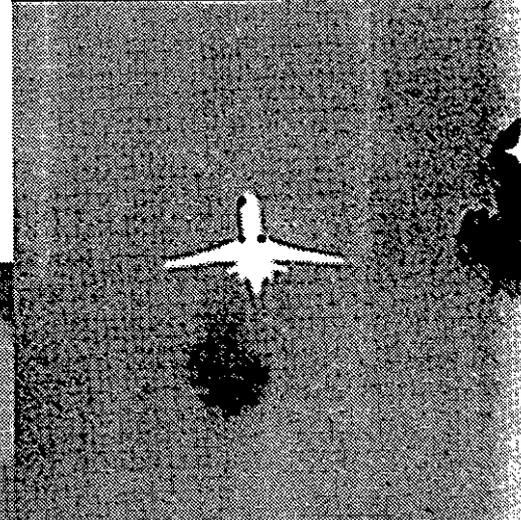
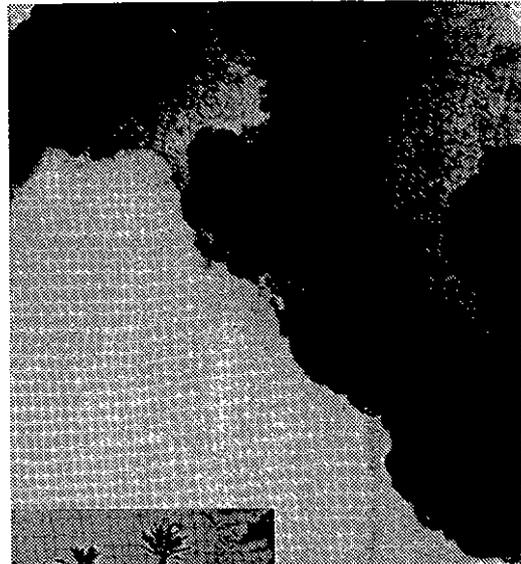
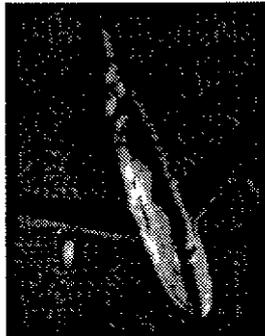


2020381

LONDON Luton  
AIRPORT



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## officers and professional advisers

### directors

- ◆ W Cooney (Chairman)
- ◆ R Harris (Vice Chairman)
- ◆ R Davies
- ◆ D Devenish
- ◆ R Dorbon
- ◆ J Esam
- ◆ J Kingsford
- ◆ J Mulkern
- ◆ F Pullman
- ◆ R Rogers
- ◆ R Saleem
- ◆ K Sharma
- ◆ B Slessor

### secretary

- ◆ Luton Borough Council

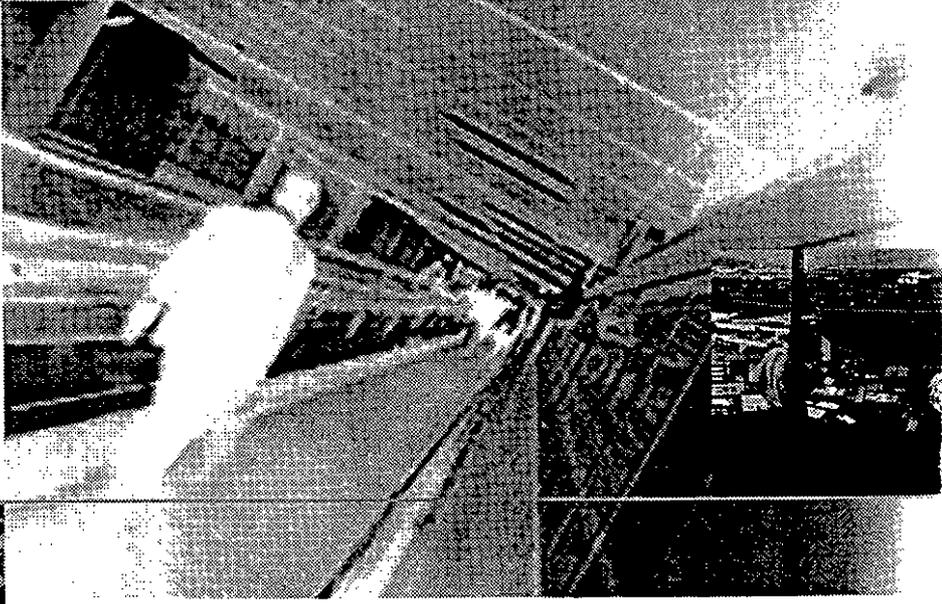
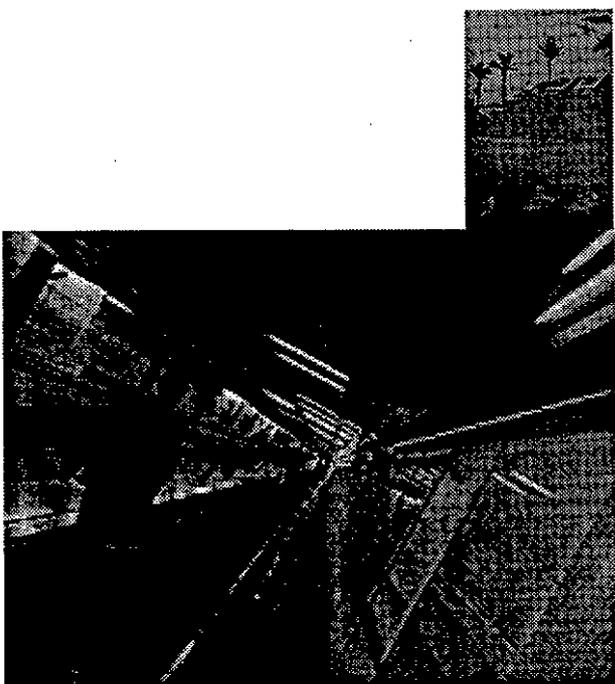
### registered office

- ◆ Town Hall  
Luton  
Bedfordshire  
LU1 2BQ

### auditors

- ◆ Price Waterhouse  
Chartered Accountants  
and Registered Auditors

**company registration number 2020381**



In 1938 the councillors of Luton decided to invest in the construction of an airport. This was a brave decision as the civil air transport business was still in its infancy and an investment in an airport was a risky venture. It did however demonstrate the long term vision and foresight of the Council.

In 1998 as we enter the diamond jubilee year of the airport the current Council is showing similar vision and foresight. As 100% shareholders of the airport the Council is committed to doing all within its power to continue the recent success and growth of London Luton Airport. Rather than taking a dividend from the business and obtaining some short term benefit, the shareholders decided to seek ways to invest in the business to develop it for the long term. The long term benefits of wealth generation and employment creation from a successful airport are so important for the town and the region that this objective has been considered to be the top priority.

In the early part of 1997 the airport executive team developed a business plan which identified growth opportunities but required considerable investment. The investment is beyond the cash resources of both the company and the shareholders but could be obtained from external private sector investors.

Rather than sell the airport to finance the investment, the shareholders

decided to pursue an innovative route of letting a concession to operate the airport for a period of up to 30 years. The concession company will provide the investment funds and pay an annual concession fee to the shareholders. In this way the airport will grow and generate more employment and the Council will receive an annual income from the business and share in its success. The people of Luton will retain the ownership of the airport.

This sort of innovative solution is only possible because of the strong growth and success of the airport. I am therefore pleased to be able to report that during the financial year the airport broke all previous records for passenger throughput and profitability. I am grateful to our customers and our staff for making this possible. I believe that the shareholders are actively demonstrating their appreciation by ensuring additional future airport capacity for our customers and job security for our staff through the developments which are now underway.

*Robin Harris Sr.*  
W Cooney

Chairman

27th May 1998



chairman's

report

## chief executive's report to the members of London

During the financial year our passenger and cargo throughput continued to build on the strong growth of the previous year. The number of passengers using the airport during the year was 3.4 million which is the largest annual passenger throughput ever at London Luton Airport and is a very pleasing result.

The scheduled services operated by easyJet, Debonair, Ryanair and Monarch all showed substantial growth. The number of passengers flying on the scheduled services during the year was 2.2 million which was 64% of the total number of passengers for the year. This performance consolidates Luton's position as the primary airport for low cost scheduled services.

The inclusive tour business also showed a small growth during the year. The total number of inclusive tour charter passengers for the year was 1.2 million, which was an increase of 2% over the previous year.

The cargo business handled has also increased. The throughput of 27,000 tonnes was a 26% increase over the previous year. This is very encouraging as the previous year included an exceptional volume as a result of the French lorry drivers' strike and the Channel Tunnel fire. The core cargo business of handling

courier services continues to grow, and new business has been attracted during the year, including inbound livestock flights.

The record passenger numbers helped to boost the commercial revenue from car parking and concession income.

Car park usage increased by 40%. In order to accommodate this increase in cars we introduced the concept of valet parking which additionally provides a significant enhancement to customer service, by enabling passengers to leave their cars a short distance from the terminal.

Sales in the duty free shop increased by 27%. This growth was achieved from a combination of an increase in the percentage of passengers shopping as well as an increase in the amount spent by each passenger. The range of products offered in the duty free shop has been significantly extended and this development will continue in the coming year.

Commercial income amounted to 49% of the total income compared with 48% in the previous year. We aim to develop the commercial income as much as possible in order to keep airport charges for the airlines as low as possible.

The highest ever passenger numbers and strong commercial revenue

performance resulted in record financial results. The operating profit of £9.7 million was 43% above the previous year and the profit before tax of £6.9 million was 58% above the previous year.

At the start of the year we formally opened the new domestic departures lounge providing some much needed additional capacity for our departing passengers. We now have a dedicated facility for our growing domestic scheduled service activity. We also extended the domestic baggage reclaim area in order to provide improved customer service.

A great deal of activity has taken place during the year in the planning and construction of new facilities designed to enable us to handle 5 million passengers per annum. We submitted a planning application for the extension of our departure lounge, the construction of additional aircraft parking stands and a parallel taxiway, and for the first phase of a new passenger terminal. The planning approval was granted in November subject to some conditions on control of aircraft noise.

This development is the first phase of a longer term strategy which could see the airport expand to 10m passengers per annum subject to planning permission. Such a development



chief executive's  
report

requires investment of around £200 million over the next 10 years of which £70 million is required immediately.

As such an investment is beyond the current cash resources of the company and the shareholders, Union Bank of Switzerland was engaged to advise on alternative approaches to funding the development. As a result of their work, the shareholders, Luton Borough Council, agreed to invite expressions of interest from private sector companies to operate the airport as a concession for a period of up to 30 years in exchange for an annual concession fee. The concession company would invest in the development of the infrastructure with a firm commitment to the development outlined in the planning application.

After advertising in July 1997 we received a large number of serious responses. This reflects the positive view within the industry about the current performance and potential of LLA.

After a detailed and lengthy selection process a consortium comprising Airport Group International (AGI), Barclays Private Equity and Bechtel Enterprises was appointed as preferred bidder. Detailed negotiations were

underway at the end of the financial year in order to complete a concession agreement in the early part of financial year 1998/99.

Whilst the construction of the first part of the new terminal is dependent on the completion of the concession agreement and is required for summer 1999, the remainder of the elements in the first phase of the development programme are being funded from our own cash resources. In March our MP for Luton South, Margaret Moran, turned the first sod which started the construction of the new aircraft stands and parallel taxiway which will be available for summer 1998. Work started at the same time to extend the departure lounge in order to provide more retail, catering and seating space for summer 1998. We are also constructing some temporary check in facilities in order to provide sufficient capacity until the opening of the first part of the new terminal.

Whilst a great deal of work has been undertaken we continue to be frustrated by the slow progress towards the opening of the new railway station. At Christmas 1997, Railtrack closed the railway line in order to spread the tracks to build the platform. By the end of the financial year the platform work was nearing completion

but Railtrack had still not reached agreement with landowners to acquire the land to construct the station building. As we end the financial year Railtrack estimate that they will open the station in the autumn of 1998.

The last year has shown continued growth in passenger throughput and a second year of substantial profits, thus establishing a positive trend. The developments now underway will enable us to maintain this trend and ensure the long term success of the business.

The excellent business results would not have been possible without the support of all of the staff in the company. The process we have been through to seek a concessionaire to operate the airport has inevitably led to some uncertainty about the future but despite this the staff have responded magnificently to the challenges of providing a good service standard to our customers in very difficult circumstances. I thank them sincerely for all their efforts over the past year.



F Pullman

Chief Executive

27th May 1998



## the directors present their report and the audited financial statement:

### 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 to/ (from) Reserves

The Company made an operating profit, after exceptional items, of £9,703,000 (1997 - £6,799,000). After exceptional items, interest and taxation the profit for the year amounted to £4,033,000 (1997 - £2,831,000). The directors do not recommend payment of a dividend (1997 - £Nil). The profit for the year has been taken to reserves.

### Future Developments

Following the opening of the domestic departure lounge at the beginning of the year, a new domestic baggage reclaim area was provided in the terminal. Work on apron refurbishment continued. The first phase of the airport management system was implemented and the second phase is now close to implementation.

The development programme provided for in the ten year strategic plan has been started with the work on the terminal building, car parks and earthworks for new apronage. Planning permission has been granted for a new terminal building, parallel taxiway and other infrastructure development.

The work on the new railway station, Luton Airport Parkway, has begun. Progress has been slower than originally envisaged, but Railtrack, who are managing the project and providing the funding, estimate that the station will open in the autumn of 1998.



8 directors

report

or the year ended 31st March 1998

**Fixed Assets**

During the year the Company invested a further £7,676,000 (1997 - £2,344,000) in the development of the airport facilities.

**Directors and their Interests**

The list of current directors is given on page 4.

Councillors P Main and L Merritt ceased to be directors on the 21st May 1998. Councillors B Devenish and B Slessor were appointed as directors on 21st May 1998.

Three directors (J Esam, J Kingsford and F Pullman) are full time executives of the Company. Two directors (R Dorbon and K Sharma) are directors nominated by the Trades Unions. Six directors are elected members of Luton Borough Council which owns all of 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;

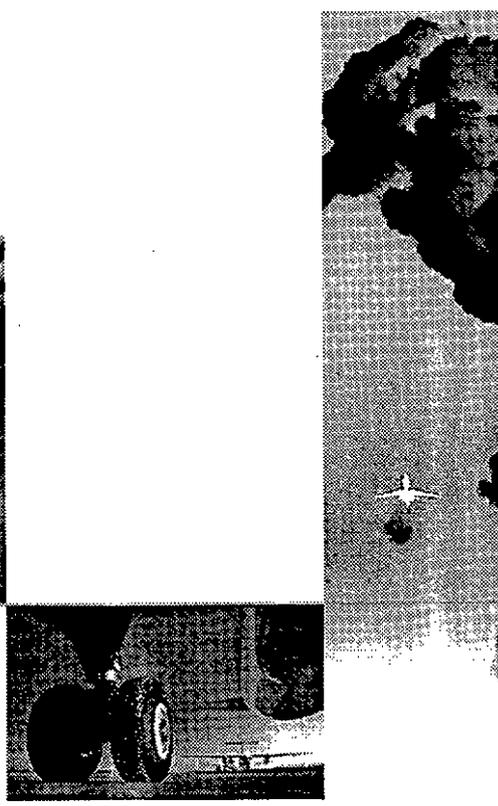
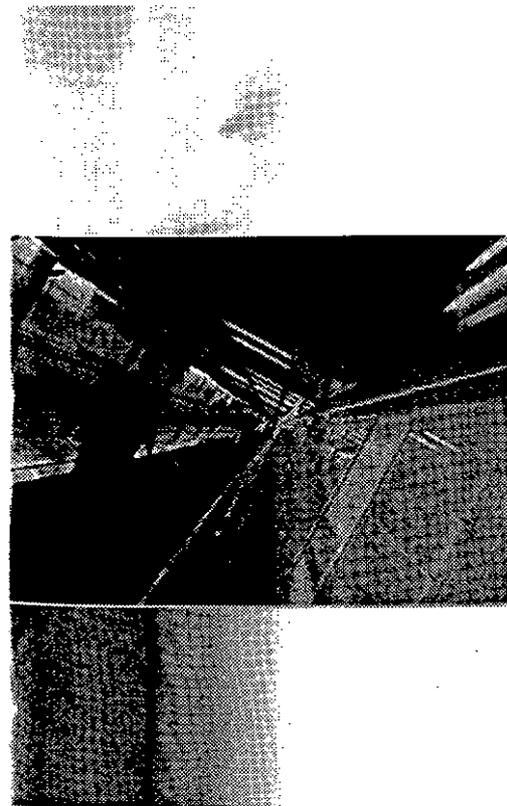
**Executive Board** which comprises the Company's full time executive directors and which manages the Company's day to day affairs.

**Donations**

During the year charitable donations made by the Company amounted to £Nil (1997 - £Nil). Facilities were made available to 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 briefings and newsletters. A profit sharing scheme has been in operation since 1st April 1992.



### Equal Opportunities Policy

The Company and the Trades Unions are committed to the principle of equal opportunity in employment. The Company and the Trades Unions declare their opposition to any form of less favourable treatment, whether through direct or indirect discrimination, accorded to employees and applicants for employment on the ground of race, religious belief, creed, colour, nationality, ethnic or national origins, disability, sexual orientation, marital/parental status, gender, age or Trade Union membership.

### Auditors

A resolution to re-appoint Price Waterhouse as auditors will be proposed at the Annual General Meeting.

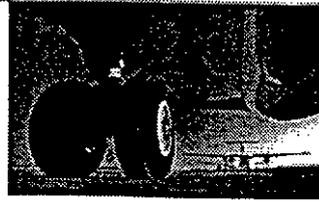
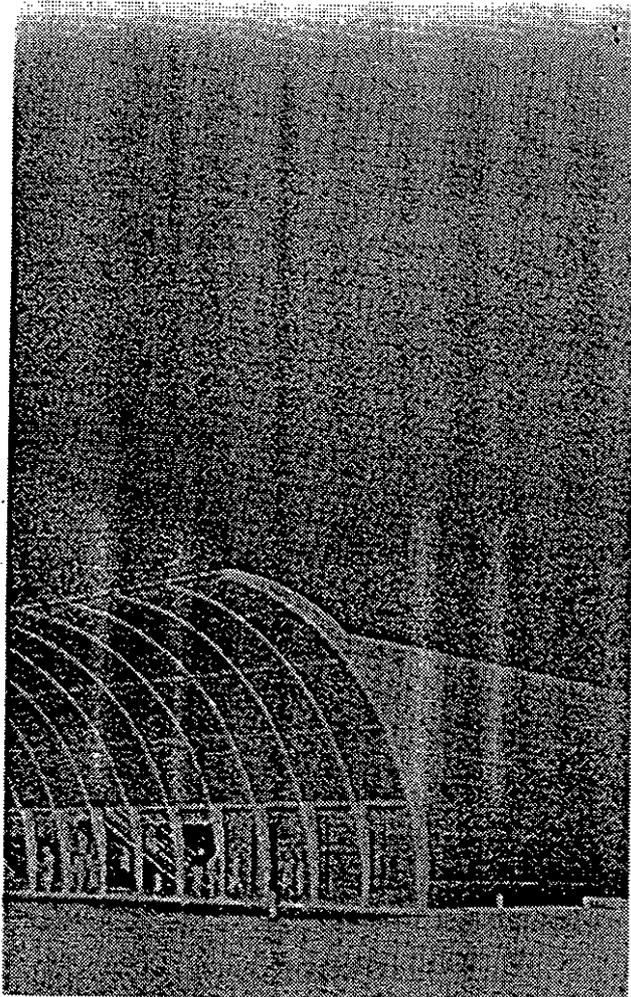
By order of the Board



K Jones

for the Company Secretary

27th May 1998



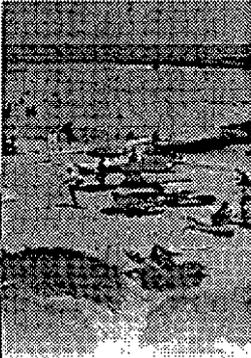
# statement of director s' responsibilities

**LONDON LUTON**  
AIRPORT

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the Company's affairs as at the end of the financial year and of the Company's profit or loss 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;
- state whether applicable accounting standards have been followed 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 proper accounting records which disclose with reasonable accuracy at any time the Company's financial position and enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the Company's assets 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 the 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 Company's circumstances, 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

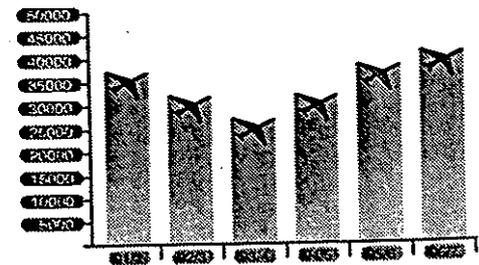
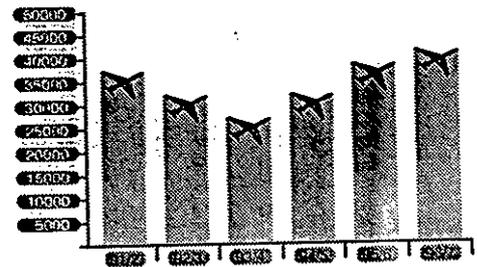
In our opinion the financial statements give a true and fair view of the Company's affairs as at the 31st March 1998 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

## 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*

Price Waterhouse  
Chartered Accountants and  
Registered Auditors  
10 Bricket Road, St Albans  
Hertfordshire, AL1 3JX  
27th May 1998



auditors'

report

## profit and loss account

Year ended 31st March 1998

	Note	1998 £'000's	1997 £'000's
Turnover	1	41,953	35,252
Operating costs		(32,250)	(28,453)
Operating profit	2	9,703	6,799
Loss on disposal of fixed assets	5	-	(532)
Concession contract costs	6	(1,300)	-
Profit on ordinary activities before interest		8,403	6,267
Interest receivable and similar income		509	195
Interest payable and similar charges	7	(2,052)	(2,122)
Profit on ordinary activities before taxation		6,860	4,340
Tax charge on profit on ordinary activities	8	(2,827)	(1,509)
Profit for the financial year		4,033	2,831

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 year.

The notes on pages 18 to 24 form part of the accounts.

## balance sheet

As at 31st March 1998

	Note	1998		1997	
		£000's	£000's	£000's	£000's
Fixed assets					
Tangible assets	9		67,887		63,111
Current assets					
Stock		247		235	
Debtors	10	7,469		4,461	
Short term deposits		4,986		5,800	
Cash at bank and in hand		1		-	
		<u>12,703</u>		<u>10,496</u>	
Creditors: Amounts falling due within one year	11	(13,075)		(11,177)	
Net current liabilities			(372)		(681)
Total assets less current liabilities			67,515		62,430
Creditors: Amounts falling due after more than one year	12		(15,253)		(16,848)
Provisions for liabilities and charges	13		(6,230)		(3,583)
			<u>46,032</u>		<u>41,999</u>
Capital and reserves					
Called up share capital	14		44,837		44,837
Profit and loss account			1,195		(2,838)
			<u>46,032</u>		<u>41,999</u>

The financial statements were approved by the Board of Directors on 27th May 1998.

For and on behalf of the Board



F Pullman  
Chief Executive



J Esam  
Finance & Planning Director

The notes on pages 18 to 24 form part of the accounts.

## reconciliation of movement in shareholders' funds

Year ended 31st March 1998

	1998 £000's	1997 £000's
Opening shareholders' funds	41,999	39,168
Profit for the financial year	4,033	2,831
Closing shareholders' funds	<u>46,032</u>	<u>41,999</u>

## statement of movement on reserves

Year ended 31st March 1998

	1998 £000's	1997 £000's
Balance at 1st April	(2,838)	(5,669)
Profit for the financial year	4,033	2,831
	<u>1,195</u>	<u>(2,838)</u>

The notes on pages 18 to 24 form part of the accounts.

## cash flow statement

Year ended 31st March 1998

	Note	1998		1997	
		£000's	£000's	£000's	£000's
Net cash inflow from operating activities	17		9,069		9,927
Returns on investment and servicing of finance					
Interest received		508		208	
Interest paid		(2,072)		(2,188)	
Net cash outflow on investment and servicing of finance			(1,564)		(1,980)
Capital expenditure					
Purchase of tangible fixed assets		(6,848)		(1,865)	
Sale of plant and machinery				25	
			(6,848)		(1,840)
Concession contract costs			(597)		-
Financing					
Repayment of debenture loans		(4,148)		(1,114)	
Repayment of finance leases		(200)		(551)	
			(1,348)		(1,665)
Management of liquid resources					
Decrease/(increase) in short term deposits			814		(5,800)
Decrease in cash			(474)		(1,358)

The notes on pages 18 to 24 form part of the accounts.

## accounting policies

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted 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

Depreciation 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 50 years.

Plant, equipment and vehicles between 3 and 15 years.

Infrastructure 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, and other purchases made in advance of use.

### 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.

### 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. A provision is made, in the year that the employee retires, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

## notes to the financial statements

Year ended 31st March 1998

	1998 £000's	1997 £000's
<b>1. Turnover</b>		
Traffic	21,414	18,459
Rents	4,211	4,190
Commercial	<u>16,328</u>	<u>12,603</u>
	<u>41,953</u>	<u>35,252</u>
<b>2. Operating Profit</b>		
Operating profit is stated after the following amounts have been charged:		
Depreciation on owned assets	2,717	2,260
Depreciation on leased assets	0	280
Directors' emoluments	279	272
Hire of plant and machinery	942	464
Auditors' remuneration	23	24
Other fees paid to auditors	32	18
<p>The majority shareholder, Luton Borough Council, provides professional and computer services to the Company. Charges to the Company for these services amounted to £190,000 (1997 - £146,000) and are on commercial terms.</p> <p>In addition to the "other fees paid to auditors" above, a further £82,000 has been included in the concession contract costs.</p>		
<b>3. Directors' Emoluments</b>		
Aggregate emoluments (excluding pensions)	261	253

The total emoluments of the highest paid director (excluding pension contributions) were £88,349 (1997: £73,000).

The amount of accrued pension for the highest paid director was £5,677 per annum at 31 March 1997 and £7,666 per annum at 31 March 1998.

Three of the directors are entitled to pension benefits accruing under the London Luton Airport Limited Pension Scheme, a defined benefit scheme.

## notes to the financial statements

Year ended 31st March 1998

	1998 £000's	1997 £000's
<b>4. Staff Costs</b>		
Wages and salaries	14,448	11,828
Social security costs	1,182	991
Other pension costs	881	767
Profit sharing scheme	565	365
	<u>17,076</u>	<u>13,951</u>
The average weekly number of employees during the year was made up as follows:		
	No.	No.
Operations and security	454	385
Engineering	54	47
Terminal services & car parks	115	67
Management, finance and administration	60	51
	<u>683</u>	<u>550</u>
<b>5. Loss On Disposal Of Fixed Assets</b>		
The loss on disposal of fixed assets was treated as an exceptional item in the 1997 accounts due to the significance of the amount written off. The Company was not able to claim capital allowances against the assets, and their disposal consequently had no effect on the tax charge.		
<b>6. Concession Contract Costs</b>		
The costs incurred to date associated with the process of selecting a concessionaire to invest in the airport infrastructure and to operate the airport have been treated as exceptional. The contractual arrangements had not been finalised as at March 31st, 1998.		
<b>7. Interest Payable And Similar Charges</b>		
	£000's	£000's
Charges under finance leases	80	118
Interest on debenture loans	1,972	1,995
Interest on short term loans	-	9
	<u>2,052</u>	<u>2,122</u>
On borrowings repayable within 5 years	80	127
On borrowings repayable after more than 5 years	1,972	1,995
	<u>2,052</u>	<u>2,122</u>
<b>8. Tax Charge On Profit On Ordinary Activities</b>		
Taxation charge on profit for the year:		
United Kingdom corporation tax at 31%	156	-
Deferred taxation (note 13)	2,671	1,509
	<u>2,827</u>	<u>1,509</u>

## notes to the financial statements

Year ended 31st March 1998

### 9. Tangible Fixed Assets

	Total	Runway and lighting	Freehold land and buildings	Plant equipment and vehicles	Infra- structure	Assets in course of construction
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Cost</b>						
At 1st April 1997	93,346	28,296	42,823	10,687	10,251	1,289
Transfers	0	0	658	504	0	(1,162)
Additions	7,676	0	465	937	0	6,274
Disposals	(1,037)	0	(700)	(337)	0	0
At 31st March 1998	<u>99,985</u>	<u>28,296</u>	<u>43,246</u>	<u>11,791</u>	<u>10,251</u>	<u>6,401</u>
Owned assets	95,385	27,564	43,246	8,034	10,140	6,401
Leased assets	4,600	732	0	3,757	111	0
At 31 March 1998	<u>99,985</u>	<u>28,296</u>	<u>43,246</u>	<u>11,791</u>	<u>10,251</u>	<u>6,401</u>
<b>Depreciation</b>						
At 1st April 1997	30,235	12,076	9,451	6,729	1,979	0
Charge for the year	2,717	614	857	871	375	0
Disposals	(854)	0	(537)	(317)	0	0
At 31st March 1998	<u>32,098</u>	<u>12,690</u>	<u>9,771</u>	<u>7,283</u>	<u>2,354</u>	<u>0</u>
Owned assets	29,023	12,339	9,771	4,626	2,287	0
Leased assets	3,075	351	0	2,657	67	0
At 31st March 1998	<u>32,098</u>	<u>12,690</u>	<u>9,771</u>	<u>7,283</u>	<u>2,354</u>	<u>0</u>
<b>Net book amount</b>						
At 31st March 1998	<u>67,887</u>	<u>15,606</u>	<u>33,475</u>	<u>4,508</u>	<u>7,897</u>	<u>6,401</u>
At 31st March 1997	<u>63,111</u>	<u>16,220</u>	<u>33,372</u>	<u>3,958</u>	<u>8,272</u>	<u>1,289</u>

#### 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 (including fees, terminal extension and civil engineering work)

1998	1997
£000's	£000's

10,388	617
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#### Freehold land and buildings

Land and buildings with a net book value of £5,054,000 (1997 - £5,456,000) have been leased to third parties.

## notes to the financial statements

Year ended 31st March 1998

	1998 £000's	1997 £000's
<b>9. Tangible Fixed Assets (Continued)</b>		
Assets in course of construction at the year end included the following:		
Extension and refurbishment of terminal	725	648
Apron refurbishment	196	-
Airport management system	59	380
Project management and design fees	3,926	-
Airside & landside civil engineering works	1,230	-
Other capital projects	265	261
	<u>6,401</u>	<u>1,289</u>
	1998 £000's	1997 £000's
<b>10. Debtors</b>		
Due within one year:		
Trade debtors	5,330	3,440
Asset held for resale	710	552
Other debtors and prepayments	1,358	418
	<u>7,398</u>	<u>4,410</u>
Due after more than one year: Other debtors	71	51
	<u>7,469</u>	<u>4,461</u>
<b>11. Creditors: Amounts Falling Due Within One Year</b>		
Debenture loans	1,786	1,731
Obligations under finance leases	651	459
Interest on debenture loans	734	752
Bank loans and overdraft	1,237	762
Trade creditors	5,948	4,933
Other creditors	1,658	1,068
Accrued pension charges	494	611
Taxes and social security	567	861
	<u>13,075</u>	<u>11,177</u>
<b>12. Creditors: Amounts Falling Due After More Than One Year</b>		
Debenture loans	16,921	18,069
Obligations under finance leases	769	969
	<u>17,690</u>	<u>19,038</u>
Less: amounts falling due within one year		
Debenture loans	(1,786)	(1,731)
Obligations under finance leases	(651)	(459)
	<u>15,253</u>	<u>16,848</u>

## notes to the financial statements

Year ended 31st March 1998

	1998 £000's	1997 £000's
<b>12. Creditors: Amounts Falling Due After More Than One Year (Continued)</b>		
Amounts falling due after more than one year and within five years:		
Debenture loans	5,220	5,052
Obligations under finance leases	117	510
Due after more than five years:		
Debenture loans	9,916	11,286
Obligations under finance leases	-	-
	<u>15,253</u>	<u>16,848</u>
Loans Outstanding:		
Debenture loan 1-interest fixed at 12%	3,153	3,408
Debenture loans 2,3 and 6-interest at 4% over three months LIBOR	8,878	9,440
Debenture loan 4-interest 4% over six months LIBOR	1,788	1,931
Debenture loan 5-interest fixed at 12.125%	3,102	3,290
	<u>16,921</u>	<u>18,069</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 installments calculated on the basis of a 5% sinking fund. Debenture loans 4, 5 and 6 are repayable by half-yearly equal installments. The loans are secured by a floating charge over all the Company's undertakings and property.

### 13. Provisions For Liabilities And Charges

	£000's	£000's
Deferred tax	4,180	1,509
Provision for enhanced pension payments for early retirees	2,050	2,074
	<u>6,230</u>	<u>3,583</u>
Deferred taxation		
The amount provided for in respect of deferred taxation is as follows:		
Capital allowances in excess of depreciation	4,978	4,524
Trading losses	-	(2,166)
Provision for early retirees	-	(729)
Other timing differences	(798)	(120)
Amount provided	<u>4,180</u>	<u>1,509</u>
The full potential liability for deferred taxation is as follows:		
Capital allowances in excess of depreciation	4,978	4,524
Trading losses	-	(2,166)
Provision for early retirees	-	(729)
Other timing differences	(798)	(120)
	<u>4,180</u>	<u>1,509</u>
Provision for enhanced pension payments for early retirees	2,074	1,910
Balance brought forward at 1st April	113	299
Provision for future commitments in respect of early retirees	(137)	(135)
Transfer to amounts falling due within one year	<u>2,050</u>	<u>2,074</u>

## notes to the financial statements

Year ended 31st March 1998

	1998 £000's	1997 £000's
<b>14. Called Up Share Capital</b>		
Authorised ordinary shares £1 each	60,000	60,000
Allotted and fully paid	<u>44,837</u>	<u>44,837</u>
<b>15. Operating Lease Commitments And Contingencies</b>		
At 31st March 1998 the Company was committed to making the following payments during the next year in respect of operating leases relating to items of plant and machinery:		
	£000's	£000's
Leases which expire within 1 year	26	-
Leases which expire between 1 and 5 years	448	474
Leases which expire after 5 years	-	-
Total operating lease charge	<u>474</u>	<u>474</u>

### 16. 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 £881,000 (1997 - £767,000).

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 1996 when the market value of the fund's assets was £4,739,515. The actuarial value of past-service liabilities was assessed to be £3,779,000, which compared with the value placed upon the assets of £4,330,000. As a result of the valuation, and taking into account the changes in the July 1997 budget relating to corporation tax and foreign income dividends, from October 1997 the employer's contributions were increased from 9.5% to 10.2% of pensionable pay for all employees.

A valuation of the Bedfordshire Superannuation Fund was undertaken as at 31st March 1995. As a result of the actuaries' recommendations the employer's contributions have been set at 160% of employees' contributions from 1st April 1996.

The main assumptions underlying the actuarial valuation of the two schemes were 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 Watson Wyatt, a firm of external actuaries. The main assumptions are that investment returns will be 3% above inflation and pension increases will be in line with inflation.

## notes to the financial statements

Year ended 31st March 1998

	1998 £000's	1997 £000's		
<b>17. Reconciliation Of Operating Profit To Net Cash Inflow From Operating Activities</b>				
Operating profit before interest and exceptional items	9,703	6,267		
Depreciation charges	2,717	2,540		
Adjustment to provision for pension enhancements	(24)	164		
Loss on disposal of fixed assets	310	516		
Increase in stocks	(12)	(93)		
Increase in debtors	(3,008)	(1)		
(Decrease)/increase in creditors	(617)	534		
Net cash inflow from operating activities	<u>9,069</u>	<u>9,927</u>		
<b>18. Reconciliation Of Cash Flow To Net Debt</b>				
	1998 £000's	1997 £000's		
Decrease in cash	(474)	(1,358)		
Decrease in debt & lease financing	1,348	1,665		
(Decrease)/increase in liquid resources	(814)	5,800		
Decrease in net debt in the period	60	6,107		
Net debt 1st April 1997	<u>(14,000)</u>	<u>(20,107)</u>		
Net debt 31st March 1998	<u>(13,940)</u>	<u>(14,000)</u>		
<b>19. Analysis Of Net Debt</b>				
	1st April 1997 £000's	Cash Flow £000's	Other Non-cash £000's	31st March 1998 £000's
Cash at bank and in hand:				-
Short term deposits	5,800	(814)	-	4,986
Overdraft	(762)	(474)	-	(1,236)
	<u>5,038</u>	<u>(1,288)</u>	<u>-</u>	<u>3,750</u>
Debt due after 1 year:				
Debenture loans	(16,338)	-	1,202	(15,136)
Finance leases	(510)	-	393	(117)
Debt due within 1 year:				
Debenture loans	(1,731)	1,148	(1,202)	(1,785)
Finance leases	(459)	200	(393)	(652)
	<u>(19,038)</u>	<u>1,348</u>	<u>-</u>	<u>(17,690)</u>
Net debt	<u>(14,000)</u>	<u>60</u>	<u>-</u>	<u>(13,940)</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 Act requires the trading results arising from operational activities to be allocated between airport related activities such as aircraft landing,

parking and taking off (including passenger related activities) and other operational activities.

All revenues and costs arising from non-operational activities, such as items where the income is not primarily from airport users are required to be shown as a separate category.

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

The Company received no preferential treatment or financial support from any associated person or organisation during the year.

## operational and non-operational trading results

	Income £000's	Expenditure £000's	1998 Profit before interest and tax £000's	Income £000's	Expenditure £000's	1997 Profit before interest and tax £000's
<b>Operational Activities</b>						
<b>Airport</b>						
- ordinary	16,916	21,947	(5,031)	15,015	19,939	(4,924)
- exceptional	-	-	-	-	-	-
<b>Other Operational</b>						
- ordinary	25,037	10,303	14,734	20,237	8,514	11,723
- exceptional	-	-	-	-	-	-
	<u>41,953</u>	<u>32,250</u>	<u>9,703</u>	<u>35,252</u>	<u>28,453</u>	<u>6,799</u>
<b>Non-Operational Activities</b>						
	-	1,300	(1,300)	-	532	(532)
	<u>41,953</u>	<u>33,550</u>	<u>8,403</u>	<u>35,252</u>	<u>28,985</u>	<u>6,267</u>