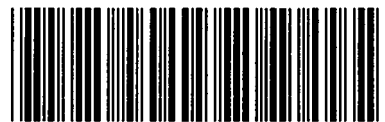


London Luton Airport Limited
Annual report and financial statements
for the year ended 31 March 2014

Registered number: 2020381

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London Luton Airport Limited

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London Luton Airport Limited

Strategic Report for the year ended 31 March 2014

The directors present their Strategic Report on the company for the year ended 31 March 2014.

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.

Review of the business

The year ended 31st March 2014 was particularly significant for the company. London Luton Airport celebrated the 75th anniversary of its opening on 16th July, and planning permission was granted in December, subject to the consideration of the Secretary State for Communities and Local Government and the completion of a satisfactory planning agreement, for investment by LLAOL in a range of works to increase the passenger capacity of the airport to up to 18 million passengers per annum.

The company diversified its property investment portfolio the acquiring the Grade II –listed former corporate headquarters of Vauxhall Motors Limited in Kimpton Road, Luton, since renamed Hart House in honour of Alderman O E Hart, who was Chairman of Luton Borough Council's Airport Committee at the time the airport was opened. The building is let as serviced offices to a number of small to medium enterprises, and is operating profitably, with a currently low level of voids.

Principal risks and uncertainties

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

Review of business and future developments

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

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

The company is likely to continue to diversify its property portfolio by acquiring suitable properties adjacent to or nearby the airport, where it can be shown that these not only have a long-term strategic value to the company but are also capable of making a reasonable return on investment in the short- to medium-term.

Key performance indicators (KPI's)

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

Financial risk management

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

London Luton Airport Limited

Strategic Report for the year ended 31 March 2014 (continued)

Price risk

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

Credit risk

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

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.

By order of the Board



M Turner
For the Company Secretary, Luton Borough Council

9 September 2014

London Luton Airport Limited

Directors' report for the year ended 31 March 2014

The directors present their report and the audited financial statements for the year ended 31st March 2014.

Future developments

Future developments for the company are set out in the Strategic Report.

Results and dividends

The company's loss for the financial year is £0.4m (2013 profit: £10.96m). The members at an Extraordinary General Meeting held on 25th March 2014 approved a final dividend for the financial year of 15.61 pence per ordinary share (amounting to £7.00m), making the total dividend for the financial year £11.00m, or 24.53 pence per ordinary share (2013: £6.30m, 14.05p).

Directors

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

M Ashraf	(Chairman, appointed 20 th May 2014)
D Franks	
Y Hanif	
R Harris	(Chairman, resigned 20 th January 2014)
S Knight	
A Rathore	(Appointed 20 th May 2014)
R Saleem	(Vice-Chairman acting as Chairman, resigned 20 th May 2014)
T Khan	
J Titmuss	
M Zia	(Resigned 21 st May 2013)

Disabled persons

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

Corporate Social Responsibility

The year ended 31st March 2014 saw the implementation of the company's Community Funding Policy, which sets out the ways in which the company will contribute to the social, environmental and economic wellbeing of the communities surrounding London Luton Airport.

Statement of directors' responsibilities

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

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

London Luton Airport Limited

Directors' report for the year ended 31 March 2014(continued)

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

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

Disclosure of information to auditors

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

Charitable donations

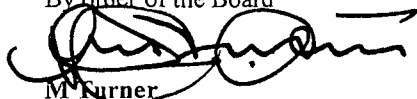
The Company has, through its Community Funding Programme, made donations during the financial year amounting to £13.522m (2013: £15.995m) to local charitable organisations based or operating in Luton and the surrounding area. Payments are analysed as follows:

	2014 £000	2013 £000
Advice and Information Services	2,990	3,450
Health and Social Welfare Services	2,996	3,510
Cultural Services Trust	5,675	6,459
Sport and Leisure Activities	1,861	2,576
	13,522	15,995

Independent Auditors

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

By order of the Board



M. Furner

For the Company Secretary, Luton Borough Council

9 September 2014

London Luton Airport Limited

Independent auditors' report to the members of London Luton Airport Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by London Luton Airport Limited, comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account and statement of total recognised gains and losses for the year then ended;
- the reconciliation of movements in shareholders' funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

London Luton Airport Limited

Independent auditors' report to the members of London Luton Airport Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility. _

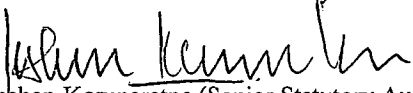
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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


Deshan Karunaratne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

10
8 September 2014

London Luton Airport Limited

Profit and loss account for the year ended 31 March 2014

		2014	2013
	Note	£'000	£'000
Turnover	3	28,691	35,704
Administrative expenses		(16,690)	(19,996)
Operating profit	4	12,001	15,708
Interest receivable and similar income	7	33	17
Interest payable and similar charges	8	(1,529)	(1,270)
Profit on ordinary activities before taxation		10,505	14,455
Tax on profit on ordinary activities	9	(10,897)	(3,500)
(Loss)/Profit for the financial year		(392)	10,955

All the results for the years derive from continuing operations.

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

London Luton Airport Limited

Balance sheet as at 31 March 2014

		2014	2013
	Note	£'000	£'000
Fixed assets			
Investments	11	411,738	410,000
Current assets			
Debtors	12	6,576	14,414
Investments	11	2,100	-
Cash at bank and in hand		202	101
		8,878	14,515
Creditors: amounts falling due within one year	13	(17,655)	(10,068)
Net current assets/(liabilities)		(8,777)	4,447
Total assets less current liabilities		402,961	414,447
Creditors: amounts falling due after more than one year	14	(16,921)	(16,921)
Net assets excluding pension deficit		386,040	397,526
Pension deficit	23	(1,901)	(1,819)
Net assets including pension deficit		384,139	395,707
Capital and reserves			
Called up share capital	16	44,837	44,837
Revaluation reserve	17	336,996	336,996
Profit and loss account	17	2,306	13,874
Total shareholders' funds		384,139	395,707

The financial statements on pages 7 to 24 were approved by the Board of directors on 29th September 2014 and were signed on its behalf by:

9 September 2014
Director

Registered Number 2020381



London Luton Airport Limited

Statement of total recognised gains and losses for the year ended 31 March 2014

	2014 £'000	2013 £'000
(Loss)/Profit for the financial year	(392)	10,955
Unrealised surplus on revaluation of investment property	-	75,000
Actuarial losses on pension scheme	(108)	(80)
Current tax deductions allocated to actuarial losses	15	13
Movement on deferred tax relating to pension deficit	(83)	(18)
Total recognised gains and (losses) relating to the financial year	(568)	85,870

Reconciliation of movements in shareholders' funds for the year ended 31 March 2014

	2014 £'000	2013 £'000
(Loss)/profit for the financial year	(392)	10,955
Dividends	(11,000)	(6,300)
Retained (loss)/profit for the financial year	(11,392)	4,655
Actuarial losses on pension scheme (note 23)	(108)	(80)
Current tax deductions allocated to actuarial losses	15	13
Revaluation of investment property	-	75,000
Movement on deferred tax relating to pension deficit	(83)	(18)
Net increase/(deduction) from shareholders' funds	(11,568)	79,570
Opening shareholders funds at 1 April	395,707	316,137
Closing shareholders funds at 31 March	384,139	395,707

London Luton Airport Limited

Cash flow statement for the year ended 31 March 2014

		2014	2013
	Note	£'000	£'000
Net cash inflow from operating activities	20	18,946	6,562
Returns on investment and servicing of finance			
Interest received		33	17
Interest paid		(1,241)	(1,270)
Net cash inflow on investments and servicing of finance		17,738	5,309
Acquisition of investment properties		(1,738)	-
Taxation		(3,899)	(2,327)
Equity dividends paid to shareholders		(9,900)	(7,100)
Net cash inflow/(outflow) before use of liquid sources and financing		2,201	(4,118)
Management of liquid resources			
Increase/(decrease) in short-term deposits with banks		2,100	(4,050)
Increase in net cash	21	101	68

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2014

1 Accounting policies

Accounting convention

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

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

Turnover

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

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

Turnover also includes income from additional investment properties acquired in the year.

Leased-assets

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

Deferred tax

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

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

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

1 Accounting policies (continued)

Pension costs

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

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

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

	% pa
Rate of increase to pensions in payment	2.6
Discount rate	4.1
Inflation	2.6

A formal actuarial valuation is carried out every 3 years. The most recent formal actuarial valuation was at 31 March 2010. The results of this valuation have been projected forward to 31 March 2014 and refluxed in these financial statements. The scheme is a defined benefits scheme.

Investment properties

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

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

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

2 Concession contract

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

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

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

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

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

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

3 Turnover

	2014	2013
	£'000	£'000
Concession income	28,662	35,704
Other Property Income	29	-
Total Investment income	28,691	35,704

All turnover is generated and originates in the United Kingdom.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

4 Operating profit/(loss)

	2014	2013
	£'000	£'000
Operating profit is stated after the following amounts have been charged:		
Operating leases - land and buildings	1,878	1,652
Charge for enhanced pension payments	168	163
Gift Aid payments	13,522	15,995
Auditors' remuneration:		
Audit services	26	34
Non-audit services – tax	48	27

5 Directors' emoluments

Directors' emoluments for the financial year amounted to £nil (2013: £nil). All of the directors are council members and therefore do not qualify for remuneration.

6 Staff costs

The company has no employees (2013: 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 24.

7 Interest receivable and similar income

	2014	2013
	£'000	£'000
Investment interest receivable	33	17

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

8 Interest payable and similar charges

	2014	2013
	£'000	£'000
Interest on debenture loans - repayable after more than 5 years (note 14)	1,241	1,270
Interest on underpaid tax CTA 200 s479	288	-
	1,529	1,270

9 Tax on profit on ordinary activities

	2014	2013
	£'000	£'000
Current Tax :		
United Kingdom corporation tax in respect of current year	4,231	-
United Kingdom corporation tax on profits in respect of prior years.	6,678	3,496
	10,909	3,496
Deferred tax :		
Origination and reversal of timing differences	(16)	3
Change in tax rates	4	1
Total tax on profit on ordinary activities	10,897	3,500

The tax assessed for the financial year is the same (2013 the same) as the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

	2014	2013
	£'000	£'000
Profit on ordinary activities before tax	10,505	14,455
Profit on ordinary activities multiplied by standard rate in the UK of 23%	2,416	3,469
Effects of:		
Expenses non deductible for tax purposes	1,799	30
Capital allowances in excess of depreciation	(3)	(3)
Movements in short term timing differences	19	-
Adjustment to tax charge in respect of previous periods	6,678	-
Total tax charge	10,909	3,496

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

Tax on profit on ordinary activities (continued)

No provision has been made for the deferred tax on gains recognised on revaluing the investment property. Such tax would become payable only if the property was sold. The company has no intention to sell its investment property. The total amount unprovided for is £73,359,000 (2013: £73,359,000).

Factors that may affect future tax rate

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

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2013 on the 2nd July 2013. These included reductions to the main rate to reduce this to 21% from 1st April 2014 and to 20% from 1st April 2015. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and are reflected in these financial statements..

The effect of the above changes would be immaterial to the non-pensions deferred tax asset recognised at 31st March 2014 as disclosed in note 15.

10 Dividends

	2014	2013
On ordinary equity shares :		
Final proposed 31 March 2014: 24.53p (2013: 14.05p) per share	11,000	6,300

The final dividend for the year ended 31 March 2014 was approved by an Extraordinary General Meeting of the company held on 29th March 2014.

11 Investments

Fixed asset investments	2014	2013
	£'000	£'000
Airport	410,000	410,000
Other Properties	1,738	-
Total	411,738	410,000

The Directors believe that the carrying value of the investments is supported by their underlying net assets. The interest in investment property has been valued in accordance with the circumstances and principles set out in note 1.

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

Current asset investments

Short term investments amounted to the sum of £2,100,000 in place at 31 March 2014 (2013:nil).

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

12 Debtors

	2014	2013
	£'000	£'000
Prepayments and accrued income	6,550	14,400
Deferred tax (note 15)	26	14
	6,576	14,414

13 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Corporation tax	9,495	2,204
Other taxation and social security payable	441	642
Proposed dividend	7,000	5,900
Other creditors	719	1,323
	17,655	10,068

14 Creditors: amounts falling due after more than one year

	2014	2013
	£'000	£'000
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 2014 (continued)

15 Deferred tax

The deferred tax asset represents the following:

	2014	2013
	£'000	£'000
Short term timing differences	16	-
Capital allowances less than depreciation	10	14
Deferred tax asset at 31 March	26	14
Deferred tax at 1 April	14	18
Deferred tax charge in the profit and loss account	12	(4)
Deferred tax asset at 31 March	26	14

16 Called up share capital

	2014	2013
	£'000	£'000
60,000,000 (2013: 60,000,000) Authorised ordinary shares £1 each	60,000	60,000
44,837,002 (2013: 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 2014 (continued)

17 Reserves

	Revaluation reserve	Profit and loss account
	£'000	£'000
1 April 2013	336,996	13,874
Loss for the financial year	-	(392)
Dividends	-	(11,000)
Actuarial loss on unfunded pension liability	-	(108)
Current tax deductions allocated to actuarial losses	-	15
Movement on deferred tax asset relating to actuarial loss on unfunded pension liability	-	(83)
At 31 March 2014	336,996	2,306

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

18 Operating lease commitments and contingencies

At 31 March 2014 the company was committed to making the following annual payments in respect of operating leases relating to land and buildings.

	2014	2013
	£'000	£'000
Leases which expire after five years	1,878	1,652

19 Contingent assets

The company renegotiated the terms of the concession agreement with LLAOL on revenue relating to qualifying new routes, introduced with effect from 1 June 2002, with the result that, of the fee payable on the volumes arising on these new routes, an amount was deferred for a period ranging from a minimum of 5 years to a maximum of 9 years. The first payment was made in the financial year 2011/12. The final payment, due in May 2014 has been accrued into the accounts in the year 2013/14 and therefore no further contingent asset remains after this payment has been received.

	2014	2013
	£'m	£'m
4th applicable period repayable 2014/15	-	1.3
Total contingent asset as at 31 March 2014	-	1.3

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

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

	2014	2013
	£'000	£'000
Operating profit	12,001	15,708
Movement in pension enhancement provision	(100)	(55)
Decrease /(Increase) in debtors	7,850	(9,472)
(Decrease)/Increase in creditors	(805)	381
Net cash inflow from operating activities	18,946	6,562

21 Analysis of net debt

	1 April 2013	Cash flow	31 March 2014
	£'000	£'000	£'000
Cash at bank and in hand	101	101	202
Debenture loans	(16,921)	-	(16,921)
Net debt	(16,820)	101	(16,719)

22 Reconciliation of net cash flow to movement in net debt

	2014	2013
	£'000	£'000
Increase in cash in the year	101	68
Net debt at the start of the year	(16,820)	(16,888)
Net debt at the end of the year	(16,719)	(16,820)

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

23 Pension commitments

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

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

An actuarial valuation of the Bedfordshire County Council Pension Fund for the purposes of settling London Luton Airport Limited's actual contributions was carried out at 31 March 2010 using the projected unit basis, by Hymans Robertson LLP, independent consulting actuaries. The results of this valuation have been projected forward to 31 March 2014 by Hymans Robertson LLP. The major assumptions used by the actuary were:

	2014	2013
	%	%
Rate of increase in salaries	3.4	5.1
Rate of inflation/increase in pensions in payment	2.6	2.8
Discount rate	4.1	4.5
<hr/>		
The mortality assumptions used were as follows:	2014 years	2013 years
Longevity at age 65 for current pensioners:		
- Men	22.4	21.6
- Women	24.3	23.2
Longevity at age 65 for future pensioners:		
- Men	22.6	22.6
- Women	25.7	25.7

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

23 Pension commitments (continued)

a) Defined benefit scheme

	2014	2013
Present value of scheme liabilities	(2,406)	(2,362)
Deficit in scheme	(2,406)	(2,362)
Related deferred tax asset	505	543
Net pension deficit	(1,901)	(1,819)

b) Reconciliation of present value of scheme liabilities

	2014 £'000	2013 £'000
At 1 April	2,362	2,337
Interest cost	103	108
Unfunded benefits paid	(167)	(163)
Actuarial loss/(gains)	108	80
At 31 March	2,406	2,362

	2014 £'000	2013 £'000
Reconciliation of fair value of scheme assets		
Unfunded benefits paid	(167)	(163)
Contributions in respect of unfunded benefits	167	163
At 31 March	-	-

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

23 Pension Commitments (continued)

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

	2014 £'000	2013 £'000
Interest cost	103	108

Amounts for current and previous four years:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined benefit obligation	(2,406)	(2,362)	(2,337)	(2,336)	(2,660)
Deficit	(2,406)	(2,362)	(2,337)	(2,336)	(2,660)
Experience adjustments on plan liabilities:					
Amount	(81)	5	14	13	(12)

24 Related party disclosures

The shareholder, Luton Borough Council, provides professional services to the company. Charges to the company for these services amounted to £509,319 (2013: £547,296) and are on commercial terms. £1,877,898 (2013: £1,652,000) of the operating lease charge for a car park on the airport premises is with Luton Borough Council on commercial terms. Luton Borough Council is the company's controlling party by virtue of its majority shareholding.

25 Parent entity and ultimate controlling party

Luton Borough Council owns 100% of the shares of the company and is considered to be the parent entity and ultimate controlling party. Luton Borough Council consolidates these financial statements in its financial statements at 31 March 2014. These are available from the headquarters address of Luton Borough Council being Town Hall, George Street, Luton, LU1 2BQ

26 Post balance sheet event

In May 2014 the company entered into a new debenture loan facility with Luton Borough Council to the value of £11,000,000. These debentures will be repayable in May 2031.