London Luton Airport Operations Limited

Registered Number 3491213

Annual report and accounts
for the year ended 31 December 2011

London Luton Airport Operations Limited

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London Luton Airport Operations Limited

Directors and advisers

DIRECTORS

R Bullock
G Jones
R Lawrie
E Renton
N Thompson

COMPANY SECRETARY

M A Gatehouse

REGISTERED OFFICE

TBI House
72-104 Frank Lester Way
London Luton Airport
LUTON
Bedfordshire
LU2 9NQ

INDEPENDENT AUDITORS

Deloitte LLP
Bristol

SOLICITORS

Kimbell & Co
Power House
Davy Avenue
Knowlhill
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MK5 8RR

BANKERS

Barclays Bank plc
Capability Green
Luton
LU1 3US

London Luton Airport Operations Limited

Directors' report for the year ended 31 December 2011

The directors present their annual report and the audited financial statements of London Luton Airport Operations Limited (the Company) for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is a subsidiary of London Luton Airport Group Limited. The ultimate parent undertaking and controlling party is Abertis Infraestructuras S.A., a company registered in Spain.

The principal activities of the Company during the year were the operation and management of London Luton Airport. The key economic driver of the business is passenger volume. There are two customer groups influencing this key economic driver: airlines and their passengers. The Company earns revenue from the airlines, primarily through a charge per passenger (traffic income), and from passengers by way of spend-related rental arrangements with retailers, caterers and car park operators (commercial income).

BUSINESS REVIEW

The key performance indicators used by management to assess the performance of the business are turnover, passenger numbers and EBITDA.

Overall trading results for the year ended 31 December 2011 have improved as a result of an increase in passenger volumes, from 8.8 million passengers in 2010 to 9.5 million passengers in 2011. This increase in passengers was primarily driven by Wizz Air, who continue to expand capacity and introduce new routes at London Luton Airport. The growth of Wizz Air was well supported by passenger growth across other major scheduled carriers and also, the impact of flight cancellations associated with the volcanic ash crisis, which had a suppressing effect on 2010 passenger volumes.

TURNOVER

Total turnover for the year ended 31 December 2011 was £112.1m (2010: £102.2m). See note 1 for further analysis.

Traffic income in 2011 represented an average of £5.26 per passenger (2010: £5.23) and this was marginally higher than last year.

Commercial income in 2011 represented an average of £5.21 per passenger and this was slightly higher than last year (2010: £5.17).

OPERATING PROFIT AND EBITDA ("Earnings before Interest, Tax, Depreciation and Amortisation")

Operating profit for the year was £23.8m (2010: £20.5m). The directors believe that EBITDA excluding non-core operating costs is the performance measure most relevant to the readers of the company's statutory accounts. EBITDA excluding non-core operating items of £nil (2010: £nil) was £35.2m for the year (2010: £33.6m) (Note 5).

The increase in EBITDA of 4.4% is predominantly attributable to growth in passenger volumes, albeit partially offset by structural increases in operating costs coupled with other general inflationary pressures.

FUTURE DEVELOPMENTS

On 14 March 2012, The Company published its Master Plan which outlines proposals to expand the capacity of the airport by making the most of the existing site. The Company intends to submit a planning application to the local planning authority upon completion of a period of public consultation.

London Luton Airport Operations Limited

Directors' report for the year ended 31 December 2011 (continued)

BALANCE SHEET

Defined Benefit Pension Scheme

The Company operates a defined benefit pension scheme. The FRS 17 pension liability at 31 December 2011 was £12.7m (2010: £11.5m). See note 3 for further details.

FINANCING

The nature and level of the Company's financing is arranged in conjunction with its intermediate and ultimate parent companies (Note 13).

TANGIBLE FIXED ASSETS

During the year, tangible fixed asset additions totalled £7.4m (2010: £5.2m). These additions primarily related to improvements to airport infrastructure and also purchases of equipment.

In the opinion of the directors, the difference between the market value and balance sheet value of the short leasehold land and buildings is not significant.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs. The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's Finance department.

Credit Risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity Risk

The Company is part of the Airport Concessions and Development Limited Group ('ACDL Group') which utilises appropriately termed debt finance that is designed to ensure the group as a whole has sufficient funds for operations (Note 13).

Interest Rate Cash Flow Risk

The ACDL Group and the Company both have interest-bearing assets and interest-bearing liabilities. Interest bearing assets comprise only cash balances, which earn interest at fixed and floating rates. The Group has a policy of maintaining debt at fixed and floating rates to manage certainty of future interest cash flows. The directors will revisit the appropriateness of this arrangement should the Company's operations change in size or nature (Note 13).

RESULTS AND DIVIDENDS

The Company's profit for the year is set out in the profit and loss account on page 7. An interim dividend of £15,643,000 (2010: £nil) was paid on 15 December 2011. The directors recommend that no final dividend be paid.

DIRECTORS

The directors of the Company who were in office during the year and up to the date of signing the financial statements are given below:

R Bullock
G Jones
R Lawrie (appointed on 11 April 2011)
E Renton
N Thompson

DONATIONS

During the year ended 31 December 2011, the Company made a variety of local and national charitable donations with an aggregate value of £60,790 (2010: £54,961), the major beneficiary being The Bedfordshire & Luton Community Foundation.

EMPLOYEES

Employee training, involvement and commitment are encouraged by the directors through regular courses, contacts and exchanges of information through standing committees, team briefings and newsletters. During the year, regular consultations and briefings took place with employees and their representatives to increase their knowledge and understanding of the Company's performance and the financial and economic factors which affect it, and to enable the Company to take into account the views of the employees and their representatives when making decisions likely to affect employees' interests.

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

The Company's policy for the employment of disabled persons gives full and fair consideration to all applications for employment made by such persons, having regard to their aptitudes and abilities and to the Company's operational requirements. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities in line with the Company's operational requirements.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company's current policy concerning the payment of the majority of its trade creditors is to follow the Better Payments Practice Code published by the Department of Trade and Industry (copies are available from the Department of Trade and Industry, No 1 Victoria Street, London SW1H 0ET). For other suppliers, the Company's policy is to:

- Settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- Ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- Pay in accordance with its contractual and other legal obligations.

The payment policy applies for both revenue and capital goods and services. The Company's average trade creditor payment period at 31 December 2011 was 39 days (2010: 33 days).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the Company's auditor is unaware; and
- the director has taken all steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP were appointed as auditor during the year. Deloitte LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

By order of the Board

G Jones
Managing Director

Independent auditor's report to the members of London Luton Airport Operations Limited

We have audited the financial statements of London Luton Airport Operations Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Stuart N. Woodward

Stuart Woodward (senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom

29 March 2012

London Luton Airport Operations Limited

Profit and loss account
for the year ended 31 December 2011

Continuing Operations	Note	**Year ended 31 December 2011 £'000**	Year ended 31 December 2010 £'000
Turnover	1	**112,062**	102,187
Operating expenses		**(88,259)**	(81,657)
Operating profit		**23,803**	20,530
Interest receivable and similar income		**680**	123
Interest payable and similar charges	4	**(5,019)**	(4,457)
Profit on ordinary activities before taxation	5	**19,464**	16,196
Tax on profit on ordinary activities	6	**(4,771)**	(3,094)
Profit for the financial year	16	**14,693**	13,102

The notes on pages 13 to 27 form part of these financial statements.

London Luton Airport Operations Limited

Statement of total recognised gains and losses for the year ended 31 December 2011

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Profit for the financial year	**14,693**	13,102
Actuarial (loss)/gain on pension scheme	**(1,241)**	261
Effect of rate change on deferred tax relating to pension deficit	**(306)**	(161)
Movement in deferred tax relating to actuarial movement on pension deficit	**310**	(70)
Net effect of pension scheme	**(1,237)**	30
Total recognised gains relating to the year	**13,456**	13,132

The notes on pages 13 to 27 form an integral part of these financial statements.

London Luton Airport Operations Limited

Balance sheet
as at 31 December 2011

	Note	31 December 2011 £'000	31 December 2010 £'000
Fixed assets			
Tangible assets	8	**98,823**	102,784
Current assets			
Stock	9	**596**	535
Debtors	10	**131,287**	105,863
Cash and cash equivalents		**1,853**	1,452
		133,736	107,850
Creditors - amounts falling due within one year	11	**(51,549)**	(48,450)
Net current assets		**82,187**	59,400
Total assets less current liabilities		**181,010**	162,184
Creditors - amounts falling due after more than one year	12	**(115,480)**	(95,357)
Provisions for liabilities	14	**(7,195)**	(7,598)
Net assets excluding pension scheme liability		**58,335**	59,229
Pension scheme liability	3	**(12,744)**	(11,465)
Net assets		**45,591**	47,764
Capital and reserves			
Called up share capital	15	**5,274**	5,274
Profit and loss account	16	**40,264**	42,451
Other reserves	16	**53**	39
Total shareholders' funds	17	**45,591**	47,764

The financial statements on pages 7 to 27 were approved by the board of directors and authorised for issue on 28 March 2012 and were signed on its behalf by:

E Renton
Finance Director

Company Registered No: 3491213

London Luton Airport Operations Limited

Accounting policies

The Company's principal accounting policies, which are set out below, have been applied consistently throughout the year and the preceding year.

The Company's financial statements have been prepared on a going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

Going Concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the directors' report. The directors' report also describes the financial position of the company, its cash flows, liquidity position and borrowing facilities as well as policies and processes for managing working capital requirements.

The directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Traffic income and Commercial income are earned from movements of aircraft and people, trading revenues and others, which are all recorded when the service is rendered. Tenant income is earned based on contractual agreed terms.

Income for the rendering of services is recognised when it is probable that the benefits from the transaction will be received by the Company and can be reliably quantified.

Where specific services are invoiced after the service has been provided then the turnover will be accrued as accrued income, and recognised as the service is provided. Where specific services are invoiced in advance of the service being provided then the turnover is deferred and recognised when the services are provided.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use.

The tangible fixed assets of the Company are depreciated on a straight line basis calculated to write down their cost to estimated residual values over their estimated useful economic lives, subject to a maximum of the remaining life of the Concession Agreement, as follows:

Runways, taxiways and other similar structures	5 to 30 years
Short leasehold land and buildings	5 to 30 years
Plant, machinery and equipment	2 to 25 years
Motor vehicles	2 to 15 years

Stocks

Stock is valued at the lower of cost and net realisable value. Where necessary provision is made for obsolete and defective stocks.

London Luton Airport Operations Limited

Accounting policies (continued)

Leases

Where the Company enters into a lease which entails taking substantially all the risks and rewards of an asset, the lease is treated as a "finance lease". The present value of the minimum lease payments is recorded in the balance sheet as a tangible fixed asset. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding finance lease liability. Assets held under finance leases are depreciated over the lower of the useful lives and the term of the lease.

All other leases are accounted for as "operating leases" and the rentals charged to the profit and loss account on a straight-line basis over the life of the lease.

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Cash flow statement

The Company has taken advantage of the exemptions contained in FRS 1 (Revised 1996) not to prepare a cash flow statement on the grounds that it is a subsidiary of Abertis Infraestructuras S.A. and is included in the consolidated financial statements of Abertis Infraestructuras S.A. which are publicly available.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Share based payments

Share options are valued using the Hull & White option-pricing model and the total amount to be expensed is charged to the profit and loss account over the vesting period of the option (i.e. 3 years).

Notes to the financial statements for the year ended 31 December 2011

1 Turnover

The Company's turnover and operating profit relate entirely to its principal activity and arise in the United Kingdom.

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Traffic income	**50,100**	45,742
Commercial income	**49,679**	45,287
Tenant income	**12,283**	11,158
	112,062	102,187

The directors consider that the operations comprise one class of business.

2 Directors' emoluments

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Aggregate emoluments	**654**	518
Company pension contributions	**49**	40
	703	558

The emoluments of the directors for their services to the Company are paid by an intermediate parent company, TBI Limited. The Company incurs a management charge for their services to the Company and these amounts are included within wages and salaries, social security costs and other pension costs in the aggregate payroll costs note.

There are no retirement benefits (2010: nil) accruing to directors under the Company's defined benefit pension scheme. The pension contributions included above relate to amounts paid into personal pension plans.

Excluding scrip issues, there were no Abertis Infraestructuras S.A. share options granted to any Company directors during the year (2010: 10,500 to two directors) (Note 20).

Highest paid director	**Year ended 31 December 2011 £'000**	Year ended 31 December 2010 £'000
Aggregate emoluments and other benefits	**277**	240
Company pension contributions under personal pension scheme	**20**	18

The aggregate emoluments and other benefits paid to the highest paid director include a bonus of £63,000 (2010: £50,000). Also, there were no Abertis Infraestructuras S.A. share options granted to the highest paid director during the year (2010:8,521 granted).

Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was:

By activity	Year ended 31 December 2011 Number	Year ended 31 December 2010 Number
Operations	**414**	423
Management and support services	**55**	53
Technical services	**47**	46
	516	522

The aggregate payroll costs of these employees were as follows:

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Wages and salaries	**16,798**	15,331
Social security costs	**1,409**	1,207
Other pensions costs	**2,774**	2,504
Share option costs (Note 20)	**14**	17
Staff costs	**20,995**	19,059

The Company operates a defined benefit pension scheme, London Luton Airport Pension Scheme ("LLAPS"). The LLAPS is a funded defined benefit scheme and its assets are held in separate trustee administered funds.

The most recent completed actuarial valuation of the scheme was 31 March 2011. The valuation used the projected unit method and was carried out by Towers Watson Limited, professionally qualified actuaries.

The main financial assumptions used in the valuation of the pension scheme under FRS 17 are:

Assumptions	31 December 2011 %	31 December 2010 %
Inflation	**3.0**	3.45
Rate of increase in salaries	**3.75**	4.2
Rate of increase of pensions in payment	**3.0**	3.45
Rate of increase in pensions in deferment	**3.0**	3.45
Discount rate	**5.0**	5.5

Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Employee information (continued)

The mortality assumptions used were as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Longevity at age 65 for current pensioners (years):		
- Men	**22.2**	21.9
- Women	**24.4**	24.3
Longevity at age 65 for future pensioners, currently aged 45 (years):		
- Men	**24.5**	23.2
- Women	**26.8**	25.4

The assets of the scheme and the expected rates of return are as follows:

	Expected rate of return %	31 December 2011 £'000	Expected rate of return %	31 December 2010 £'000
Equities	**6.8**	**18,156**	7.7	18,454
Bonds	**4.5**	**5,393**	5.4	4,777
Other	**5.0**	**28,949**	5.57	28,480
	5.6	**52,498**	6.3	51,711

The overall expected return on assets for 2011 of 5.6% is based on the Scheme's asset allocation as at 31 December 2011 and the expected investment returns on this asset allocation.

The following amounts at 31 December were measured in accordance with the requirements of FRS 17:

	31 December 2011 £'000	31 December 2010 £'000
Fair value of plan assets	**52,498**	51,711
Present value of funded obligations	**(69,502)**	(67,417)
Deficit in scheme	**(17,004)**	(15,706)
Related deferred tax asset	**4,260**	4,241
Net pension deficit	**(12,744)**	(11,465)

3 Employee information (continued)

The following analysis reconciles the fair value of the scheme assets:

	31 December 2011 £'000	31 December 2010 £'000
As at 1 January	**51,711**	44,111
Expected return on plan assets	**3,324**	2,990
Actuarial (loss)/gain on plan assets	**(4,681)**	2,185
Employer contributions	**3,015**	3,072
Member contributions	**619**	596
Benefits paid	**(1,213)**	(1,078)
Expenses paid	**(277)**	(165)
As at 31 December	**52,498**	51,711

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The loss on scheme assets during the year was £1,357,000 (2010: return on assets of £5,175,000).

The following analysis reconciles the fair value of the scheme liabilities:

	31 December 2011 £'000	31 December 2010 £'000
As at 1 January	**67,417**	60,218
Current service costs	**2,721**	2,460
Interest cost	**3,675**	3,462
Contribution by scheme participants	**619**	596
Actuarial (loss)/gain	**(3,440)**	1,924
Benefits paid	**(1,213)**	(1,078)
Expenses paid	**(277)**	(165)
As at 31 December	**69,502**	67,417

3 Employee information (continued)

The amounts recognised in the performance statements are as follows:

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Operating profit		
Current service costs	**(2,721)**	(2,460)
Total operating charge	**(2,721)**	(2,460)
Other finance costs		
Expected return on pension scheme assets	**3,324**	2,990
Interest on pension scheme liabilities	**(3,675)**	(3,462)
Net charge	**(351)**	(472)

Statement of total recognised gains and losses	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Experience adjustments on pension scheme assets	**4,681**	(2,185)
Experience adjustments arising on the scheme liabilities	**(2,802)**	77
Changes in assumptions underlying the present value of the scheme liabilities	**(638)**	1,847
Actuarial loss/(gain) recognised in the statement of total recognised gains and losses	**1,241**	(261)

The cumulative amount of actuarial gains recognised in the statement of total recognised gains and losses is £8,764,000 (2010: £7,523,000).

Movement in deficit during the year	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Pension liability at beginning of the year	**(15,706)**	(16,107)
Current service cost	**(2,721)**	(2,460)
Contributions	**3,015**	3,072
Other finance charges	**(351)**	(472)
Actuarial (loss)/gain	**(1,241)**	261
Pension liability at end of the year	**(17,004)**	(15,706)

Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Employee information (continued)

Details of experience gains and losses for the 12 months to 31 December	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	**4,681**	(2,185)
Percentage of scheme assets	**8.9%**	4.2%
Experience adjustments on scheme liabilities:		
Amount (£'000)	**2,802**	77
Percentage of the present value of the scheme liabilities	**4.0%**	0.1%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000)	**1,241**	(261)
Percentage of the present value of the scheme liabilities	**1.8%**	0.4%

The disclosures include allowance for the Company's discretionary practice in relation to certain enhancements on the retirement of fire personnel which form a constructive obligation under FRS 17.

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Defined benefit obligation	**(69,502)**	(67,417)	(60,218)	(42,497)	(46,864)
Plan assets	**52,498**	51,711	44,111	35,126	41,085
Deficit	**(17,004)**	(15,706)	(16,107)	(7,371)	(5,779)
Experience adjustments on plan assets	**4,681**	(2,185)	(4,564)	10,964	146
Experience adjustments on plan liabilities	**(2,802)**	77	72	162	206
Amount recognised in the statement of total recognised gains and losses	**1,241**	(261)	9,845	2,779	(4,840)

Notes to the financial statements for the year ended 31 December 2011 (continued)

4 Interest payable and similar charges

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Interest payable on bank loans	**674**	-
Interest payable to group undertakings	**3,106**	2,932
Finance lease interest payable	**746**	768
Other interest payable	**142**	285
Other finance costs arising on FRS 17	**351**	472
	5,019	4,457

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Depreciation on tangible assets – owned assets	**11,149**	12,835
Depreciation on tangible assets – leased assets	**200**	200
Amounts payable under operating leases – land and buildings	-	11
Loss on sale of fixed assets	-	185

The reconciliation of operating profit to EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) is shown below:

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Operating profit	**23,803**	20,530
Add: Depreciation on tangible assets – owned and leased assets	**11,349**	13,035
EBITDA	**35,152**	33,565

During the year the Company obtained the following services from the group's auditor as detailed below:

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Fees payable to the Company's auditor for the audit	**28**	27
Fees paid to auditor in respect of tax advice	-	13

Notes to the financial statements for the year ended 31 December 2011 (continued)

6 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Current tax		
UK corporation tax on profits of the period	**4,902**	4,235
Adjustments in respect of prior periods	**253**	(998)
Total current tax (Note 6 (b))	**5,155**	3,237
Deferred tax		
Origination and reversal of timing differences	**93**	(65)
Pension contribution relief (less than)/in excess of pension cost charge	**(15)**	38
Adjustments in respect of prior periods	**(5)**	115
Changes in tax rates	**(457)**	(231)
Total deferred tax	**(384)**	(143)
Total tax charge on profit on ordinary activities	**4,771**	3,094

(b) Factors affecting the current tax charge for the period

The current tax assessed for the 12 month period is lower than the standard rate of corporation tax in the UK of 26% (2010: 28%). The differences are explained below:

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Profit on ordinary activities before tax	**19,464**	16,196
Profit multiplied by the standard rate of corporation tax in the UK of 26% (2010: 28%)	**5,157**	4,535
Effects of temporary differences between taxation and accounting profit:		
Group relief receivable for no payment	**(1,298)**	(1,764)
Accelerated capital allowances	**(49)**	111
Pension contribution relief in excess of/(less than) pension cost charge	**15**	(38)
Other timing differences	**(49)**	(44)
Adjustments to tax charge in respect of prior periods	**253**	(998)
Permanent differences	**1,126**	1,435
Current tax charge for year (Note 6(a))	**5,155**	3,237

From 1 April 2012, the main rate of UK corporation tax reduces by 1% from 26% to 25%. The Company's deferred tax provisions as at 31 December 2011 are therefore provided at 25%.

Notes to the financial statements for the year ended 31 December 2011 (continued)

7 Concession agreement

Under the terms of the Concession Agreement, Luton Borough Council and London Luton Airport Limited ("LLAL") granted the Company the exclusive right to carry on the airport business in accordance with the terms of the Concession Agreement for the whole of the concession period. The Company pays a fee to LLAL, based on the throughput of passengers and cargo. LLAL is entitled to terminate the concession agreement after 15 years from the original date of the agreement by giving between 12 to 18 months notice. Should LLAL exercise this option, the agreement would be terminated on 31 March 2014 and LLAL would be required to make payment to the Company in respect of the discounted value of forecast shareholder distributions to the end of the concession period, as well as settling outstanding funding and other liabilities and obligations. The concession fee for the 12 month period ended on 31 December 2011 was £24,935,178 (2010: £21,848,491).

8 Tangible fixed assets

	Short leasehold land and buildings £'000	Runways, taxiways and other similar Structures £'000	Plant, equipment and vehicles £'000	Total £'000
Cost				
At 1 January 2011	78,136	62,316	51,768	192,220
Additions	3	2,293	5,092	7,388
Transfers	(3,459)	4,363	(904)	-
Disposals	(44)	-	(1,548)	(1,592)
At 31 December 2011	**74,636**	**68,972**	**54,408**	**198,016**
Accumulated depreciation				
At 1 January 2011	33,103	23,366	32,967	89,436
Charge for the year	3,429	3,782	4,138	11,349
Transfers	2,253	1,290	(3,543)	-
Disposals	(44)	-	(1,548)	(1,592)
At 31 December 2011	**38,741**	**28,438**	**32,014**	**99,193**
Net book amount				
At 31 December 2011	**35,895**	**40,534**	**22,394**	**98,823**
At 31 December 2010	45,033	38,950	18,801	102,784

Included within the cost of fixed assets are cumulative capitalised interest costs of £3,641,000 (2010: £3,641,000). The depreciation charge for the year includes an amount of £188,000 (2010: £188,000) representing the depreciation of capitalised interest. As at 31 December 2011 there were £nil of assets in the course of construction (2010: £991,000) which have not been depreciated. As at 31 December 2011 there were runways, taxiways and other similar structures assets with a net book value of £3,429,000 held under a finance lease arrangement (2010: £3,629,000).

9 Stock

	31 December 2011 £'000	31 December 2010 £'000
Consumables	**596**	535

10 Debtors

	31 December 2011 £'000	31 December 2010 £'000
Trade debtors	**9,112**	14,783
Amounts due from group undertakings	**120,413**	90,078
Other debtors	**22**	30
Prepayments and accrued income	**1,740**	972
	131,287	105,863

Amounts due from group undertakings include £100,352,000 (2010: £89,403,000) which are unsecured and bear no interest, are due from an intermediate holding company (TBI Limited) relating to cash which has been pooled for Group purposes. In addition there is a bank loan of £20,000,000 (2010: £nil) with Banco Sabadell (see note 13) that has been lent on to TBI Limited. It was drawn down on 14 June 2011 and accrued interest at 3 month GBP LIBOR + 2.75%. The loan is repayable on 14 June 2014.

11 Creditors: amounts falling due within one year

	31 December 2011 £'000	31 December 2010 £'000
Bank loans and overdrafts	**61**	-
Trade creditors	**13,686**	10,789
Amounts owed to group undertakings	**21,934**	18,395
Corporation tax	**2,357**	4,235
Other taxation and social security	**1,023**	1,146
Other creditors	**2,539**	3,089
Accruals and deferred income	**9,949**	10,796
	51,549	48,450

All amounts owed to group undertakings classified within one year are unsecured and repayable on demand. This amount includes £11,774,000 (2010:£9,599,000) payable to TBI Overseas (UK) LLC which accrued interest at a three month variable weighted average rate of 2.79% as at 31 December 2011.

12 Creditors: amounts falling due after more than one year

	31 December 2011 £'000	31 December 2010 £'000
Loan notes	**9,552**	9,552
Bank loans	**20,000**	-
Amounts owed to group undertakings	**70,000**	70,000
Amounts due under finance leases	**5,631**	5,633
Other creditors	**10,297**	10,172
	115,480	95,357

13 Loans and other borrowings

	31 December 2011 £'000	31 December 2010 £'000
Bank loans and overdrafts	**20,061**	-
Loan with intermediate parent	**70,000**	70,000
Loan notes with immediate parent	**9,552**	9,552
	99,613	79,552

	31 December 2011 £'000	31 December 2010 £'000
Maturity of debt		
In one year or less, or on demand	**61**	-
In more than one year, but not more than two years	**70,000**	70,000
In more than two years, but not more than five years	**29,552**	-
In more than five years	-	9,552
	99,613	79,552

The unsecured loan of £70,000,000 (2010: £70,000,000) with Airport Concessions and Development Limited (ACDL), accrued interest at 6 month GBP LIBOR + 1.447%. On 6 February 2012, ACDL confirmed that they will not seek repayment of the loan for a period of at least 12 months after the approval of the financial statements for the year ended 31 December 2011.

The loan notes have been subscribed for by London Luton Airport Group Limited. The Company has the option, without the consent of the note holder, to redeem the notes at par on or before 1 August 2016. The loan notes, which bear interest at 11%, are secured by means of a debenture securing all, or substantially all, of the assets of the Company.

The bank loan of £20,000,000 (2010: £nil) with Banco Sabadell was drawn on 14 June 2011 and accrued interest at 3 month GBP LIBOR + 2.75%. The loan is repayable on 14 Jun 2014.

Notes to the financial statements for the year ended 31 December 2011 (continued)

13 Loans and other borrowings (continued)

Amounts due under finance leases are repayable in instalments as follows:

	31 December 2011 £'000	31 December 2010 £'000
In more than two years, but not more than five years	-	-
In more than five years	**5,631**	5,633
	5,631	5,633

£252,000 (2010: £251,000) of the total amounts due represents accrued interest payments under the finance lease arrangement.

14 Provisions for liabilities

	Obligations under concession agreement £'000	Other provisions £'000	Deferred tax £'000	Total £'000
At 1 January 2011	504	920	6,174	7,598
Profit and loss	-	(34)	(369)	(403)
At 31 December 2011	**504**	**886**	**5,805**	**7,195**

There is no fixed date for the fulfilment of obligations under the Concession Agreement.

Other provisions are comprised of capital works which were originally funded by Luton Borough Council and also, other legal obligations related to third party claims that may need to be discharged by LLAOL.

The provision for capital works will be utilised over a number of years and match the depreciation profile of the relevant development. The provision for other legal obligations is expected to be utilised over two years.

Deferred tax

The movement of the deferred tax balance is as follows:

	31 December 2011 £'000	31 December 2010 £'000
At start of the year	**6,174**	6,355
Profit and loss account	**(369)**	(181)
At end of the year	**5,805**	6,174

Notes to the financial statements for the year ended 31 December 2011 (continued)

14 Provisions for liabilities (continued)

Deferred tax is made up as follows:

	31 December 2011 £'000	31 December 2010 £'000
Accelerated capital allowances	**5,980**	6,414
Other timing differences	**(175)**	(240)
	5,805	6,174

Deferred tax asset related to the pension deficit:

	31 December 2011 £'000	31 December 2010 £'000
As at 1 January	**4,241**	4,510
Deferred tax charge in the profit and loss account	**15**	(38)
Deferred tax credit/(charge) in STRGL on actuarial loss/(gain)	**310**	(70)
Effect of change in tax rate	**(306)**	(161)
As at 31 December	**4,260**	4,241

15 Called up share capital

	31 December 2011 £'000	31 December 2010 £'000
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	**100**	100
5,174,000 Redeemable shares of £1 each	**5,174**	5,174
	5,274	5,274

The redeemable shares carry rights equal to those of the ordinary shares in respect of dividends and on a return of capital on liquidation or otherwise. The redeemable shares carry no voting rights but the shareholders are entitled to receive notice of and to attend and to speak at general meetings. The Company may redeem all or some of the redeemable shares at any time by serving notice on the redeemable shareholders, and must redeem all of the redeemable shares prior to a listing of the Company on any stock exchange. The holders of the redeemable shares may require the redemption of their shares should a loan become payable before its maturity date or be the subject of a demand for payment, or redemption monies remain unpaid. The shares are redeemable at their nominal value plus any premium paid.

Notes to the financial statements
for the year ended 31 December 2011 (continued)

16 Reserves

	Other reserve £'000	Profit and loss account £'000
At 1 January 2011	39	42,451
Retained profit for the year	-	14,693
Dividend paid	-	(15,643)
FRS 20 credit to other reserves	14	-
Actuarial loss on pension scheme	-	(1,241)
Movement in deferred tax on pension scheme	-	4
At 31 December 2011	**53**	**40,264**

Other reserves relate to the accumulated profit and loss impact of the share based payment transactions.

17 Reconciliation of movements in shareholders' funds

	31 December 2011 £'000	31 December 2010 £'000
Profit for the year	**14,693**	13,102
Dividends	**(15,643)**	-
Net effect of pension scheme	**(1,237)**	30
FRS 20 credit to other reserves	**14**	17
Net increase in shareholders' funds	**(2,173)**	13,149
Opening shareholders' funds	**47,764**	34,615
Closing shareholders' funds	**45,591**	47,764

18 Capital and other commitments

	31 December 2011 £'000	31 December 2010 £'000
Contracts placed for future capital expenditure not provided in the financial statements	**147**	882

19 Financial commitments

The Company has a commitment to pay LLAL £3,000,000 per annum which represents the minimum annual concession fee under the terms of the Concession Agreement (Note 7).

Notes to the financial statements for the year ended 31 December 2011 (continued)

20 Share based payment

- On 1 April 2008, the Abertis Infraestructuras S.A. General Shareholders' Meeting approved a share options plan for shares in Abertis Infraestructuras, S.A., aimed at management executives of the group (hereinafter "Plan 2008").

- On 31 March 2009, the Abertis General Shareholders' Meeting approved another share options plan for shares in Abertis Infraestructuras, S.A., also aimed at management executives of the group (hereinafter "Plan 2009").

- On 27 April 2010, the Abertis General Shareholders' Meeting approved another share options plan for shares in Abertis Infraestructuras, S.A., also aimed at management executives of the group (hereinafter "Plan 2010").

The above plans established a vesting period to be able to exercise an option of three years as from the date on which that option was granted: i.e. 2 April 2011, 1 April 2012 and 28 April 2013, respectively. At the end of the vesting period, the executive may exercise the options during a period of two years, and they may only be equity-settled.

The commitments arising from plans entered into directly between companies of the Abertis Infraestructuras, S.A group and its executives are recognised at fair value upon grant date.

The obligation is recognised in the profit and loss account as an expense as accrued during the period of time for which the employee must remain in the Company in order to exercise the option, with a corresponding entry in other reserves. The amount recognised in the profit and loss account at 31 December 2011 is £14,000 (2010: £17,000) as shown in Note 3, and relate only to options granted to Directors of the Company. No options have been exercised or expired during the years ending 31 December 2010 and 2011.

The Abertis Infraestructuras S.A. Group share based payment scheme is linked to Abertis Infraestructuras's share price. Excluding scrip issues, no new share options were issued in 2011 (2010: 10,500 options at 1.90 Euros per option to two directors of the Company). Additionally, there was a '1 for 20' scrip issue in the current and prior year. The options were valued using the Hull & White options-pricing model. Further disclosure is not deemed material for the purpose of these accounts, however further detail on the Abertis Infraestructuras S.A. share based payment scheme, and the fair value of options, can be obtained from the Abertis Infraestructuras S.A. accounts which are publically available.

21 Related party disclosures

The Company is exempt under the terms of FRS 8 "Related party transactions" from disclosing related party transactions with subsidiaries within the same group, provided that both subsidiaries are wholly owned by a member of that group.

22 Ultimate and immediate parent undertaking and controlling party

The immediate parent undertaking is London Luton Airport Group Limited, registered in England and Wales which is the smallest UK group in which the results of the Company are consolidated. Copies of these financial statements can be obtained from TBI House, Building 72/104, Frank Lester Way, London Luton Airport, Luton LU2 9NQ.

The ultimate parent company and controlling party is Abertis Infraestructuras SA., a company registered in Spain, which is the largest group in the EU to consolidate these financial statements. Copies of the Abertis Infraestructuras S.A. consolidated financial statements can be obtained from Av. Del Parc Logistic, 12-20, 08040, Barcelona, Spain.