

2020381

annual report

& financial statements

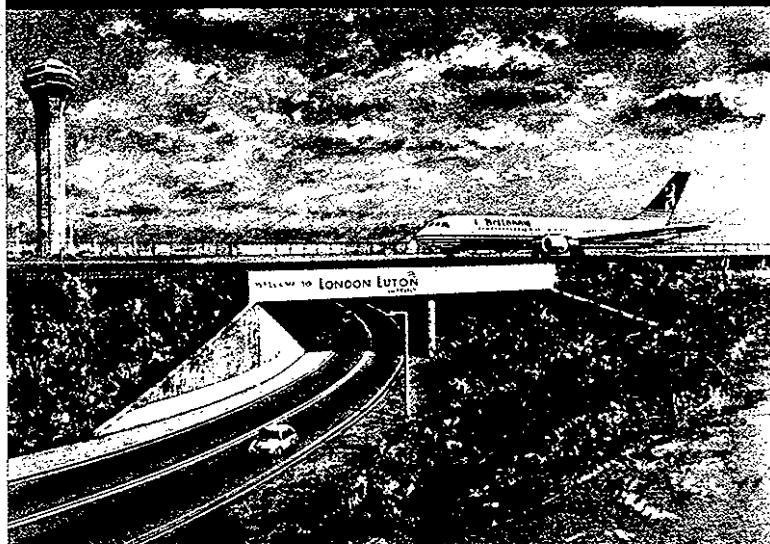
1994 – 1995

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LONDON
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officers and professional *advisers*

directors

M. B. Guha (Chairman)

K. Gale (Vice Chairman)

M. Crowe

R. Davies

B. Devenish

J. C. Esam

R. E. Gooding

J. L. Kingsford

P. J. Main

L. Merritt

J. Mulkern

F. Pullman

R. H. A. Rogers

K. K. Sharma

secretary

Luton Borough Council

registered office

Town Hall Luton

Bedfordshire LU1 2BQ

auditors

Price Waterhouse

Chartered Accountants and Registered Auditors

bankers

Co-operative Bank PLC

company registration number 2020381

chairman's

The last year has in many ways been very encouraging. We always anticipated that our trading results would be hit hard by the ending of our Ministry of Defence contract for troop movements to Germany; the temporary suspension of scheduled services to Belfast International, and the transfer of TNT's cargo operations to Stansted. In the event we produced a lower than forecast loss, and are looking forward to our 1995/96 financial year with greater confidence than we could have expected a year ago.



There are some very visible signs of the airport's rejuvenation with the new control tower, which was opened by the Rt Hon. Neil Kinnock, European Commissioner for Transport, and the start on construction of the new access road, which is scheduled for completion at the end of this year. We have not neglected our passengers' comfort and the terminal refurbishment is now almost complete with the greatly extended arrivals hall and improvements to the baggage reclaim facilities.

All this development has been accompanied by further additions to the number of destinations served, and a sustained marketing campaign to promote the benefits we can now offer to airlines, tour operators and passengers alike. The airport has been through a very difficult period which has challenged us all. I would like to express my gratitude to all our staff and the two trade unions for their commitment and co-operation in coping with the necessary changes and adjustments. I am pleased that the return to operating profits gives them a profit share payment as a reward for their efforts.


M B Guha

Chairman
31st May 1995





chief executive's

Our overall passenger numbers were slightly down on last year, largely due to the loss of the Ministry of Defence trooping flights and the withdrawal of Britannia's Belfast flights. Our core inclusive tour business showed satisfactory growth of 4% and our emphasis on developing new routes gave us a 28% increase in international scheduled passengers.

Since my last report, I am pleased that we have extended the number of scheduled service destinations to fourteen by the addition of Palma, Kerry, Waterford, Belfast International and, most recently, Amsterdam. During the year we handled over 47,000 passengers on BA Express flights to Paris which illustrates how well we can meet the need for frequent, convenient, high quality scheduled services.

The replacement of the military personnel with civilian passengers led to a growth in our commercial income of 12% in the year.

Total income has increased by over £1 million.

Despite the absence of TNT, our cargo business only showed a modest fall in volume, and is forecast to grow strongly in 1995/96.

The closure of Hatfield and Leavesden, and continuing slot difficulties at Heathrow contributed to very substantial growth in corporate and business flights.

We began to see the benefit of some difficult cost reduction initiatives as overall staff costs fell by £221,000 compared to 1993/94.

Productivity improved by 2% which is an impressive performance in the context of slightly lower volumes.

Our continuing commitment to capital expenditure, £5.7 million in the year in addition to the £3.5 million spent in 1993/94, has meant that our cash resources have reduced to a net balance of £1.7 million from a balance of £5.2 million at the end of 1993/94.

Net interest payable has increased correspondingly.

Our shareholders continue to be very supportive of our development, and, at the end of the year, lent the airport a further £1.9 million to finance the installation of equipment to security screen 100% of all hold baggage.

A further facility of £3.3 million has been approved to finance the completion of our new access road.

Our medium term development ambitions are centred on the construction of a new railway station to be built on the existing mainline adjacent to the airport. We have formed a joint venture with private sector investors to bring forward this project.

We continue to operate in a very competitive market place, but we are convinced that, by offering customers in our large catchment area a modern, efficient airport facility, well served by good transport links, we will ultimately be successful.

The recent interim undertaking given to the European Commission by BAA regarding our complaint about anti-competitive pricing policies at Stansted gives some reassurance for our longer term prospects. The outcome of our main complaint is still awaited.

I very much appreciate the efforts of all our staff, and the continued support of our customers. We believe that we have now seen the back of declining passenger and cargo volumes, and look forward to further significant improvement in our trading results in the years to come.



R E Gooding

Chief Executive
31st May 1995

DUTY FREE



directors' report

The directors present their report and the audited financial statements for the year ended 31st March 1995.

Principal Activities

The principal activities of the Company are the ownership, operation and management of London Luton Airport. A review of the year's operations and the development of the business is contained in the Chief Executive's Report.

Dividends and Transfers from Reserves

The Company made an operating profit, after exceptional items, of £534,000 (1994 – loss £822,000). After interest and taxation the loss for the year amounted to £999,000 (1994 – loss £1,731,000). The directors do not recommend payment of a dividend (1994 – £Nil). The loss for the year has been taken to reserves.

Future Developments

The new air traffic control tower was formally opened in April 1995.

The multi-phase project refurbishing and improving the passenger terminal has continued with the extension of the arrivals area and improvements to the baggage reclaim area.



Longer term development is centred upon the Luton Interchange Project. The first phase, now under construction, involves a new road access to the passenger terminal, due for completion this year.

Planning permission has been obtained for the new railway station and work on project planning is continuing with joint venture investment partners. Construction is scheduled to start in 1995, with completion in 1996/97.

Fixed Assets

During the year the Company invested a further £5,706,000 (1994 – £3,519,000) in the development of the airport facilities.



Directors and their Interests

The list of current directors is given on page 4.

D Johnston, A Tester, J Mulkern and R Rogers ceased to be directors on the 4th May 1995. B Slessor ceased to be a director on the 18th May 1995. P Main, L Merritt and B Devenish were appointed to the Board and J Mulkern and R Rogers were re-appointed to the Board on the 18th May 1995.

Four directors (J C Esam, R E Gooding, J L Kingsford and F Pullman) are full time executives of the Company. Two directors (M Crowe and K K Sharma) are directors nominated by the Trade Unions. Six directors are elected members of Luton Borough Council which owns all the share capital of the Company, and there are two other non-executive directors.

No directors held or hold any interest in the share capital of the Company.

Directors' and Officers' Liability Insurance

During the year the Company purchased and maintained liability insurance for its directors and officers, as permitted by section 310(3) of the Companies Act 1985.

Board Committees

The Board has established a number of standing committees, consisting of certain directors, operating with defined terms of reference.

The principal committees are:

Finance Committee, which, in addition to detailed review of the Company's monthly and annual financial reports, is responsible for accounting policies and for monitoring internal and external audit functions.

Remuneration Committee which measures the performance of the executive directors and determines their annual remuneration.

Development Committee which reviews major investment proposals and monitors the development of the airport infrastructure.

Personnel Committee which sets policy guidelines on all employment related matters.





Executive Board, comprising the Company's full time executive directors, manages the Company's day to day affairs.

Donations

During the year charitable donations made by the Company amounted to £Nil (1994 - £Nil). Facilities were made available to over 60 charities enabling them to collect funds at the airport. No political donations were made.

Employee Involvement

Employee training, involvement and commitment is encouraged by the directors through regular courses, contacts and exchanges of information such as standing committees, team briefing and newsletters. A profit sharing scheme was introduced from 1st April 1992.

Equal Opportunities Policy

It is the policy of London Luton Airport to strive to become an equal opportunities employer. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Training and development policies are the same as those for any other employee based upon specific employee needs.

Auditors

During the year, Price Waterhouse were appointed by the Board to fill the casual vacancy caused by the resignation of Touche Ross and Co. A resolution to re-appoint Price Waterhouse as auditors will be proposed at the Annual General Meeting by order of the Board.



J C Southwell

for Company Secretary
31st May 1995

statement of directors' *responsibilities*

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records which 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. 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.





auditors' report to the members of

London Luton Airport Ltd.

We have audited the financial statements on pages 13 to 24 which have been prepared under the historical cost convention and accounting policies set out on page 17.

We have also examined the Economic Regulation Statement on page 25.

Respective responsibilities of directors and auditors

As described on page 11 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

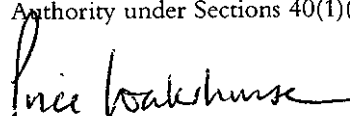
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion on the accounts

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at the 31st March 1995 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Special opinion

In our opinion the Economic Regulation Statement presents fairly the information set forth therein and is in accordance with the requirements of the Accounts Conditions issued by the Civil Aviation Authority under Sections 40(1)(a) and 41(1) of the Airports Act 1986.



Price Waterhouse

10 Bricket Road, St Albans,
Hertfordshire, AL1 3JX.
31st May 1995
Chartered Accountants and
Registered Auditors

profit and loss*account**Year ended 31st March 1995*

	Note	1995 £000's	1994 £000's
Turnover	1	26,885	25,879
Operating costs	2	25,891	25,428
Exceptional costs of staff reductions		460	1,273
Total operating costs		26,351	26,701
Operating profit/(loss) after exceptional costs		534	(822)
Interest receivable		310	350
Interest payable and similar charges	5	(2,212)	(1,907)
Loss on ordinary activities before taxation		(1,368)	(2,379)
Tax on loss on ordinary activities	6	369	648
Loss for the financial year		(999)	(1,731)

All turnover and expenses have been derived from continuing operations.

The Company has no recognised gains or losses other than the above results for the period.


balance sheet

As at 31st March 1995

		1995	1994
	Note	£000's	£000's
FIXED ASSETS			
Tangible assets	7	64,069	60,864
CURRENT ASSETS			
Stock		111	163
Debtors	8	2,585	3,106
Short term deposits		2,000	7,171
Cash in hand		-	1
		<u>4,696</u>	<u>10,441</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(7,165)</u>	<u>(8,582)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(2,469)</u>	<u>1,859</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		61,600	62,723
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	(20,067)	(19,852)
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(1,916)</u>	<u>(2,255)</u>
		<u>39,617</u>	<u>40,616</u>
CAPITAL AND RESERVES			
Called up share capital	12	44,837	44,837
Profit and loss account		<u>(5,220)</u>	<u>(4,221)</u>
		<u>39,617</u>	<u>40,616</u>

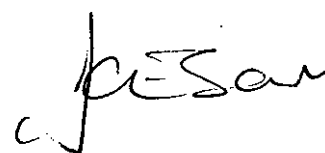
The financial statements were approved by the Board of Directors on 31st May 1995.

For and on behalf of the Board.



M B Gúha

Chairman



J C Esam

Finance Director

reconciliation of movement in *shareholders' funds*

Year ended 31st March 1995

	1995	1994
	£000's	£000's
Opening shareholders' funds	40,616	42,347
Loss for the financial year	(999)	(1,731)
Closing shareholders' funds	<u>39,617</u>	<u>40,616</u>

statement of movement on

RESERVES

Year ended 31st March 1995

	1995	1994
	£000's	£000's
Balance at 1st April	(4,221)	(2,490)
Loss for the financial year	(999)	(1,731)
	<u>(5,220)</u>	<u>(4,221)</u>

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cash flow*statement**Year ended 31st March 1995*

		1995		1994	
	Note	£000's	£000's	£000's	£000's
Net cash inflow from operating activities	15		3,885		4,177
Returns on investments and servicing of finance					
Interest receivable		310		350	
Interest payable		<u>(2,212)</u>		<u>(1,794)</u>	
Net cash outflow on investment and servicing of finance			(1,902)		(1,444)
Investing activities					
Payments to acquire tangible fixed assets		(5,706)		(3,519)	
Receipts from sales of tangible fixed assets		<u>-</u>		<u>14</u>	
Net cash outflow from investing activities			<u>(5,706)</u>		<u>(3,505)</u>
Net cash outflow before financing			(3,723)		(772)
Financing					
Repayment of debenture loans		(970)		(753)	
Repayment of finance leases		(748)		(953)	
New debenture loan		<u>1,900</u>		<u>3,760</u>	
Net cash inflow from financing			<u>182</u>		<u>2,054</u>
(Decrease)/Increase in cash and cash equivalents					
	17		<u><u>(3,541)</u></u>		<u><u>1,282</u></u>

accounting *policies*

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies are described below.

Accounting Convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the amounts derived from sales, net of VAT, invoiced to customers in respect of traffic operations and amounts falling due under rental and concession agreements.

Depreciation

This is provided on a straight line basis so as to write off the cost of fixed assets, except freehold land, over their estimated useful lives as follows:

Runway and lighting between 15 and 50 years.

Buildings between 10 and 40 years.

Plant, equipment and vehicles between 5 and 15 years.

Electrical, fencing and drainage between 10 and 25 years.

No depreciation is provided on assets in the course of construction.

Leased Assets

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation. Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

Stock

Stock is valued at the lower of cost and net realisable value. Stock represents electrical and mechanical spares.

Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pension Costs

Contractual retirement benefits to employees are provided by defined benefit schemes which are funded by contributions from the Company and employees. Payments are made to pension schemes which are financially separate from the Company. The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the schemes in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Certain employees have taken early retirement, and the Company has agreed to enhance their pension benefits. Provision is made, in the year that the employee retires, to reflect the anticipated future costs of providing the enhanced benefits.

notes to the financial

statements

Year ended 31st March 1995

	1995 £000's	1994 £000's
1. TURNOVER		
Traffic	15,240	15,239
Rents	3,891	3,695
Commercial	7,754	6,945
	<u>26,885</u>	<u>25,879</u>

2. OPERATING COSTS

Operating costs include:

Depreciation on owned assets	1,967	2,153
Depreciation on leased assets	534	339
Directors' emoluments (note 3)	286	263
Hire of plant and machinery	239	258
Auditors' remuneration	27	28
Other fees paid to auditors	16	33

The majority shareholder, Luton Borough Council, provides professional and computer services to the Company. Charges to the Company for these services amounted to £159,143 (1994 - £236,000) and are on commercial terms.

	£000's	£000's
3. DIRECTORS' EMOLUMENTS		
Fees	16	16
Other emoluments	270	223
Compensation for loss of office	-	24
	<u>286</u>	<u>263</u>
Remuneration of the Chairman	-	-
Remuneration of the highest paid director	79	80

The remuneration of the directors serving the Board during the year (excluding pension contributions) were as follows:

	No.	No.
£ 0 - £ 5,000	9	9
£ 5,001 - £10,000	2	2
£10,001 - £15,000	-	1
£15,001 - £20,000	-	1
£45,001 - £50,000	1	1
£55,001 - £60,000	1	-
£60,001 - £65,000	1	1
£75,001 - £80,000	1	1

Board members who are also elected members of Luton Borough Council, and Trade Union representatives, receive no remuneration in their capacity as directors.

notes to the financial statements

Year ended 31st March 1995

	1995 £000's	1994 £000's
4. STAFF COSTS		
Wages and salaries	10,123	10,362
Social security costs	857	898
Other pension costs	474	448
Profit sharing scheme	33	-
	<u>11,487</u>	<u>11,708</u>

The average weekly number of employees during the year was made up as follows:

	No.	No.
Operations and security	353	363
Engineering	45	64
Terminal services	51	55
Management, finance and administration	51	51
	<u>500</u>	<u>533</u>

	£000's	£000's
5. INTEREST PAYABLE AND SIMILAR CHARGES		
Charges under finance leases	209	261
Interest on debenture loans	1,998	1,642
Interest on short term loans	5	4
	<u>2,212</u>	<u>1,907</u>
On borrowings repayable within 5 years	214	265
On borrowings repayable after more than 5 years	1,998	1,642
	<u>2,212</u>	<u>1,907</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

United Kingdom corporation tax at 33% based on the profit for the year	-	-
Deferred taxation	369	648
	<u>369</u>	<u>648</u>

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notes to the financial

statements

Year ended 31st March 1995

7. TANGIBLE FIXED ASSETS

	Total	Runway and lighting	Freehold land and buildings	Plant equipment and vehicles	Electrical fencing and drainage	Assets in course of construction
Cost	£000's	£000's	£000's	£000's	£000's	£000's
At 1st April 1994	85,047	27,698	38,093	11,792	5,925	1,539
Transfers	-	-	457	94	-	(551)
Additions	5,706	-	507	74	-	5,125
Disposals	(24)	-	-	(24)	-	-
At 31st March 1995	90,729	27,698	39,057	11,936	5,925	6,113
 Owned assets	 85,188	 26,966	 39,057	 7,237	 5,815	 6,113
Leased assets	5,541	732	-	4,699	110	-
At 31st March 1995	90,729	27,698	39,057	11,936	5,925	6,113
 Depreciation						
At 1st April 1994	24,183	9,845	7,446	5,688	1,204	-
Charge for the year	2,501	620	691	914	276	-
Disposals	(24)	-	-	(24)	-	-
At 31st March 1995	26,660	10,465	8,137	6,578	1,480	-
 Owned assets	 23,560	 10,195	 8,137	 3,748	 1,480	 -
Leased assets	3,100	270	-	2,830	-	-
At 31st March 1995	26,660	10,465	8,137	6,578	1,480	-
 Net book amount						
At 31st March 1995	64,069	17,233	30,920	5,358	4,445	6,113
At 31st March 1994	60,864	17,853	30,647	6,104	4,721	1,539

Capital commitments

The outstanding capital expenditure at 31st March
not included in these financial statements amounts to:

Contracted for but not provided in the financial statements

	1995	1994
	£000's	£000's
	3,456	2,431

Freehold land and building

Land and buildings with a net book value of £3,515,000 have been leased to third parties.

notes to the financial

statements

Year ended 31st March 1995

	1995
	£000's
7. CONTINUED	
Assets in course of construction at the year end included the following:	
Air traffic control tower and related equipment	1,931
Facility for screening 100% of hold baggage	1,915
New road access	959
Refurbishment of arrivals hall	399
Interchange project pre-construction expenditure	909
	<u>6,113</u>

No further significant expenditure will be incurred in respect of the air traffic control tower and the baggage screening equipment, which will become fully operational during the forthcoming year. Commitments on the new road access and the arrivals hall are included in the amount of £3,456,000 above. The pre-construction expenditure associated with the interchange project, amounting to £909,000 will be allocated to specific phases of the project as they are completed. During the next two financial years transfers of the appropriate amounts will be made to the new access road and, subject to the satisfactory conclusion of operating and financing arrangements, to the proposed railway station.

	1995	1994
	£000's	£000's
8. DEBTORS		
Due within one year: Trade debtors	1,969	2,137
Other debtors and prepayments	547	892
	<u>2,516</u>	<u>3,029</u>
Due after more than one year: Other debtors	69	77
	<u>2,585</u>	<u>3,106</u>
9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Debenture loans	1,097	970
Obligations under finance leases	590	750
Bank overdraft	323	1,954
Trade creditors	3,767	3,887
Other creditors	834	605
Accrued pension charges	246	151
Taxes and social security	308	265
	<u>7,165</u>	<u>8,582</u>
10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Debenture loans	19,732	18,801
Obligations under finance leases	2,022	2,771
	<u>21,754</u>	<u>21,572</u>
Less: amounts falling due within one year	(1,687)	(1,720)
	<u>20,067</u>	<u>19,852</u>

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notes to the financial statements

Year ended 31st March 1995

	1995	1994
	£000's	£000's
10. CONTINUED		
Amounts falling due after more than one year and within five years		
Debenture loans	4,741	4,216
Obligations under finance leases	1,432	1,904
Due after more than five years		
Debenture loans	13,894	13,615
Obligations under finance leases	-	117
	<u>20,067</u>	<u>19,852</u>
Loans Outstanding		
Debenture loan 1-interest fixed at 12%	3,770	3,995
Debenture loans 2,3 and 6-interest at 4% over three months London Inter Bank Offer Rate	10,245	8,758
Debenture loan 4-interest 4% over six months LIBOR	2,145	2,288
Debenture loan 5-interest fixed at 12.125%	3,572	3,760
	<u>19,732</u>	<u>18,801</u>

The debenture loans are from Luton Borough Council, the majority shareholder. Debenture loans 1, 2 and 3 are repayable over twenty years by half-yearly instalments calculated on the basis of a 5% sinking fund. Debenture loans 4, 5 and 6 are repayable by half-yearly equal instalments. Debenture loan 6, for £1,900,000, was issued during the year to finance the baggage screening equipment. The loans are secured by a floating charge over all the Company's undertakings and property.

	£000's	£000's
11. PROVISIONS FOR LIABILITIES AND CHARGES		
Deferred tax	-	369
Provisions for enhanced pension payments for early retirees	1,916	1,886
	<u>1,916</u>	<u>2,255</u>
Deferred taxation		
The amounts provided in respect of deferred taxation are as follows:		
Capital allowances in excess of depreciation	4,009	3,342
Trading losses	(3,332)	(2,321)
Staff reductions	(594)	(622)
Other timing differences	(83)	(30)
Amount provided	<u>-</u>	<u>369</u>
Amount not provided in respect of capital allowances in excess of depreciation.	<u>6</u>	<u>206</u>
Movement for the year		
Balance brought forward at 1st April	369	1,017
Transfer to profit and loss account	(369)	(648)
	<u>-</u>	<u>369</u>
Provision for enhanced pensions		
Balance brought forward at 1st April	1,886	1,244
Provisions for future commitments in respect of early retirements	125	782
Transfer to profit and loss account	(95)	(140)
	<u>1,916</u>	<u>1,886</u>

notes to the financial statements

Year ended 31st March 1995

12. CALLED UP SHARE CAPITAL

Authorised ordinary shares £1 each
Allotted and fully paid

1995	1994
£000's	£000's
60,000	60,000
<u>44,837</u>	<u>44,837</u>

13. OPERATING LEASE COMMITMENTS

At 31st March 1995 the Company was committed to making the following payments during the next year in respect of operating leases:

Leases which expire within 5 years

Leases which expire after 5 years

Total operating lease charge

Plant and machinery	Plant and machinery
£000's	£000's
936	-
98	235
<u>1,034</u>	<u>235</u>

14. PENSION SCHEMES

The Company operates its own defined benefit pension scheme and in addition continues to make contributions to the Bedfordshire Superannuation Fund which is part of the Local Government Superannuation Scheme. Contributions to the Bedfordshire Superannuation Fund are for employees who transferred from the employment of Luton Borough Council and who wish to stay in this scheme and are made at the rate specified by the fund. The pension costs for the Company scheme are assessed in accordance with the advice of independent qualified actuaries on the basis of the projected unit method using assumptions shown below. The total pension costs for the Company for both schemes were £474,000.

The Company's scheme was established on 1st April 1987 to provide pensions for subsequent employees of the Company. A full actuarial valuation of the scheme was undertaken as at 31st March 1993 when the market value of the fund's assets was £2,175,445. The actuarial value of past-service liabilities was assessed to be £1,711,600 which compared with the value placed upon the assets of £2,060,100. As a result of the valuation, the employers' contributions for the ten month period from November 1994 to August 1995 were set at nil for those employees in service at

31st March 1993 and at 9 1/2% for employees joining the scheme after 31st March 1993. After August 1995 employers' contributions will be set at 9 1/2% of pensionable pay for all employees.

The latest actuarial valuation of the Bedfordshire Superannuation Fund was undertaken as at 31st March 1992 and showed investments of £332.5 million and liabilities of £342 million. The market value of the fund at that date was £288.2 million. The employers' contribution from 1st April 1990 was 35% of employees' contributions. As from 1st April 1993 this has been increased to a continuing 80% of employees' contributions. The main assumptions underlying the actuarial valuation of the two schemes are as follows:

	Company Scheme	Local Authority Scheme
Investment return	9%	9%
Salary increases	6.5%	6.5%
Pension increases	4.5%	4.5%

Provision for enhanced pension payments for early retirees is calculated based on assumptions provided by R Watson and Sons, external actuaries, the main assumptions are investment return 3% above inflation and pension increases in line with inflation.

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notes to the financial

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Year ended 31st March 1995

15. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995	1994
	£000's	£000's
Operating profit/(loss) before interest	534	(822)
Depreciation charges	2,501	2,492
Adjustment to provision for pension enhancements	30	642
Profit on disposal of fixed assets	-	(57)
Decrease/(Increase) in stocks	52	(21)
Decrease in debtors	521	85
Increase in creditors	247	1,858
Net cash inflow from operating activities	<u>3,885</u>	<u>4,177</u>

16. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1995	1994
Balance at 1st April	5,218	3,936
Net cash (outflow)/inflow	(3,541)	1,282
	<u>1,677</u>	<u>5,218</u>

17. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1995	1994	Change
	£000's	£000's	£000's
Cash at bank and in hand	-	1	(1)
Short term investments	2,000	7,171	(5,171)
Bank overdrafts	(323)	(1,954)	1,631
	<u>1,677</u>	<u>5,218</u>	<u>(3,541)</u>

18. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1995	1994
	£000's	£000's
Debenture loans and finance leases		
Balance at 1st April	21,572	19,518
Cash inflow from financing	182	2,054
	<u>21,754</u>	<u>21,572</u>

economic *regulation*

The Airport Company is subject to economic regulation under the Airports Act 1986 which requires the airport to hold permission from the Civil Aviation Authority to levy airport charges.

From 1st April 1988 the operational activities are required to be allocated between airport charges levied in connection with landing, parking and taking-off aircraft (including passenger related charges) and other operational income.

All revenue and costs arising from non-operational

activities, such as items where the income is not primarily from airport users, is required to be shown as a separate category.

The following have been quantified by means of apportioning the use of the airport's accommodation and services.

Unless specified elsewhere in the notes to the financial statements the Company received no preferential treatment or financial support from any associated person or organisation during the year.

operational and non-operational trading *results*

	1995			1994		
	Income	Expenditure	(Loss)/Profit before tax and interest	Income	Expenditure	(Loss)/Profit before tax and interest
	£000's	£000's	£000's	£000's	£000's	£000's
OPERATIONAL ACTIVITIES						
Airport - ordinary	12,761	18,050	(5,289)	12,673	17,818	(5,145)
- exceptional	-	277	(277)	-	713	(713)
Other operational						
- ordinary	14,124	7,841	6,283	13,206	7,610	5,596
- exceptional	-	183	(183)	-	560	(560)
	<u>26,885</u>	<u>26,351</u>	<u>534</u>	<u>25,879</u>	<u>26,701</u>	<u>(822)</u>
NON-OPERATIONAL ACTIVITIES						
	-	-	-	-	-	-
	<u>26,885</u>	<u>26,351</u>	<u>534</u>	<u>25,879</u>	<u>26,701</u>	<u>(822)</u>

