

**Report of the Directors and  
Financial Statements for the Year Ended 31 December 2013  
for  
London Luton Airport Operations Limited**

**Contents of the Financial Statements  
for the Year Ended 31 December 2013**

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# London Luton Airport Operations Limited

## Company Information for the Year Ended 31 December 2013

|                           |  |
|---------------------------|--|
| <b>DIRECTORS:</b>         | G Jones<br>R Lawrie<br>E Renton<br>N Thompson<br>C Condie<br>R Marabini Ruiz                           |
| <b>SECRETARY:</b>         | Elemental Company Secretary Limited  |
| <b>REGISTERED OFFICE:</b> | Navigation House<br>Airport Way<br>Luton<br>Bedfordshire<br>LU2 9LY                                    |
| <b>REGISTERED NUMBER:</b> | 03491213 (England and Wales)   |
| <b>AUDITOR:</b>           | Deloitte LLP<br>Bristol  |
| <b>BANKERS:</b>           | Barclays Bank plc<br>Capability Green<br>Luton<br>Bedfordshire<br>LU1 3US                              |
| <b>SOLICITORS:</b>        | Kimbell & Co<br>Power House<br>Davy Avenue<br>Knowlhill<br>Milton Keynes<br>Buckinghamshire<br>MK5 8RR |

**Strategic report  
for the Year Ended 31 December 2013**

The Strategic Report has been prepared by the Directors to provide additional information to shareholders in respect of the Company's strategies and business objectives.

The Strategic Report contains forward-looking statements, which have been made in good faith by the Directors based on information available up to the point of approval of this report. Therefore, these statements should be treated with caution due to underlying inherent uncertainties, including both economic and business risk factors.

The Directors, in preparing the Strategic Report, have complied with s414C of the Companies Act 2006.

**BUSINESS MODEL**

The Company is a subsidiary of London Luton Airport Group Limited. The ultimate parent undertaking and controlling party was Abertis Infraestructuras S.A., a company registered in Spain, until 27 November, at which point a consortium comprising Axa Infrastructure Fund III SCA SICAR ('Ardian') and Aena Desarrollo Internacional purchased Luton Airport Group Limited and the ultimate parent undertaking and controlling party changed to the consortium comprising Axa Infrastructure Fund III SCA SICAR ('Ardian') and Entidad Pública Empresarial Aeropuertos Españoles y Navegación Aérea ('Aena').

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 volumes. 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).

**FAIR REVIEW OF THE COMPANY'S BUSINESS AND KEY PERFORMANCE INDICATORS**

The key performance indicators used by management to assess the performance of the business are turnover, passenger numbers and EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation).

Overall trading results for the year ended 31 December 2013 have improved as a result of a modest increase in passenger volumes from 9.6 million passengers in 2012 to 9.7 million passengers in 2013. This increase in passengers was driven primarily by growth across most major scheduled carriers, including Wizz, El Al Israeli Airlines and easyJet.

Total turnover for the year ended 31 December 2013 was £122,289,000 (2012: £117,858,000); see note 2 for further analysis. Traffic income in 2013 represented an average of £5.90 per passenger (2012: £5.74), which was higher than last year because of deal progression with airlines. Commercial income in 2013 represented an average of £5.25 per passenger and was higher than last year because of an improvement in car parking yields and also inflation (2012: £4.97).

Operating profit for the year was £28,879,000 (2012: £24,435,000). The Directors believe that EBITDA is the performance measure most relevant to the readers of our statutory accounts. EBITDA was £40,490,000 for the year (2012: £36,237,000) – see note 5.

The increase in EBITDA of 11.7% was proportionately higher than the increase in passenger revenue and was driven predominantly by a one-off net credit of £2,513,000 resulting from the restructuring of a Group recharge, a pension curtailment gain deriving from changes to the defined benefit occupational pension scheme offset by a provision for costs and settlement in relation to an outstanding litigation claim.

**FUTURE DEVELOPMENTS**

On 27 November 2013, a consortium comprising Ardian and Aena completed the acquisition of London Luton Airport Group Limited. Ardian is an independent private investment company and Aena is a world leading owner and operator of 46 commercial airports in Spain, serving over 185 million passengers a year.

On 30 November 2012, the Company submitted a planning application to Luton Borough Council's Planning Department for approval and at the date of approval of these accounts, the Company was still waiting for a final planning decision.

**Strategic report (continued)**  
**for the Year Ended 31 December 2013**

**FUTURE DEVELOPMENTS (continued)**

The new owners are committed to the development of the infrastructure of London Luton Airport which, subject to planning approval, will expand airport capacity to 18 million passengers per annum. A significant proportion of this additional capacity will be utilised by easyJet, the UK's largest airline, pursuant to the recent signing of a 10 year deal.

**STRATEGY AND OBJECTIVES**

The Company's main objectives are to improve the experience of its passengers, to significantly increase the size of the airport and to operate at all times in a safe and environmentally sustainable manner. The key strategy that will allow the Company to deliver these objectives is the injection of substantial capital investment, which will expand airport capacity to 18 million passengers per year. This investment will lead to new and better facilities, providing an airport which airlines will find easy to use and passengers easy to choose. Furthermore, the Company is committed to growing passenger volumes responsibly, generating valuable economic benefits for the region whilst managing its impact on communities and at the same time providing a competitive return on investment for its shareholders.

**PRINCIPAL RISKS AND UNCERTAINTIES**

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.

Specifically, the Company has implemented policies that require appropriate credit checks on potential customers before any business is transacted. In addition, the Company has access to debt finance that is designed to ensure that it has sufficient funds for operations. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied. The Directors will revisit the appropriateness of this arrangement should the Company's operations change in size or nature.

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.

**CORPORATE SOCIAL RESPONSIBILITY**

The Company is committed to contributing to the social, economic and environmental life of its local communities in practical and valuable ways. The Company's community engagement strategy sets out a clear plan to facilitate long term community development and also to address the needs of its neighbours. Further details are available on the Company's website at <http://www.london-lutoninthecommunity.co.uk/content/1/1/our-community-programme.html>.

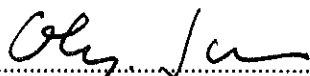
**GOING CONCERN**

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in note 1 to the financial statements.

**APPROVAL**

This report was approved by the Board of Directors and signed on its behalf by

  
.....

G Jones - Director

Date: 28 April 2014

## **Directors' Report**

The Directors present their report with the financial statements of the Company for the year ended 31 December 2013.

### **DIVIDENDS**

No interim dividend was paid on the Ordinary £1 shares. A final dividend of £26.31 per share on the Ordinary £1 shares was paid on 25 October 2013.

No interim dividend was paid on the Redeemable £1 shares. The Directors recommend that no final dividend be paid on these shares.

The total distribution of dividends for the year ended 31 December 2013 was £2,631,000 (2012: £15,000,000).

### **DIRECTORS**

The Directors who have served during the year and subsequently are as follows:

R Bullock (resigned 29 April 2013)

C Rio Del Carcano (appointed 29 April 2013, resigned 27 November 2013)

G Jones

R Lawrie

E Renton

N Thompson

C Condie (appointed 27 November 2013)

R Marabini Ruiz (appointed 27 November 2013)

### **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, accorded to employees and applicants for employment, whether through direct or indirect discrimination. 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.

**Directors' Report (continued)  
for the Year Ended 31 December 2013**

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Report of the Directors 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 United Kingdom 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.

**Directors' Report (continued)**  
**for the Year Ended 31 December 2013**

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

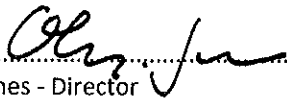
Each of the persons who are directors at the date of approval of this report confirms that:

- 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 a 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, 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 - Director

Date: 28 April 2014

## **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 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 24. 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 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 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 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.

### **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 2013 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 Strategic Report and 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 Woodward (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom

Date: 30 April 2014

**London Luton Airport Operations Limited (Registered number: 03491213)**

**Profit and Loss Account  
for the Year Ended 31 December 2013**

|  | Notes | 2013<br>£'000   | 2012<br>£'000   |
|--|-------|-----------------|-----------------|
| <b>TURNOVER</b>  | 2     | 122,289         | 117,858         |
| Administrative expenses                                  |       | <u>(93,410)</u> | <u>(93,423)</u> |
| <b>OPERATING PROFIT</b>                                  | 5     | 28,879          | 24,435          |
| Interest receivable and similar income                   | 6     | 2,962           | 1,924           |
| Interest payable and similar charges                     | 7     | <u>(4,313)</u>  | <u>(5,723)</u>  |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> |       | 27,528          | 20,636          |
| Tax on profit on ordinary activities                     | 8     | <u>(4,924)</u>  | <u>(6,293)</u>  |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                     | 19    | <u>22,604</u>   | <u>14,343</u>   |

**CONTINUING OPERATIONS**

None of the Company's activities were acquired or discontinued during the current year or previous year.

**London Luton Airport Operations Limited (Registered number: 03491213)**

**Statement of Total Recognised Gains and Losses  
for the Year Ended 31 December 2013**

|   | 2013<br>£'000        | 2012<br>£'000        |
|---|----------------------|----------------------|
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                              | 22,604               | 14,343               |
| Actuarial loss on pension scheme                                  | (3,473)              | (2,188)              |
| Rate change pension scheme deferred tax                           | (550)                | (349)                |
| Deferred tax movement on pension deficit                          | <u>694</u>           | <u>503</u>           |
| <b>TOTAL RECOGNISED GAINS AND LOSSES<br/>RELATING TO THE YEAR</b> | <u><u>19,275</u></u> | <u><u>12,309</u></u> |

**London Luton Airport Operations Limited (Registered number: 03491213)**

**Balance Sheet**

**31 December 2013**

|  | Notes | 2013<br>£'000        | 2012<br>£'000        |
|--|-------|----------------------|----------------------|
| <b>FIXED ASSETS</b>  |       |                      |                      |
| Tangible assets  | 11    | 90,336               | 92,968               |
| <b>CURRENT ASSETS</b>  |       |                      |                      |
| Stocks   | 12    | 638                  | 566                  |
| Debtors  | 13    | 16,142               | 139,647              |
| Cash at bank and in hand                                       |       | <u>10,926</u>        | <u>1,890</u>         |
|  |       | 27,706               | 142,103              |
| <b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>          | 14    | <u>(34,471)</u>      | <u>(65,547)</u>      |
| <b>NET CURRENT (LIABILITIES)/ASSETS</b>                        |       | <u>(6,765)</u>       | <u>76,556</u>        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |       | 83,571               | 169,524              |
| <b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b> | 15    | (5,630)              | (106,591)            |
| <b>PROVISIONS FOR LIABILITIES</b>                              | 17    | <u>(4,462)</u>       | <u>(5,896)</u>       |
| <b>NET ASSETS EXCLUDING PENSION LIABILITY</b>                  |       | <u>73,479</u>        | <u>57,037</u>        |
| <b>PENSION LIABILITY</b>                                       | 20    | <u>(13,922)</u>      | <u>(14,127)</u>      |
| <b>NET ASSETS</b>  |       | <u><u>59,557</u></u> | <u><u>42,910</u></u> |
| <b>CAPITAL AND RESERVES</b>                                    |       |                      |                      |
| Called up share capital  | 18    | 5,274                | 5,274                |
| Other reserves   | 19    | -                    | 63                   |
| Profit and loss account  | 19    | <u>54,283</u>        | <u>37,573</u>        |
| <b>SHAREHOLDERS' FUNDS</b>                                     | 19    | <u><u>59,557</u></u> | <u><u>42,910</u></u> |

The financial statements were approved and authorised for issue by the Board of Directors on 28 April 2014 and were signed on its behalf by:

.....  
E Renton - Director

**Notes to the Financial Statements  
for the Year Ended 31 December 2013**

**1. ACCOUNTING POLICIES**

**Accounting convention**

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 Strategic Report. The Strategic 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 has 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.

**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 Entidad Pública Empresarial Aeropuertos Españoles y Navegación Aérea and is included in the consolidated financial statements of Entidad Pública Empresarial Aeropuertos Españoles y Navegación Aérea which are publicly available.

**Turnover**

Traffic income and Commercial income are earned from movements of aircraft and people and are recognised when the service is rendered. Tenant income is earned based on contractually agreed terms, which is normally on a straight line basis over the contract period.

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 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 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 and machinery                            | 2 to 25 years |

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2013**

**1. ACCOUNTING POLICIES - continued**

**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.

**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 and other post-retirement benefits**

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 contribution 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.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2013**

**1. ACCOUNTING POLICIES - continued**

**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.

**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.

**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. three years).

**2. TURNOVER**

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

|                   | 2013<br>£'000         | 2012<br>£'000         |
|-------------------|-----------------------|-----------------------|
| Traffic income    | 57,303                | 55,298                |
| Commercial income | 51,007                | 47,886                |
| Tenant income     | <u>13,979</u>         | <u>14,674</u>         |
| <b>TURNOVER</b>   | <u><u>122,289</u></u> | <u><u>117,858</u></u> |

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

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

3. STAFF COSTS

|                       | 2013          | 2012          |
|-----------------------|---------------|---------------|
|                       | £'000         | £'000         |
| Wages and salaries    | 18,894        | 18,188        |
| Social security costs | 1,565         | 1,551         |
| Other pension costs   | 833           | 2,934         |
|                       | <u>21,292</u> | <u>22,673</u> |

Included within other pension costs for 2013 is a curtailment gain of £1,670,000 (2012: £nil).

The average monthly number of employees during the year was as follows:

|                                 |            |            |
|---------------------------------|------------|------------|
| Operations                      | 497        | 457        |
| Management and support services | 53         | 53         |
| Technical services              | 46         | 46         |
|                                 | <u>596</u> | <u>556</u> |

4. DIRECTORS' EMOLUMENTS

|                      | 2013       | 2012       |
|----------------------|------------|------------|
|                      | £'000      | £'000      |
| Aggregate emoluments | 613        | 732        |
| Pension costs        | 64         | 55         |
|                      | <u>677</u> | <u>787</u> |

The emoluments of the Directors for their services to the Company were paid by an intermediate parent company, TBI Limited, until 22 November 2013. The Company incurred 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. Directors' emoluments paid after 22 November 2013 were paid directly by the Company.

There were no retirement benefits accruing to Directors under the Company's defined benefit pension scheme in the prior year. The pension contributions included above related to amounts paid into personal pension plans. On 22 November 2013, the Company's Directors joined London Luton Airport Pension Scheme.

There were no Abertis Infraestructuras S.A. share options, including script issues, granted (2012: nil) to any company Directors during the year. During the year, 12,153 share options (2012: 10,417) were exercised by the Company's Directors (note 25).

Highest paid director

|  | 2013       | 2012       |
|--|------------|------------|
|  | £'000      | £'000      |
| Aggregate emoluments and other benefits                | 235        | 298        |
| Company pension contributions to money purchase scheme | 25         | 21         |
|  | <u>260</u> | <u>319</u> |

The aggregate emoluments and other benefits paid to the highest paid Director include a bonus of £nil (2012: £72,324). During the year, 8,681 share options (2012: 6,945) were exercised by the highest paid Director.

**Notes to the Financial Statements - continued**  
for the Year Ended 31 December 2013

**5. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

|  | 2013      | 2012     |
|--|-----------|----------|
|  | £'000     | £'000    |
| Depreciation - owned assets                                      | 11,433    | 11,602   |
| Depreciation - assets on finance leases                          | 178       | 200      |
| Curtailment gain on defined benefit pension scheme (see note 20) | (1,670)   | -        |
| Restructuring of intercompany agreement                          | (3,647)   | -        |
| Litigation costs and settlement                                  | 2,804     | -        |
| Fees payable to the Company's auditor for the audit              | 66        | 28       |
| Fees payable to the Company's auditor for non-audit services     | <u>16</u> | <u>3</u> |

In the period, an intercompany 'transitional service agreement' was restructured resulting in a one off credit to the profit and loss account. In addition to this, an ongoing legal case has resulted in significant one off legal and settlement costs being incurred in the period.

Fees payable to the Company's auditor for the audit in 2013 include the audit fees for all group entities since they are borne by the Company and were not recharged. Fees payable for non-audit services relate to an IFRS impact assessment and non statutory accounts preparation.

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

|  | £'000                | £'000                |
|--|----------------------|----------------------|
| Operating profit   | 28,879               | 24,435               |
| Add: Depreciation on tangible assets - owned and leased assets   | <u>11,611</u>        | <u>11,802</u>        |
| <b>EBITDA after exceptional items</b>                            | <b>40,490</b>        | <b>36,237</b>        |
| Curtailment gain on defined benefit pension scheme (see note 20) | (1,670)              | -                    |
| Restructuring of intercompany agreement                          | (3,647)              | -                    |
| Litigation costs and settlement                                  | <u>2,804</u>         | <u>-</u>             |
| <b>EBITDA before exceptional items</b>                           | <b><u>37,977</u></b> | <b><u>36,237</u></b> |

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

|  | 2013         | 2012         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Interest receivable on loans to group undertakings | <u>2,962</u> | <u>1,924</u> |

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

|   | 2013         | 2012         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Interest payable on bank loans                  | 1,081        | 994          |
| Interest payable to group undertakings          | 1,959        | 3,271        |
| Other interest payable                          | 111          | 260          |
| Other finance costs arising on FRS 17 (note 20) | 333          | 435          |
| Finance lease interest payable                  | <u>829</u>   | <u>763</u>   |
|   | <u>4,313</u> | <u>5,723</u> |

**Notes to the Financial Statements - continued**  
for the Year Ended 31 December 2013

**8. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

|  | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| Current tax:   |               |               |
| UK corporation tax   | 5,340         | 6,341         |
| Adjustments in respect of prior periods                      | <u>(699)</u>  | <u>518</u>    |
| Total current tax  | <u>4,641</u>  | <u>6,859</u>  |
| Deferred tax:  |               |               |
| Origination and reversal of timing differences               | (101)         | (145)         |
| Pension contribution relief in excess of pension cost charge | 883           | 194           |
| Adjustments in respect of prior periods                      | 183           | (164)         |
| Changes in tax rates   | <u>(682)</u>  | <u>(451)</u>  |
| Total deferred tax   | <u>283</u>    | <u>(566)</u>  |
| Tax on profit on ordinary activities                         | <u>4,924</u>  | <u>6,293</u>  |

**Factors affecting the tax charge**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

|  | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax   | <u>27,528</u> | <u>20,636</u> |
| Profit on ordinary activities<br>multiplied by the standard rate of corporation tax<br>in the UK of 23.25% (2012: 24.5%) | 6,407         | 5,056         |
| Effects of:  |               |               |
| Group relief receivable for non payment  | (698)         | (1,494)       |
| Differences between depreciation and capital allowances  | 203           | 208           |
| Pension contribution relief less than pension cost charge  | (930)         | (194)         |
| Other timing differences   | (99)          | (66)          |
| Adjustments to tax charge in respect of prior periods  | (699)         | 518           |
| Permanent differences  | <u>457</u>    | <u>2,831</u>  |
| Current tax charge   | <u>4,641</u>  | <u>6,859</u>  |

**Notes to the Financial Statements - continued**  
for the Year Ended 31 December 2013

**8. TAXATION - continued**

**Factors that may affect future tax charges**

The Finance Bill 2013 included a reduction in the rate of corporate income tax from 26% to 24% effective 1 April 2013 that was substantively enacted in March 2013, and a further reduction to 23% effective April 2013 that was substantively enacted in July 2013. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 20% by 1 April 2015. Deferred tax balances must be recognised at the future tax rate applicable when the balance is expected to unwind. As such, the rate reduction to 20% is reflected in the closing deferred tax balances. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

**9. DIVIDENDS**

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| Final dividend on ordinary shares paid at £26.31 (2012: £150) per share | 2,631         | 15,000        |
|   | <u>2,631</u>  | <u>15,000</u> |

**10. CONCESSION AGREEMENT**

Under the terms of the Concession Agreement which is in place until March 2031, 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. The concession fee for the 12 month period ended on 31 December 2013 was £27,305,000 (2012: £26,231,000).

**11. TANGIBLE FIXED ASSETS**

|                        | Short<br>leasehold<br>land and<br>buildings<br>£'000 | Runways,<br>taxiways<br>and other<br>similar<br>structures<br>£'000 | Plant and<br>machinery<br>£'000 | Totals<br>£'000 |
|------------------------|--|---|---------------------------------|-----------------|
| <b>COST</b>            |  |   |                                 |                 |
| At 1 January 2013      | 74,295   | 73,506  | 53,396                          | 201,197         |
| Additions              | 2,503  | 3,742   | 2,734                           | 8,979           |
| Disposals              | (46)   | (393)   | (677)                           | (1,116)         |
| At 31 December 2013    | <u>76,752</u>  | <u>76,855</u>   | <u>55,453</u>                   | <u>209,060</u>  |
| <b>DEPRECIATION</b>    |  |   |                                 |                 |
| At 1 January 2013      | 41,116   | 32,616  | 34,497                          | 108,229         |
| Charge for year        | 3,163  | 4,376   | 4,073                           | 11,611          |
| Eliminated on disposal | (46)   | (393)   | (677)                           | (1,116)         |
| At 31 December 2013    | <u>44,233</u>  | <u>36,599</u>   | <u>37,893</u>                   | <u>118,724</u>  |
| <b>NET BOOK VALUE</b>  |  |   |                                 |                 |
| At 31 December 2013    | <u>32,519</u>  | <u>40,256</u>   | <u>17,560</u>                   | <u>90,336</u>   |
| At 31 December 2012    | <u>33,179</u>  | <u>40,890</u>   | <u>18,899</u>                   | <u>92,968</u>   |

**Notes to the Financial Statements - continued**  
for the Year Ended 31 December 2013

**11. TANGIBLE FIXED ASSETS - continued**

Included within the cost of fixed assets are cumulative capitalised interest costs of £3,641,000 (2012: £3,641,000). The depreciation charge for the year includes an amount of £220,000 (2012: £188,000) representing the depreciation of capitalised interest. As at 31 December 2013 there were £4,682,000 of assets in the course of construction (2012: £3,070,000) which have not been depreciated. As at 31 December 2013 there were runways, taxiways and other similar structure assets with a net book value of £3,072,000 held under a finance lease arrangement (2012: £3,229,000).

**12. STOCKS**

|             | 2013<br>£'000 | 2012<br>£'000 |
|-------------|---------------|---------------|
| Consumables | <u>638</u>    | <u>566</u>    |

**13. DEBTORS**

|   | 2013<br>£'000 | 2012<br>£'000  |
|---|---------------|----------------|
| Amounts falling due within one year:          |               |                |
| Trade debtors                                 | 10,338        | 9,089          |
| Amounts owed by group undertakings            | -             | 107,513        |
| Other debtors                                 | 578           | 645            |
| Prepayments and accrued income                | <u>5,226</u>  | <u>2,400</u>   |
|   | <u>16,142</u> | <u>119,647</u> |
| Amounts falling due after more than one year: |               |                |
| Amounts owed by group undertakings            | <u>-</u>      | <u>20,000</u>  |
| Aggregate amounts                             | <u>16,142</u> | <u>139,647</u> |

Amounts due from group undertakings, which were unsecured and accrued interest at a three-month variable weighted average rate of 2.81% as at 31 December 2013, include £nil (2012: £92,513,000) which was due from an intermediate holding company (TBI Limited), relating to cash which has been pooled for Group purposes. In addition there was a bank loan of £nil (2012: £20,000,000) with Banco Sabadell (see note 15) that had been lent on to TBI Limited. It was drawn down on 14 June 2012 and accrued interest at three-month GBP LIBOR + 2.75%. There is another bank loan of £nil (2012: £15,000,000) with Barclays Bank (see note 16) that has been lent on to TBI Limited. It was drawn down on 14 December 2012 and accrued interest at three-month GBP LIBOR + 1.8%. All of these loans were settled in advance as part of the arrangements for the acquisition of the Company's immediate parent company.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|   | 2013          | 2012          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Bank loans and overdrafts (see note 16) | -             | 15,080        |
| Trade creditors                         | 16,665        | 11,206        |
| Amounts owed to group undertakings      | 2,002         | 13,428        |
| Corporation tax                         | 2,065         | 3,818         |
| Other taxation and social security      | 553           | 1,282         |
| Other creditors                         | 3,658         | 9,997         |
| Accruals and deferred income            | <u>9,528</u>  | <u>10,736</u> |
|   | <u>34,471</u> | <u>65,547</u> |

All amounts owed to group undertakings classified within one year are unsecured and repayable on demand. This includes £nil (2012: £2,281,000) payable to TBI Overseas (UK) LLC and accrued interest at a three-month variable weighted average rate of 2.87% as at 31 December 2013. This was repaid by the Company on 27 November 2013.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|                                    | 2013         | 2012           |
|------------------------------------|--------------|----------------|
|                                    | £'000        | £'000          |
| Bank loans (see note 16)           | -            | 20,000         |
| Other loans (see note 16)          | -            | 9,552          |
| Finance leases (see note 16)       | 5,617        | 5,647          |
| Amounts owed to group undertakings | -            | 70,000         |
| Other creditors                    | <u>13</u>    | <u>1,392</u>   |
|                                    | <u>5,630</u> | <u>106,591</u> |

The unsecured loan of £nil (2012: £70,000,000) with Airport Concessions and Development Limited (ACDL), accrued interest at 6 month GBP LIBOR + 1.447%. The bank loan and the unsecured loan were settled as part of the arrangements for the acquisition of the Company's immediate parent company.

16. BORROWINGS

An analysis of the maturity of borrowings is given below:

|   | 2013      | 2012          |
|---|-----------|---------------|
|   | £'000     | £'000         |
| Amounts falling due within one year or on demand: |           |               |
| Bank loans  | -         | 15,080        |
| Finance leases                                    | <u>53</u> | <u>31</u>     |
|   | <u>53</u> | <u>15,111</u> |
| Amounts falling due between one and two years:    |           |               |
| Loan with intermediate parent                     | -         | 70,000        |
| Finance leases                                    | <u>62</u> | <u>53</u>     |
|   | <u>62</u> | <u>70,053</u> |

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

16. BORROWINGS - continued

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| Amounts falling due between two and five years: |               |               |
| Bank loans                                      | -             | 20,000        |
| Loan notes                                      | -             | 9,552         |
| Finance leases                                  | <u>332</u>    | <u>219</u>    |
|   | <u>332</u>    | <u>29,771</u> |
| Amounts falling due after five years:           |               |               |
| Finance leases                                  | <u>5,170</u>  | <u>5,344</u>  |

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. These loan notes were repaid as part of the arrangements for the acquisition of the Company's immediate parent company.

The bank loan of £nil (2012: £20,000,000) with Banco Sabadell was drawn on 14 June 2012 and accrued interest at three-month GBP LIBOR + 2.75%. The bank loan of £nil (2012: £15,000,000) with Barclays Bank was drawn on 14 December 2013 and accrued interest at three-month GBP LIBOR + 1.8%. These bank loans were repaid as part of the arrangements for the acquisition of the Company's immediate parent company

17. PROVISIONS FOR LIABILITIES

|                                | 2013<br>£'000 | 2012<br>£'000    |
|--------------------------------|---------------|------------------|
| Deferred tax                   |               |                  |
| Accelerated capital allowances | 4,470         | 5,341            |
| Other timing differences       | <u>(25)</u>   | <u>(296)</u>     |
|                                | <u>4,445</u>  | <u>5,045</u>     |
| Other provisions               | <u>17</u>     | <u>851</u>       |
| Aggregate amounts              | <u>4,462</u>  | <u>5,896</u>     |
|                                | Deferred tax  | Other provisions |
|                                | £'000         | £'000            |
| Balance at 1 January 2013      | 5,045         | 851              |
| Released during year           | <u>(600)</u>  | <u>(834)</u>     |
| Balance at 31 December 2013    | <u>4,445</u>  | <u>17</u>        |

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

17. PROVISIONS FOR LIABILITIES - continued

Other provisions, which are not discounted, comprise 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 obligation is expected to be utilised over two years.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number:   | Class:            | Nominal<br>value: | 2013<br>£'000 | 2012<br>£'000 |
|-----------|-------------------|-------------------|---------------|---------------|
| 100,000   | Ordinary shares   | £1                | 100           | 100           |
| 5,174,000 | Redeemable shares | £1                | <u>5,174</u>  | <u>5,174</u>  |
|           |                   |                   | <u>5,274</u>  | <u>5,274</u>  |

The redeemable shares carry rights equal to those of 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, 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.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT ON RESERVES

|  | Share<br>capital<br>£'000 | Profit and<br>loss account<br>£'000 | Other<br>reserves<br>£'000 | 2013<br>total<br>£'000 | 2012<br>total<br>£'000 |
|--|---------------------------|-------------------------------------|----------------------------|------------------------|------------------------|
| At 1 January 2013                              | 5,274                     | 37,573                              | 63                         | 42,910                 | 45,591                 |
| Profit for the financial year                  | -                         | 22,604                              | -                          | 22,604                 | 14,343                 |
| Dividends                                      | -                         | (2,631)                             | -                          | (2,631)                | (15,000)               |
| FRS20 credit to other reserves                 | -                         | -                                   | 3                          | 3                      | 10                     |
| Net actuarial gain/(loss) on<br>pension scheme | -                         | (3,473)                             | -                          | (3,473)                | (2,188)                |
| Transfer                                       | -                         | 66                                  | (66)                       | -                      | -                      |
| Movement in deferred tax on<br>pension scheme  | -                         | 144                                 | -                          | 144                    | 154                    |
| At 31 December 2013                            | <u>5,274</u>              | <u>54,283</u>                       | <u>-</u>                   | <u>59,557</u>          | <u>42,910</u>          |
|  |                           |                                     |                            | 2013<br>£'000          | 2012<br>£'000          |
| Profit and loss excluding pension liability    |                           |                                     |                            | 68,205                 | 51,700                 |
| Pension deficit                                |                           |                                     |                            | <u>(13,922)</u>        | <u>(14,127)</u>        |
| Profit and loss account                        |                           |                                     |                            | <u>54,283</u>          | <u>37,573</u>          |

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

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

20. EMPLOYEE BENEFIT OBLIGATIONS

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 at 31 March 2011. The valuation used the projected unit method and was carried out by Towers Watson Limited, professionally qualified actuaries.

The amounts recognised in the balance sheet are as follows:

|                                     | Defined benefit<br>pension plans |                 |
|-------------------------------------|----------------------------------|-----------------|
|                                     | 2013                             | 2012            |
|                                     | £'000                            | £'000           |
| Present value of funded obligations | (89,452)                         | (77,340)        |
| Fair value of plan assets           | <u>72,049</u>                    | <u>58,993</u>   |
| Deficit                             | (17,403)                         | (18,347)        |
| Deferred tax asset                  | <u>3,481</u>                     | <u>4,220</u>    |
| Net liability                       | <u>(13,922)</u>                  | <u>(14,127)</u> |

The amounts recognised in the profit or loss account are as follows:

|   | 2013           | 2012           |
|---|----------------|----------------|
|   | £'000          | £'000          |
| <b>Administrative expenses</b>              |                |                |
| Current service cost                        | 2,440          | 2,875          |
| Curtailment gain                            | <u>(1,670)</u> | <u>-</u>       |
|   | <u>770</u>     | <u>2,875</u>   |
| <b>Interest payable and similar charges</b> |                |                |
| Interest cost                               | 3,600          | 3,432          |
| Expected return                             | <u>(3,267)</u> | <u>(2,997)</u> |
|   | <u>333</u>     | <u>435</u>     |
| Actual return on plan assets                | <u>8,727</u>   | <u>3,682</u>   |

Changes in the present value of the defined benefit obligation are as follows:

|                                      | 2013           | 2012          |
|--------------------------------------|----------------|---------------|
|                                      | £'000          | £'000         |
| Opening defined benefit obligation   | 77,340         | 69,502        |
| Current service cost                 | 2,440          | 2,875         |
| Contributions by scheme participants | 728            | 654           |
| Interest cost                        | 3,600          | 3,432         |
| Actuarial losses                     | 8,942          | 2,873         |
| Benefits paid                        | (1,544)        | (1,725)       |
| Expenses paid                        | (384)          | (271)         |
| Curtailments                         | <u>(1,670)</u> | <u>-</u>      |
|                                      | <u>89,452</u>  | <u>77,340</u> |

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

20. EMPLOYEE BENEFIT OBLIGATIONS - continued

Changes in the fair value of scheme assets are as follows:

|                                      | 2013<br>£'000 | 2012<br>£'000 |
|--------------------------------------|---------------|---------------|
| Opening fair value of scheme assets  | 58,993        | 52,498        |
| Contributions by employer            | 5,529         | 4,155         |
| Contributions by scheme participants | 728           | 654           |
| Expected return                      | 3,267         | 2,997         |
| Actuarial gains                      | 5,460         | 685           |
| Benefits paid                        | (1,544)       | (1,725)       |
| Expenses paid                        | (384)         | (271)         |
|                                      | <u>72,049</u> | <u>58,993</u> |

The amounts recognised in the statement of total recognised gains and losses are as follows:

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| Net experience adjustments  | (5,184)       | (644)         |
| Changes in assumptions underlying present value of scheme liabilities | <u>8,657</u>  | <u>2,832</u>  |
|   | <u>3,473</u>  | <u>2,188</u>  |
| Cumulative amount of actuarial gains                                  | <u>14,425</u> | <u>10,952</u> |

The major categories of scheme assets as amounts of total scheme assets are as follows:

|          | 2013<br>£'000 | 2012<br>£'000 |
|----------|---------------|---------------|
| Equities | 26,950        | 20,732        |
| Bonds    | 7,183         | 6,116         |
| Other    | <u>37,916</u> | <u>32,145</u> |
|          | <u>72,049</u> | <u>58,993</u> |

The overall expected return on assets for 2013 of 5.2% (2012: 5.4%) is based on the scheme's asset allocation as at 31 December 2013 and the expected investment returns on this asset allocation.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

20. EMPLOYEE BENEFIT OBLIGATIONS - continued

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

|  | 2013  | 2012  |
|--|-------|-------|
| Discount rate  | 4.50% | 4.70% |
| Expected return on scheme assets                             | 5.20% | 5.40% |
| Future salary increases                                      | -     | 3.65% |
| Future pension increases                                     | 3.10% | 2.90% |
| Rate of increase of pensions in deferment                    | 3.40% | 2.90% |
| Inflation  | 3.40% | 2.90% |
|  | Years | Years |
| Longevity at age 65 for current pensioners                   |       |       |
| - Men  | 22.5  | 22.4  |
| - Women  | 24.6  | 24.5  |
| Longevity at age 65 for future pensioners, currently aged 45 |       |       |
| - Men  | 24.7  | 24.6  |
| - Women  | 27.0  | 26.9  |

Amounts for the current and previous four periods are as follows:

|   | 2013<br>£'000 | 2012<br>£'000 | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Defined benefit pension plans</b>            |               |               |               |               |               |
| Defined benefit obligation                      | (89,452)      | (77,340)      | (69,502)      | (67,417)      | (60,218)      |
| Fair value of scheme assets                     | 72,049        | 58,993        | 52,498        | 51,711        | 44,111        |
| Deficit   | (17,403)      | (18,347)      | (17,004)      | (15,706)      | (16,107)      |
| Experience adjustments on<br>scheme liabilities | 276           | 41            | (2,802)       | (77)          | 72            |
| Experience adjustments on<br>scheme assets      | (5,460)       | (685)         | 4,681         | (2,185)       | (4,564)       |

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 return on scheme assets during the year was £8,727,000 (2012: £3,682,000).

In addition to the above defined benefit scheme, the company also participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £2,849 (2012: £4,373). The unpaid contributions at the year-end, included within accruals and deferred income (note 14) is £nil (2012: £nil).

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2013**

**21. ULTIMATE PARENT COMPANY**

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 Navigation House, Airport Way, Luton, Bedfordshire LU2 9LY.

The ultimate parent undertaking and controlling party was Abertis Infraestructuras S.A., a company registered in Spain, up until 27 November, at which point, the ultimate parent undertaking and controlling party changed to a consortium comprising Axa Infrastructure Fund III SCA SICAR and Entidad Pública Empresarial Aeropuertos Españoles y Navegación Aérea. The largest group in which the results of the Company are consolidated is Entidad Pública Empresarial Aeropuertos Españoles y Navegación Aérea. Copies of these financial statements can be obtained from Arturo Soria 109, Madrid, Spain.

**22. FINANCIAL COMMITMENTS**

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| Capital commitments contracted but not provided for | <u>5,268</u>  | <u>62</u>     |

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 10).

**23. 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.

**24. SHARE-BASED PAYMENT TRANSACTIONS**

On 1 April 2008, the Abertis General Shareholders' Meeting approved a share option 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 option 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 option plan for shares in Abertis Infraestructuras, S.A., also aimed at management executives of the group (hereinafter "Plan 2010").

The Abertis Infraestructuras S.A. Group share-based payment scheme is linked to Abertis Infraestructuras's share price. 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 2013 is £3,000 (2012: £10,000), and relates only to options granted to Directors of the Company. During 2013, a total of 12,153 share options (2012: 10,417) were exercised by the Directors, on 2 April 2013, at an exercise price of €11.62. Excluding scrip issues, no new share options were issued in 2013 (2012: nil). The options were valued using the Hull & White options-pricing model. At the time of change in ownership, all existing options had been exercised.

