

London Luton Airport Limited

Annual report and financial statements

for the year ended 31 March 2009

Registered number: 2020381

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London Luton Airport Limited

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London Luton Airport Limited

Directors' report for the year ended 31 March 2009

The directors present their report and the audited financial statements of the company for the year ended 31 March 2009.

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.

Review of business and future developments

At the 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

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 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 whom 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 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.

London Luton Airport Limited

Directors' report for the year ended 31 March 2009 (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 £6.41m (2008: £13.02m). An interim dividend of £1.65m, 3.7 pence per share, was paid on 14th January 2009. The members at an Extraordinary General Meeting held on 25 March 2009 approved a final dividend for the year of 8.1 pence per ordinary share (amounting to £3.65m), making a total dividend for the year of £5.30m, 11.8 pence per ordinary share (2008: £5.06m, 11.3p).

Directors

The directors who held office during the year are given below.

M Ashraf
R Davies
D Franks
R Harris (Chairman)
M Hussain
L Ireland
J Titmuss

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.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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.

London Luton Airport Limited

Directors' report for the year ended 31 March 2009 (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements (continued)

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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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 year amounting to £9.78m to local charitable organisations based in Luton. Payments are analysed as follows:

	2009	2008
	£'000	£'000
Advice & information services	1,120	993
Health & social welfare services	1,167	1,031
Cultural services trust	4,632	1,000
Sport & leisure activities	2,862	2,650
	9,781	5,674

Auditors;

PricewaterhouseCoopers LLP have acted as auditors to the company in the 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

8th September 2009

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 2009 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movement in shareholders' funds, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the 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

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
St Albans

9 September 2009

London Luton Airport Limited

Profit and loss account for the year ended 31 March 2009

		2009	2008
	Note	£'000	£'000
Turnover	3	21,879	17,936
Administrative expenses		(11,843)	(7,810)
Operating profit	4	10,036	10,126
Interest receivable and similar income	7	167	223
Interest payable and similar charges	8	(1,746)	(1,821)
Profit on ordinary activities before taxation		8,457	8,528
Tax on profit on ordinary activities	9	(2,047)	4,492
Profit for the financial year		6,410	13,020

All the results for the year derive from continuing operations.

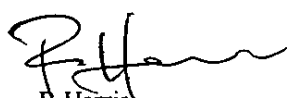
There are no material differences between the profit on ordinary activities before taxation and the retained profit stated above and their historical equivalents.

London Luton Airport Limited

Balance sheet as at 31 March 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments	11	335,000	235,000
Current assets			
Debtors and accrued income	12	4,365	4,105
Investments	11	-	1,000
Cash at bank and in hand		715	635
		5,080	5,740
Creditors: amounts falling due within one year	13	(5,567)	(7,328)
Net current liabilities		(487)	(1,588)
Total assets less current liabilities		334,513	233,412
Creditors: amounts falling due after more than one year	14	(16,921)	(16,921)
Net assets excluding pension deficit		317,592	216,491
Pension deficit	23	(1,602)	(1,699)
Net assets including pension deficit		315,990	214,792
Capital and reserves			
Called up share capital	16	44,837	44,837
Revaluation reserve	17	261,996	161,996
Profit and loss account	17	9,157	7,959
Total shareholders' funds		315,990	214,792

The financial statements on pages 5 to 25 were approved by the board of directors on 8 September 2009 and were signed on its behalf by:


R Harris
Director

London Luton Airport Limited

Statement of total recognised gains and losses for the year ended 31 March 2009

	2009	2008
	£'000	£'000
Profit for the financial year	6,410	13,020
Unrealised surplus on revaluation of properties	100,000	-
Actuarial gain on unfunded pension liability	123	1,233
Movement in deferred tax in respect of change in tax rate	-	(72)
Movement in deferred tax liability relating to actuarial loss on unfunded pension liability	(35)	(345)
Total recognised gains and losses relating to the year	106,498	13,836

Reconciliation of movement in shareholders' funds for the year ended 31 March 2009

	2009	2008
	£'000	£'000
Profit for the financial year	6,410	13,020
Dividends	(5,300)	(5,063)
	1,110	7,957
Actuarial gain on unfunded pension liability	123	1,233
Movement in deferred tax in respect of change in tax rate	-	(72)
Revaluation of investment property	100,000	-
Movement in deferred tax liability relating to actuarial loss on unfunded pension liability	(35)	(345)
Net addition to shareholders' funds	101,198	8,773
Opening shareholders funds at 1 April	214,792	206,019
Closing shareholders funds at 31 March	315,990	214,792

London Luton Airport Limited

Cash flow statement for the year ended 31 March 2009

		2009	2008
	Note	£'000	£'000
Net cash inflow from operating activities	20	9,419	9,865
Returns on investment and servicing of finance			
Interest received		167	223
Interest paid		(1,746)	(1,821)
Net cash inflow on investment and servicing of finance		7,840	8,267
Taxation		(2,047)	(1,788)
Equity dividends paid to shareholders		(6,713)	(5,130)
Net cash outflow before use of liquid sources and financing		(920)	1,349
Management of liquid resources			
Decrease/(increase) in short-term deposits with banks		1,000	(1,000)
Increase in net cash	21	80	349

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009

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 1985 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.

Revenue

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

Revenue relating to some new routes introduced with effect from 1 June 2002 is recognised at the fair value of revenue receivable. A proportion of the revenue is receivable within one year, with the balance due in about 9 years after the date it is earned.

Amounts due after more than one year are not recognised due to the uncertainty of future inflow of economic benefit given the length of time before revenue is receivable. The revenue 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 taxation

Deferred taxation 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 taxation, or a right to pay less taxation, in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have been discounted using the post tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates similar to those of the deferred taxation assets and liabilities.

Deferred taxation 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 2009 (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 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	3.1
Discount rate	6.9
Inflation	3.1

A formal actuarial valuation is carried out every 3 years. The most recent formal actuarial valuation was at 31 March 2007, which has been reflected in these financial statements.

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. This assessment will be undertaken every 5 years. Mr A Lomax MRIC of Drivers Jonas undertook this as at 31 March 2009. This valuation takes into account forecast future cash flows and is discounted using a discount rate of 9.5% 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 20th August 2028. 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 accounts to give a true and fair view.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009 (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.

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 instructions of London Luton Airport Limited, Drivers Jonas, Chartered Surveyors have valued the freehold interest in London Luton Airport at as at 31 March 2009. The next valuation is due to be undertaken as at 31 March 2014.

The excess of the amount of this valuation totalling £261,996,000 (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

	2009	2008
	£'000	£'000
Concession income	21,879	17,936

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

4 Operating profit

	2009	2008
	£'000	£'000
Operating profit is stated after the following amounts have been charged:		
Operating leases - land and buildings	1,444	1,444
Charge for enhanced pension payments	170	251
Gift Aid payments	9,781	5,674
Auditors' remuneration:		
Audit services	23	17
Non-audit services – tax	29	27

Related Party Disclosures

The shareholder, Luton Borough Council, provides professional services to the company. Charges to the company for these services amounted to £233,155 (2008: £310,000) and are on commercial terms. £1,444,000 (2008: £1,444,000) 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 year amounted to £nil (2008: £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 2009 (continued)

6 Staff costs

The company has nil employees (2008: 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

	2009	2008
	£'000	£'000
Bank interest	5	14
Other interest receivable	162	209
	167	223

8 Interest payable and similar charges

	2009	2008
	£'000	£'000
Interest on debenture loans - repayable after more than 5 years (note 14)	1,746	1,821
	1,746	1,821

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

9 Tax charge on profit on ordinary activities

	2009 £'000	2008 £'000
Taxation (credit)/charge on profit for the year:		
Adjustment for previous year	(6)	(28)
United Kingdom corporation tax at 28%	2,040	2,090
	2,034	2,062
Deferred taxation :		
Capital allowances in excess of depreciation	10	17
Capital allowances in excess of depreciation-effect of change in tax rate	-	5
Reversal of capital allowances in excess of depreciation in respect of removal of industrial buildings balancing charges	-	(9,547)
Movement in relation to enhanced pension payments	3	2
Discount	-	2,969
	2,047	(4,492)

The tax assessed for the period is lower than the standard rate of Corporation tax in the UK (28%). The differences are explained below:

	2009 £'000	2008 £'000
Profit on ordinary activities	8,457	8,528
Profit on ordinary activities multiplied by standard rate in UK 28% (2008: 30%)	2,368	2,558
Effects of:		
Expenses non deductible for tax purposes	3	7
Industrial buildings allowances in excess of depreciation	(318)	(455)
Capital allowances in excess of depreciation	(10)	(18)
Other timing differences	(3)	(2)
Adjustments to tax charge in respect of previous year	(6)	(28)
Current tax charge for year	2,034	2,062

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

9 Tax charge 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 (2008: £45,359,000).

10 Dividends

	2009	2008
	£'000	£'000
On ordinary equity shares		
Interim paid 14 January 2009: 3.7 p (2008: nil) per share	1,650	-
Final proposed 31 March 2009: 8.1p (2008: 11.3p) per share	3,650	5,063
	5,300	5,063

The final dividend for the year ended 31 March 2009 was approved by an Extraordinary General Meeting of the company held on 25 March 2009.

11 Investments

Fixed asset investments	2009	2008
	£'000	£'000
	335,000	235,000

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 above.

Current asset investments

There were no investments in place at 31 March 2009 (2008: £1.0m)

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

12 Debtors and accrued income

	2009	2008
	£'000	£'000
Accrued income	4,325	3,918
Deferred tax (note 15)	40	50
Other debtors and prepayments	-	137
	4,365	4,105

13 Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Other creditors	254	338
Corporation tax	1,176	1,189
Other taxation and social security payable	476	718
Proposed dividend	3,650	5,063
Accruals and deferred income	11	20
	5,567	7,328

14 Creditors: amounts falling due after more than one year

	2009	2008
	£'000	£'000
Debenture loans		
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 2009 (continued)

15 Deferred taxation

The deferred tax asset represents the following:

	2009	2008
	£'000	£'000
Capital allowances in excess of depreciation	(40)	(50)
Deferred tax asset	(40)	(50)
Deferred tax at 1 April	(50)	9,477
Deferred tax charge/(credit) in the profit and loss account	10	(9,527)
Deferred tax asset at 31 March	(40)	(50)

16 Called up share capital

	2009	2008
	£'000	£'000
60,000,000 Authorised ordinary shares £1 each	60,000	60,000
44,837,002 (2008: 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 2009 (continued)

17 Reserves

	Revaluation reserve	Profit and loss account
	£'000	£'000
1 April 2008	161,996	7,959
Profit for the financial year	-	6,410
Dividends	-	(5,300)
Actuarial gain on unfunded pension liability	-	123
Revaluation of investment property	100,000	-
Movement on deferred tax liability relating to actuarial loss on unfunded pension liability	-	(35)
At 31 March 2009	261,996	9,157
Pension deficit		(1,602)
Profit and loss reserve excluding pension deficit		10,759

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

18 Operating lease commitments and contingencies

At 31 March 2009 the company was committed to making the following annual payments in respect of operating leases relating to land and buildings.

	2009	2008
	£'000	£'000
Leases which expire after five years	1,444	1,444

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 is deferred until around 9 years time. 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 the element of the income receivable in around 9 years time, although these deferred amounts will be recognised from 3 years before they become payable.

	2009	2008
	£'m	£'m
1st applicable period repayable 2011/12	1.3	1.3
2nd applicable period repayable 2012/13	0.1	0.1
3rd applicable period repayable 2013/14	7.5	6.7
4th applicable period repayable 2014/15	1.1	0.8
Total contingent asset amount as at 31 March 2009	10.0	8.9

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

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

	2009	2008
	£'000	£'000
Operating profit	10,036	10,126
Movement in pension enhancement provision	(12)	(8)
Increase in debtors	(270)	(690)
Decrease in creditors	(335)	437
Net cash inflow from operating activities	9,419	9,865

21 Analysis of net debt

	1 April 2008	Cash flow	31 March 2009
	£'000	£'000	£'000
Cash at bank and in hand	635	80	715
Debt due after one year:			
Debenture loans	(16,921)	-	(16,921)
Net debt	(16,286)	80	(16,206)

22 Reconciliation of net cash flow to movement in net debt

	2009	2008
	£'000	£'000
Increase in cash in the year	80	349
Net debt at the start of the year	(16,286)	(16,635)
Net debt at the end of the year	(16,206)	(16,286)

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009 (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 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. 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 2009 using the projected unit basis, by Hymans Robertson LLP, independent consulting actuaries. The major assumptions used by the actuary were:

	2009	2008
	%	%
Rate of increase in salaries	4.6	5.1
Rate of inflation/increase in pensions in payment	3.1	3.6
Discount rate	6.9	6.9

The mortality assumptions used were as follows:

	2009 years	2008 years
Longevity at age 65 for current pensioners:		
– Men	19.6	19.6
– Women	22.5	22.5
Longevity at age 65 for future pensioners		
– Men	20.7	20.7
– Women	23.6	23.6

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

23 Pension commitments (continued)

a) Defined benefit scheme (continued)

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected	Value at	Long-term rate of return expected	As restated value at
	31 March 2009	31 March 2009	31 March 2008	31 March 2008
	%	£'000	%	£'000
Equities	7.0	-	7.7	-
Bonds	5.6	-	5.7	-
Property	4.9	-	5.7	-
Cash	4.0	-	4.8	-
<hr/>				
Total market value of assets		-		-
Present value of scheme liabilities		(2,225)		(2,360)
<hr/>				
Deficit in scheme		(2,225)		(2,360)
Related deferred tax asset		623		661
<hr/>				
Net pension deficit		(1,602)		(1,699)

The above asset values as at 31 March 2009 are valued at the current bid price following the adoption of the amendment to FRS 17. Previously these were valued at mid price. There was no effect of this change on the value of assets at 31 March 2008 and thus no restatement is deemed necessary.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

23 Pension commitments (continued)

b) Reconciliation of present value of scheme liabilities

	2009 £'000	2008 £'000
At 1 April	2,360	3,700
Current service cost	-	-
Past service cost	-	-
Interest cost	157	160
Unfunded benefits paid	(169)	(107)
Actuarial gain	(123)	(1,393)
At 31 March	2,225	2,360

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

23 Pension commitments (continued)

	2009 £'000	2008 £'000
Reconciliation of fair value of scheme assets		
At 1 April	-	-
Expected return on scheme assets	-	-
Actuarial Gains/(Losses)	-	-
Unfunded benefits paid	(169)	(107)
Contributions in respect of Unfunded Benefits	169	107
At 31 March	-	-

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

	2009 £'000	2008 £'000
Current service cost	-	-
Past service cost	-	-
Interest cost	157	160
Total	157	160

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

23 Pension commitments (continued)

Amounts for current and previous four years:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Defined benefit obligation	(2,225)	(2,360)	(3,700)	(3,600)	(-)
Plan assets	-	-	-	-	-
Deficit	(2,225)	(2,360)	(3,700)	(3,600)	(-)
Experience adjustments on plan assets					
Amount	-	-	-	-	-
Experience adjustments on plan liabilities:					
Amount	19	1,198	(250)	(880)	-
Total amount recognised in the statement of total recognised gains and losses:					
Amount	123	1,393	(160)	(1,090)	-

24 Parent entity and ultimate controlling party

Luton Borough Council own 100% of the shares of the Company and are considered to be the parent entity and ultimate controlling party. The headquarters address of Luton Borough Council being Town Hall, George Street, Luton, LU1 2BQ