of Hotel properties, 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.

Hotel properties are carried at fair value less any subsequent accumulated depreciation. Revaluations are undertaken with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Fair values are determined from market evidence normally undertaken by professional qualified valuers.

Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in the Income Statement.

Repairs and maintenance are charged to the Income Statement during the year in which they are incurred.

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

In line with the Guidance Notes for the Hotel Industry, issued by the British Association of Hospitality Accountants, the Company splits its hotel properties into two elements, the core of the building and the surface finishes.

Depreciation is provided on all other items of tangible assets so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

- Long-term leasehold property - over term of lease
- Fixtures and fittings - 3 to 20 years

Freehold land is not depreciated and leasehold land is depreciated over the lease period. Depreciation on assets under construction does not commence until they are complete and available for use.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

2.6 Investment property

Investment property is carried at fair value determined annually by external valuers 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 profit or loss.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock 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.

2.8 Financial instruments

The Company has elected to apply provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's Statement of Financial Position where the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.8 Financial instruments (continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.8 Financial instruments (continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

2.9 Finance costs

Finance costs are charged to the Income Statement 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.

2.10 Operating leases: the Company as lessor

Rentals income from operating leases is credited to the Income Statement on a straight line basis over the term of the relevant lease.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard, 1 January 2016, to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.11 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Income Statement on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.12 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.13 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

2.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

3. Critical accounting estimates and judgements

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.

Critical judgements in applying the entity's accounting policies:

The directors have not applied any judgements in applying the Company's accounting policies.

Critical accounting estimates and assumptions:

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom 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.

(a) Hotel property valuations

For the purposes of calculating the fair value of its properties, the Company uses valuations carried out by independent valuers on the basis of fair value. The valuations are based upon assumptions including the future trading performance of the hotels and investment properties.

(b) Finance lease obligations

Finance lease obligations relate to the present value of the lease obligations in respect of the Company's leasehold obligations. The lease to which this obligation relates ends in April 2121. The discount rate applied to the future payments under the leases to obtain a present value was 2.1%.

(c) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including current credit ratings of the debtors, the aging profile of debtors and historical experience.

4. Turnover

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

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Hotel operations	3,276,876	5,087,970
Investment property rental income	42,016	-
	<u>3,318,892</u>	<u>5,087,970</u>

All turnover arose within the United Kingdom.

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

5. Operating profit

The operating profit is stated after charging:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Stocks recognised as an expense	219,042	322,732
Depreciation of tangible assets	519,692	851,198

Auditors' remuneration

Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements were £2,325 (period ended 31 December 2018: £2,072).

Directors' emoluments

The directors received no remuneration for their services as directors of this Company (period ended 31 December 2018: £Nil).

6. Employees

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

	Year ended 31 December 2019 No.	Period ended 31 December 2018 No.
Employees	24	29

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

7. Profit on disposal of operations

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Profit on disposal of operations	730,175	-

On 25 October 2019 the Company entered into a business transfer agreement with a fellow subsidiary, Atlas Hotels (Trading) Limited. Under the terms of the agreement, the hotel business and associated assets and liabilities have been transferred to Atlas Hotels (Trading) Limited, with the exception of the hotel property.

At the same date, the Company entered into a rental agreement with Atlas Hotels (Trading) Limited for the use of the hotel property. This has resulted in the property being reclassified from Land and Buildings to Investment Properties within Fixed Assets.

The proceeds for the disposal were £1,193,795 which have been left on an intercompany account.

8. Interest receivable and similar income

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Interest receivable from group undertakings	170,132	123,631
Interest receivable from related undertakings	364,438	431,264
	534,570	554,895

9. Interest payable and similar expenses

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Finance leases and hire purchase contracts	204,664	268,215

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Tax on profit on ordinary activities

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Corporation tax		
Current tax on profits for the year	286,776	-
Adjustments in respect of previous periods	-	(912)
Total current tax	286,776	(912)
Deferred tax		
Origination and reversal of timing differences	(284,120)	16,206
Adjustments in respect of previous periods	(324)	37,366
Total deferred tax	(284,444)	53,572
Tax on profit on ordinary activities	2,332	52,660

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year is lower than (period ended 31 December 2018: lower than) the standard rate of corporation tax in the UK of 19% (period ended 31 December 2018: 19%). The differences are explained below:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Profit on ordinary activities before taxation	2,106,866	1,787,654
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (period ended 31 December 2018: 19%)	400,305	339,654
Effects of:		
Fixed asset differences	(77,259)	-
Expenses not deductible for tax purposes	-	153,613
Income not taxable for tax purposes	(5,221)	-
Chargeable losses	(252,421)	(90,834)
Adjustments in respect of previous periods	-	(912)
Adjustment in respect of previous periods - deferred tax	(324)	37,366
Group relief claimed	(18,742)	(363,115)
Transfer pricing adjustments	-	(32,717)
Other tax adjustments	(59,981)	-
Change in tax rates - deferred tax	-	9,605
Changes in tax rates	15,975	-
Total tax charge for the year/period	2,332	52,660

Factors that may affect future tax charges

There are no factors that may affect the future tax charge. The March 2015 budget announced a reduction in the UK corporate tax rate from 19% to 17% from 1 April 2020, however this has subsequently been amended by a policy paper published in March 2020, which will maintain the UK corporation tax rate at 19%.

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

11. Tangible assets

	Long-term leasehold property £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2019	20,049,507	2,969,654	23,019,161
Additions	-	37,796	37,796
Transfers intra group	-	(3,007,450)	(3,007,450)
Transfers between classes	(20,764,995)	-	(20,764,995)
Revaluations	662,298	-	662,298
Movement in headlease liability	53,190	-	53,190
At 31 December 2019	-	-	-
Accumulated depreciation			
At 1 January 2019	-	1,884,817	1,884,817
Charge for the year	419,598	100,094	519,692
Transfers intra group	-	(1,984,911)	(1,984,911)
Revaluations	(419,598)	-	(419,598)
At 31 December 2019	-	-	-
Net book value			
At 31 December 2019	-	-	-
At 31 December 2018	20,049,507	1,084,837	21,134,344

The directors have valued the property at 31 December 2019 as detailed in note 12. The directors do not consider there to have been any material difference in the value between 31 December 2019 and 25 October 2019 when the property was reclassified to Investment Property following the completion of the Business Transfer to Atlas Hotels (Trading) Limited, as detailed in note 7.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2019 £	2018 £
Cost	-	9,540,788
Accumulated depreciation	-	(3,789,781)
Net book value	-	5,751,007

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Investment property

	Long term leasehold investment property £
Valuation	
Surplus on revaluation	17,618
Transfers between classes	20,764,995
At 31 December 2019	20,782,613

The directors valued the hotel and investment properties as at 31 December 2019 at £19,295,079 in line with the valuation carried out by external valuers to support the Group refinance. The valuation was performed on a post Ground Rent basis.

In the directors' opinion the portfolio value basis is considered to be materially the same as the fair value. The freehold property has been charged to secure the bank loan of a fellow group company.

13. Stocks

	2019 £	2018 £
Stocks	-	7,885

There is no material difference between the replacement cost of stocks and the amounts stated above.

Stocks are stated after provisions for impairment of £nil (2018: £nil).

14. Debtors

	2019 £	2018 £
Trade debtors	-	42,306
Amounts owed by group undertakings	4,908,334	2,166,001
Amounts owed by related undertakings	7,956,896	7,607,210
Other debtors	1	17,325
Prepayments and accrued income	-	136,191
	12,865,231	9,969,033

Trade debtors are stated after provision for impairment of £nil (2018: £nil).

The amounts owed by group undertakings and amounts owed by related undertakings are due on demand, unsecured and carry an interest rate of 4.8% (2018: 4.8%).

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

15. Cash at bank and in hand

	2019 £	2018 £
Cash at bank and in hand	47,431	110,869

16. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	-	94,749
Corporation tax	286,776	-
Taxation and social security	44,198	143,126
Other creditors	-	318,130
Accruals and deferred income	-	257,001
	330,974	813,006

17. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Net obligations under finance leases and hire purchase contracts	1,487,534	1,434,344

Minimum lease payments under hire purchase fall due as follows:

	2019 £	2018 £
Within one year	135,374	123,977
Between 1-2 years	120,062	123,977
Between 2-5 years	360,187	371,931
Over 5 years	9,334,842	9,639,212
	9,950,465	10,259,097

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

18. Deferred tax

	2019 £
At beginning of year	2,335,026
Credited to profit or loss	(284,444)
Charged to other comprehensive income	148,327
At end of year	2,198,909

Deferred tax liabilities have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Fixed asset timing differences	515,519	558,326
Short term timing differences	(173)	-
Capital gains	1,683,563	1,776,700
	2,198,909	2,335,026

19. Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
2 (2018: 2) Ordinary shares of £1 each	2	2

20. Reserves

Revaluation reserve

Gains above depreciated historical cost arising on the revaluation of the Company's properties excluding deferred tax.

Retained earnings

All other net gains and losses and transactions with owners, such as dividends, that are not recognised elsewhere.

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

21. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £10,355 (period ended 31 December 2018: £12,988). Contributions totalling £nil (2018: £1,018) were payable to the fund at the reporting date.

22. Commitments under operating leases

The minimum rent receivables under non-cancellable operating leases are as follows:

	2019 £	2018 £
Not later than 1 year	251,407	-
Later than 1 year and not later than 5 years	1,005,628	-
Later than 5 years	2,514,070	-
	<u>3,771,105</u>	<u>-</u>

23. Related party transactions

As the Company is a wholly owned subsidiary of Titan Financing Holdco Limited, the Company has taken advantage of the exemption under section 1AC.35 of FRS 102 from disclosing transactions or balances with entities which form part of the Group.

24. Controlling party

The Company's immediate parent undertaking is Atlas Hotels Group Limited, a company incorporated in England and Wales.

The largest and smallest group for which financial statements are drawn up which incorporate the results of Atlas Hotels (Luton Airport) Limited is that headed by Titan Financing Holdco Limited, a company incorporated in England and Wales.

The consolidated financial statements of Titan Financing Holdco Limited can be obtained from the Company Secretary at Quadrant House, Floor 6, 4 Thomas More Square, London E1W 1YW.

At 1 January 2019, the Company's ultimate parent was London and Regional Group Hotels Ltd, a company incorporated in England and Wales.

From the 12 December 2019, the Company's ultimate parent became Titan Investment Limited, a company incorporated in Jersey, following its acquisition of Titan Financing Holdco Limited from London and Regional Group Hotels Ltd.

The ultimate controlling parties are Elcan Nominees Ltd and Mohul Nominees Ltd through their ownership of Titan Investment Limited.

Atlas Hotels (Luton Airport) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

25. Post balance sheet events

Subsequent to the year end the impact of COVID-19 on the UK economy took hold towards the end of March 2020 and it has subsequently had a significant impact on the wider economy as well as the Company's areas of operations.

COVID-19 is viewed as a non-adjusting event for the purposes of these financial statements.