

London Luton Airport Limited
Directors' report and financial statements
for the year ended 31 March 2013

Registered number 2020381



London Luton Airport Limited

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London Luton Airport Limited

Directors' report for the year ended 31 March 2013

The directors present their report and the audited financial statements of the company for the year ended 31 March 2013

Principal activities

The company's principal activities until August 1998 were the ownership, operation and management of London Luton Airport. In August 1998 the company granted a concession contract to an unrelated company, London Luton Airport Operations Limited ("LLAOL") to operate the airport on its behalf in return for a concession fee. The company continues to own the land, buildings and infrastructure at the airport.

Principal risks and uncertainties

The key business risks and uncertainties for the company are considered to relate to fluctuations in passenger throughput, the key determinant of the concession income. Passenger numbers are subject to competition between airlines, airport operators and the selection of routes and destinations. The concessionaire is deemed to be in the best position to manage this risk by its contractual relationships with Airline operators.

Review of business and future developments

At the financial year end the company's financial position was strong and its future prospects are good.

The company continues to operate profitably and will share in the future success of the airport via the concession fee receivable from LLAOL.

Key performance indicators (KPI's)

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Financial risk management

The company does not have any external financial relationships with banks or finance houses. The debenture loans to the company are from Luton Borough Council, the shareholder. No repayments are scheduled until the end of the concession period. It is not, therefore, exposed to any financial risks resulting from changes in debt market prices, credit risk, liquidity risk and interest rate cash flow risk. The company does not use finance derivatives and as such no hedge accounting is required.

Price risk

The company is not currently exposed to commodity price risk as a result of its operations.

Credit risk

The company is only exposed to credit risk in respect of London Luton Airport Operations Limited who pays a concession fee to the company on a quarterly basis in arrears. LLAOL is bound by an open book policy with the company and therefore its internal auditors have access to monitor performance and viability. An annual audit is undertaken to ensure that the liquidity and financial position of LLAOL is sufficient to meet its obligations under the concession agreement. The company utilises the facilities of its parent, Luton Borough Council, in ensuring minimal risk with its cash and investments.

London Luton Airport Limited

Directors' report for the year ended 31 March 2013 (continued)

Liquidity risk

The company receives its concession income at four agreed dates on a quarterly basis. It actively manages its short term investments and cash holdings to ensure sufficient funds are available for its activities.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a fixed rate. The company maintains its debt at a mixture of fixed and variable rates reducing exposure to fluctuating interest rates. The directors will revisit the appropriateness of this and determine a policy should the company's operations change in size or nature.

Results and dividends

The company's profit for the financial year is £10.96m (2012: £6.72m). The members at an Extraordinary General Meeting held on 20th March 2013 approved a final dividend for the financial year of 13.16 pence per ordinary share (amounting to £5.90m), making the total dividend for the financial year £6.30m, or 14.05 pence per ordinary share (2012: £6.70m, 14.87p).

Directors

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

M Ashraf	(Resigned 15 th May 2012)
D Franks	
Y Hanif	
R Harris (Chairman)	
M Hussain	(Appointed 19 th May 2011 and Resigned 15 th May 2012)
S Knight	
R Saleem	(Appointed 15 th May 2012)
T Khan	(Appointed 21 st May 2013)
J Titmuss	
M Zia	(Appointed 15 th May 2012 and resigned 21 st May 2013)

Disabled persons

It is company policy to consider always full applications for employment by disabled persons, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort would be made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

London Luton Airport Limited

Directors' report for the year ended 31 March 2013

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

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

Disclosure of information to auditors

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

Charitable donations

The Company has made gift aid payments during the financial year amounting to £15,995m (2012: £11,925m) to local charitable organisations based in Luton. Payments are analysed as follows:

	2013 £000	2012 £000
Advice and Information Services	3,450	1,913
Health and Social Welfare Services	3,510	1,924
Cultural Services Trust	6,459	5,209
Sport and Leisure Activities	2,576	2,879
	15,995	11,925

London Luton Airport Limited

Directors' report for the year ended 31 March 2013 (continued)

Independent Auditors

PricewaterhouseCoopers LLP have acted as auditors to the company in the financial year and will be reappointed automatically as the company passed an elective resolution to that effect at its Annual General Meeting on 10 June 2006

By order of the Board



M Turner

For the Company Secretary, Luton Borough Council

3rd September 2013

London Luton Airport Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON LUTON AIRPORT LIMITED

We have audited the financial statements of London Luton Airport Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Statement of respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

London Luton Airport Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON LUTON AIRPORT LIMITED (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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



Deshan Karunaratne (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
4th September 2013

London Luton Airport Limited

Profit and loss account for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Turnover	3	35,704	26,660
Administrative expenses		(19,996)	(16,326)
Operating profit	4	15,708	10334
Interest receivable and similar income	7	17	49
Interest payable and similar charges	8	(1,270)	(1,281)
Profit on ordinary activities before taxation		14,455	9,102
Tax on profit on ordinary activities	9	(3,500)	(2,386)
Profit for the financial year		10,955	6,716

All the results for the years derive from continuing operations

There are no material differences between the profit on ordinary activities before taxation and the retained profit stated above and their historical equivalents

London Luton Airport Limited

Balance sheet as at 31 March 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments	11	410,000	335,000
Current assets			
Debtors	12	14,414	4,946
Investments	11	-	4,050
Cash at bank and in hand		101	33
		14,515	9,029
Creditors amounts falling due within one year	13	(10,068)	(9,195)
Net current assets		4,447	(166)
Total assets less current liabilities		414,447	334,834
Creditors amounts falling due after more than one year	14	(16,921)	(16,921)
Net assets excluding pension deficit		397,526	317,913
Pension deficit	23	(1,819)	(1,776)
Net assets including pension deficit		395,707	316,137
Capital and reserves			
Called up share capital	16	44,837	44,837
Revaluation reserve	17	336,996	261,996
Profit and loss account	17	13,874	9,304
Total shareholders' funds		395,707	316,137

The financial statements on pages 7 to 27 were approved by the Board of directors on 3rd September 2013 and were signed on its behalf by

3rd September 2013
Director

Registered Number 2020381



London Luton Airport Limited

Statement of total recognised gains and losses for the year ended 31 March 2013

	2013	2012
	£'000	£'000
Profit for the financial year	10,955	6,716
Unrealised surplus on revaluation of investment property	75,000	-
Actuarial losses on pension scheme	(80)	(45)
Current tax deductions allocated to actuarial losses	13	11
Movement on deferred tax relating to pension deficit	(18)	(46)
Total recognised gains and losses relating to the financial year	85,870	6,636

Reconciliation of movements in shareholders' funds for the year ended 31 March 2013

	2013	2012
	£'000	£'000
Profit for the financial year	10,955	6,716
Dividends	(6,300)	(6,700)
Retained profit for the financial year	4,655	16
Actuarial losses on pension scheme (note 23)	(80)	(45)
Current tax deductions allocated to actuarial losses	13	11
Revaluation of investment property	75,000	-
Movement on deferred tax relating to pension deficit	(18)	(46)
Net increase/(deduction) from shareholders' funds	79,570	(64)
Opening shareholders funds at 1 April	316,137	316,201
Closing shareholders funds at 31 March	395,707	316,137

London Luton Airport Limited

Cash flow statement for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	20	6,562	10,278
Returns on investment and servicing of finance			
Interest received		17	49
Interest paid		(1,270)	(1,281)
Net cash inflow on investments and servicing of finance		5,309	9,046
Taxation		(2,327)	(2,141)
Equity dividends paid to shareholders		(7,100)	(5,000)
Net cash inflow/(outflow) before use of liquid sources and financing		(4,118)	1,905
Management of liquid resources			
Increase/(decrease) in short-term deposits with banks		(4,050)	1750
Increase in net cash	21	68	155

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013

1 Accounting policies

Accounting convention

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of investment properties and in accordance with the Companies Act 2006 and applicable accounting standards. The principal accounting policies are set out below.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover for existing routes is recognised as it is earned and represents the amounts falling due under rental and concession agreements.

Turnover includes amounts related to several new routes introduced with effect from 1 June 2002. The final amount of this revenue is now due within one year.

Amounts due after more than one year are not recognised due to the uncertainty of future inflow of economic benefits given the length of time before revenue is receivable. The turnover relating to these amounts is disclosed as a contingent asset (see note 19).

Leased assets

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

Deferred tax

Deferred tax has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax, or a right to pay less tax, in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain.

Deferred tax is not provided in respect of timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

1 Accounting policies (continued)

Pension costs

Certain employees of the airport business prior to the granting of the Concession Contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the financial year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire County Council Local Government Pension Scheme in respect of former employees' entitlement to pension augmentations arising on redundancy.

This provision has been assessed in accordance with the advice of an independent actuary using the following principal assumptions:

	% pa
Rate of increase to pensions in payment	2.8
Discount rate	4.5
Inflation	2.8

A formal actuarial valuation is carried out every 3 years. The most recent formal actuarial valuation was at 31 March 2010. The results of this valuation have been projected forward to 31 March 2013 and refluxed in these financial statements. The scheme is a defined benefits scheme.

Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date on the basis of the external valuers' valuation. Following a revision agreed by the Board, this assessment will now be undertaken every 4 years, previously every 5 years. Ollie Saunders of Deloitte LLP undertook this as at 31 March 2013. This valuation takes into account forecast future cash flows and is discounted using a discount rate of 10.75% being an estimate of the company's long term weighted average cost of capital. The DCF analysis assumes a reversionary value of the airport at the expiry of the concession on 31st March 2031. The valuation has been made in accordance with the RICS Appraisal and Valuation Manual.

Depreciation is not provided on investment properties. This treatment, as regards the company's investment properties, is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

2 Concession contract

On 20 August 1998 ('the concession date') the company entered into a concession contract with an unrelated entity, London Luton Airport Operations Limited ("LLAOL")

Under the terms of this contract LLAOL was granted a concession to operate the airport for a period of 30 years ('the concession period') and a lease over the company's land and buildings. In return LLAOL undertook to pay an annual concession fee to the company and, subject to the continuing growth of passenger numbers, fund an extensive capital investment programme. At the end of the concession period the assets, liabilities and operations of the airport revert to the ownership and use of the company.

In August 2012 a supplemental agreement to the concession contract was reached between LLAL and LLAOL. This agreement commits the operators to undertake a significant programme of development works to increase the Airport's capacity to handle throughput of up to 18 million passengers per year, in return for an extension of the Concession Period to March 31st 2031. There have been no other alterations to the concession contract.

At the concession date the trading assets and liabilities of the company were transferred to LLAOL at book value. No profit or loss arose on the transfer of these assets and liabilities. The employees of the company were also transferred to LLAOL.

As the company no longer operates the airport itself, the land and buildings have become investment properties. At the instruction of London Luton Airport Limited, Deloitte LLP have valued the freehold interest in London Luton Airport as at 31 March 2013. The next valuation is due to be undertaken as at 31 March 2017.

The excess of the amount of this valuation totalling £336,996,000 (being the net book value of tangible fixed assets redesignated as an interest in an investment property at the concession date) has been recorded within the revaluation reserve (see note 17).

3 Turnover

	2013	2012
	£'000	£'000
Concession income	35,704	26,660

All turnover is generated and originates in the United Kingdom

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

4 Operating profit

	2013	2012
	£'000	£'000
<hr/>		
Operating profit is stated after the following amounts have been charged		
Operating leases - land and buildings	1,652	1,652
Charge for enhanced pension payments	163	168
Gift Aid payments	15,995	11,925
Auditors' remuneration:		
Audit services	34	27
Non-audit services – tax	27	33

Related party disclosures

The shareholder, Luton Borough Council, provides professional services to the company. Charges to the company for these services amounted to £547,296 (2012 £350,000) and are on commercial terms. £1,652,000 (2012 £1,652,000) of the operating lease charge for a car park on the airport premises is with Luton Borough Council on commercial terms. Luton Borough Council is the company's controlling party by virtue of its majority shareholding.

5 Directors' emoluments

Directors' emoluments for the financial year amounted to £nil (2012 £nil). All of the directors are council members and therefore do not qualify for remuneration.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

6 Staff costs

The company has no employees (2012 nil). Services to London Luton Airport Limited are carried out by employees of Luton Borough Council and the company is charged for these as set out in note 4.

7 Interest receivable and similar income

	2013	2012
	£'000	£'000
Investment interest receivable	17	49

8 Interest payable and similar charges

	2013	2012
	£'000	£'000
Interest on debenture loans - repayable after more than 5 years (note 14)	1,270	1,281

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

9 Tax on profit on ordinary activities

	2013	2012
	£'000	£'000
Current tax		
United Kingdom corporation tax on profits of the financial year	3,496	2,373
Adjustment in respect of prior periods	-	7
	3,496	2,380
Deferred tax		
Capital allowances in excess of depreciation	3	5
Change in tax rates	1	1
Total tax on profit on ordinary activities	3,500	2,386

The tax assessed for the financial year is higher (2012 higher) than the standard rate of corporation tax in the UK of 24% (2011 26%). The differences are explained below

	2013	2012
	£'000	£'000
Profit on ordinary activities before tax	14,455	9,102
Profit on ordinary activities multiplied by standard rate in the UK of 24%	3,469	2,367
Effects of		
Expenses non deductible for tax purposes	30	11
Capital allowances in excess of depreciation	(3)	(5)
Adjustments in respect of prior periods	-	7
Total current tax charge	3,496	2,380

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

9 Tax on profit on ordinary activities (continued)

No provision has been made for the deferred tax on gains recognised on revaluing the investment property. Such tax would become payable only if the property was sold. The company has no intention to sell its investment property. The total amount unprovided for is £73,359,000 (2012: £73,359,000).

Factors that may affect future tax rate

The main rate of corporation tax has been reduced to 24% from 1st April 2012 and to 23% from 1st April 2013.

Further changes to the UK Corporation Tax rates were announced in the 2012 Autumn Statement and the March 2013 Budget. These include further reductions to the main tax rate to reduce the rate to 21% from 1st April 2014 and to 20% from 1st April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions to the main rate of corporation tax are both expected to be enacted as part of Finance Act 2013. The overall effect of these further changes, if applied to the pension deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £71,000.

The effect of the above changes would be immaterial to the non-pensions deferred tax asset recognised at 31st March 2013 as disclosed in note 15.

10 Dividends

	2013	2012
On ordinary equity shares		
Final proposed 31 March 2013 14.05p (2012: 14.87p) per share	6,300	6,700

The final dividend for the year ended 31 March 2013 was approved by an Extraordinary General Meeting of the company held on 29th March 2013.

11 Investments

Fixed asset investments	2013	2012
	£'000	£'000
	410,000	335,000

The interest in investment property has been valued in accordance with the circumstances and principles set out in note 1.

The value transferred from tangible fixed assets in 1998 represented the net book value (cost of £102,892,000 less accumulated depreciation of £29,888,000) of assets before the signing of the concession contract as set out in note 2.

Current asset investments

There were no long or short term investments in place at 31 March 2013 (2012: £4.05m).

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

12 Debtors

	2013	2012
	£'000	£'000
Prepayments and accrued income	14,400	4,928
Deferred tax (note 15)	14	18
	14,414	4,946

13 Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Corporation tax	2,204	1,048
Other taxation and social security payable	642	475
Proposed dividend	5,900	6,700
Other creditors	1,323	972
	10,068	9,195

14 Creditors: amounts falling due after more than one year

	2013	2012
	£'000	£'000
Debenture loans Maturity loans non-instalment		
Debenture loan 1 – interest fixed at 12%	3,153	3,153
Debenture loans 2,3, and 6 – interest at 4% over three months LIBOR	8,878	8,878
Debenture loan 4 – interest 4% over six months LIBOR	1,788	1,788
Debenture loan 5 – interest fixed at 12 125%	3,102	3,102
	16,921	16,921

The debenture loans are from Luton Borough Council, the shareholder. The repayment of the principal in respect of each debenture loan is scheduled for 28th March 2028.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

15 Deferred tax

The deferred tax asset represents the following

	2013	2012
	£'000	£'000
Capital allowances less than depreciation	14	18
Deferred tax at 1 April	18	24
Deferred tax charge in the profit and loss account	(4)	(6)
Deferred tax asset at 31 March	14	18

16 Called up share capital

	2013	2012
	£'000	£'000
60,000,000 (2012 60,000,000) Authorised ordinary shares £1 each	60,000	60,000
44,837,002 (2012 44,837,002) Allotted and fully paid	44,837	44,837

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

17 Reserves

	Revaluation reserve	Profit and loss account
	£'000	£'000
1 April 2012	261,996	9,304
Profit for the financial year	-	10,955
Dividends	-	(6,300)
Actuarial loss on unfunded pension liability	-	(80)
Revaluation of investment property	75,000	-
Current tax deductions allocated to actuarial losses	-	13
Movement on deferred tax asset relating to actuarial loss on unfunded pension liability	-	(18)
At 31 March 2013	336,996	13,874

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

18 Operating lease commitments and contingencies

At 31 March 2013 the company was committed to making the following annual payments in respect of operating leases relating to land and buildings

	2013	2012
	£'000	£'000
Leases which expire after five years	1,652	1,652

19 Contingent assets

The company renegotiated the terms of the concession agreement with LLAOL on revenue relating to qualifying new routes, introduced with effect from 1 June 2002, with the result that, of the fee payable on the volumes arising on these new routes, an amount was deferred for a period ranging from a minimum of 5 years to a maximum of 9 years. The first payment was made in the financial year 2011/12. The payment originally forecast for the year 2012/13 was revised to form part of the payment in the year 2013/14 and was subsequently received in May 2013. Accordingly, this amount including accrued interest was recognised in the turnover in the financial year 2012/13. There now only remains one payment outstanding repayable in May 2014. Since there is inherent uncertainty as to the recoverability of debtors with such extended credit terms, the Directors do not believe it is appropriate for the company to recognise this contingent asset until it is received.

	2013	2012
	£'m	£'m
3rd applicable period repayable 2013/14		8.6
4th applicable period repayable 2014/15	1.3	1.3
Total contingent asset as at 31 March 2012	1.3	9.9

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

20 Reconciliation of operating profit to net cash inflow from operating activities

	2013	2012
	£'000	£'000
Operating profit	15,708	10,334
Movement in pension enhancement provision	(55)	(44)
Increase in debtors	(9,472)	(251)
Increase in creditors	381	239
Net cash inflow from operating activities	6,562	10,278

21 Analysis of net debt

	1 April 2012	Cash flow	31 March 2013
	£'000	£'000	£'000
Cash at bank and in hand	33	68	101
Bank overdraft	-	-	-
Debt due after one year			
Debenture loans	(16,921)	-	(16,921)
Net debt	(16,888)	68	(16,820)

22 Reconciliation of net cash flow to movement in net debt

	2013	2012
	£'000	£'000
Increase/(decrease) in cash in the year	68	155
Net debt at the start of the year	(16,888)	(17,043)
Net debt at the end of the year	(16,820)	(16,888)

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

23 Pension commitments

Certain employees of the airport business prior to the granting of the concession contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the financial year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire County Council Local Government Pension Scheme (LGPS) in respect of former employees' entitlement to pension augmentations arising on redundancy. The LGPS is a defined benefit statutory scheme.

a) Defined benefit scheme

An actuarial valuation of the Bedfordshire County Council Pension Fund for the purposes of settling London Luton Airport Limited's actual contributions was carried out at 31 March 2010 using the projected unit basis, by Hymans Robertson LLP, independent consulting actuaries. The results of this valuation have been projected forward to 31 March 2013 by Hymans Robertson LLP. The major assumptions used by the actuary were:

	2013	2012
	%	%
Rate of increase in salaries	5.1	4.8
Rate of inflation/increase in pensions in payment	2.8	2.5
Discount rate	4.5	4.8

The mortality assumptions used were as follows:

	2013 years	2012 years
Longevity at age 65 for current pensioners		
– Men	21.6	21.6
– Women	23.2	23.2
Longevity at age 65 for future pensioners		
– Men	22.6	22.6
– Women	25.7	25.7

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

23 Pension commitments (continued)

a) Defined benefit scheme (continued)

Present value of scheme liabilities	(2,362)	(2,337)
Deficit in scheme	(2,362)	(2,337)
Related deferred tax asset	543	561
Net pension deficit	(1,819)	(1,776)

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

23 Pension commitments (continued)

b) Reconciliation of present value of scheme liabilities

	2013 £'000	2012 £'000
At 1 April	2,337	2,336
Interest cost	108	124
Unfunded benefits paid	(163)	(168)
Actuarial loss/(gains)	80	45
At 31 March	2,362	2,337

	2013 £'000	2012 £'000
Reconciliation of fair value of scheme assets		
At 1 April	-	-
Unfunded benefits paid	(163)	(168)
Contributions in respect of unfunded benefits	163	168
At 31 March	-	-

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

23 Pension Commitments (continued)

Analysis of the amounts charged to profit or loss are as follows:

	2013	2012
	£'000	£'000
Interest cost	108	124

Amounts for current and previous four years.

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(2,362)	(2,337)	(2,336)	(2,660)	(2,225)
Deficit	(2,362)	(2,337)	(2,336)	(2,660)	(2,225)
Experience adjustments on plan liabilities:					
Amount	5	14	13	(12)	19

24 Parent entity and ultimate controlling party

Luton Borough Council owns 100% of the shares of the company and is considered to be the parent entity and ultimate controlling party. Luton Borough Council consolidates these financial statements in its financial statements at 31 March 2013. These are available from the headquarters address of Luton Borough Council being Town Hall, George Street, Luton, LU1 2BQ.