

REGISTERED NUMBER: 03491213 (England and Wales)

**Report of the Directors and
Financial Statements for the Year Ended 31 December 2012
for
London Luton Airport Operations Limited**

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for the Year Ended 31 December 2012**

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London Luton Airport Operations Limited (Registered number: 03491213)

Report of the Directors for the Year Ended 31 December 2012

The directors present their report with the financial statements of the company for the year ended 31 December 2012.

PRINCIPAL ACTIVITY

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).

REVIEW OF BUSINESS

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 2012 have improved as a result of a modest increase in passenger volumes, from 9.5 million passengers in 2011 to 9.6 million passengers in 2012. This increase in passengers was primarily driven by Wizz Air, which continues to expand capacity at London Luton Airport, and this was supported by passenger growth across most other major scheduled carriers.

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 the financial statements.

TURNOVER

Total turnover for the year ended 31 December 2012 was £117,858,000 (2011: £112,062,000). See Note 2 for further analysis.

Traffic income in 2012 represented an average of £5.74 per passenger (2011: £5.57) and this was higher than last year because of deal progression with airlines and also general inflationary increases.

Commercial income in 2012 represented an average of £4.97 per passenger and this was slightly higher than last year (2011: £4.89).

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

Operating profit for the year was £24,435,000 (2011: £23,803,000). The directors believe that EBITDA excluding non-core operating costs is the performance measure most relevant to the readers of our statutory accounts. EBITDA excluding non-core operating items of £nil (2011: £nil) was £36,237,000 for the year (2011: £35,152,000).

The increase in EBITDA of 3.1% is predominantly attributable to growth in passenger volumes, albeit partially offset by structural increases in operating costs coupled with other general inflationary pressures.

DIVIDENDS

An interim dividend of £150.00 per share on the Ordinary £1 shares was paid on 17 December 2012. The directors recommend that no final dividend be paid on these shares.

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 2012 was £15,000,000 (2011: £15,643,000).

**Report of the Directors
for the Year Ended 31 December 2012**

FIXED ASSETS

During the year, tangible fixed asset additions totalled £5,947,000 (2011: £7,388,000). 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.

FUTURE DEVELOPMENTS

On 8 August 2012, the Company and the airport owner, London Luton Airport Limited (LLAL), entered into an agreement to enable London Luton Airport to continue to be managed, operated and developed by the Company through to 2031. Furthermore, this agreement, which is supplemental to the original Concession Agreement signed on 20 August 1998 granting the Company the right to operate the airport, revoked LLAL's entitlement to terminate the Concession Agreement 15 years from the date of the original agreement and also specified the framework for infrastructure development to expand airport capacity to 18 million passengers per year. To this effect, on 30 November 2012, the Company submitted a planning application to Luton Borough Council's Planning Department for scrutiny and at the date these accounts were approved, the Company is still awaiting a final decision.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report.

R Bullock
G Jones
R Lawrie
E Renton
N Thompson

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 2012 benefitted from the timing of payments to suppliers and stood at 16 days (2011: 39 days).

**Report of the Directors
for the Year Ended 31 December 2012**

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 16).

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 16).

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2012, the Company made a variety of local and national charitable donations with an aggregate value of £56,662 (2011: £60,790), 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.

**Report of the Directors
for the Year Ended 31 December 2012**

DEFINED BENEFIT PENSION SCHEME

The Company operates a defined benefit pension scheme. The FRS 17 Pension liability at 31 December 2012 was £14,127,000 (2011: £12,744,000). See Note 21 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 16).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**Report of the Directors
for the Year Ended 31 December 2012**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the 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 auditors are aware of that information.


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: 10 April 2013
.....

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 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 27. 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 set out on page five, 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 2012 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor's Report to the Members of
London Luton Airport Operations Limited**

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
3 Rivergate
Temple Quay
Bristol, United Kingdom
Avon
BS1 6GD

Date: 10 April 2013

London Luton Airport Operations Limited (Registered number: 03491213)

**Profit and Loss Account
for the Year Ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
TURNOVER	2	117,858	112,062
Administrative expenses		<u>(93,423)</u>	<u>(88,259)</u>
OPERATING PROFIT	5	24,435	23,803
Interest receivable and similar income	6	1,924	680
Interest payable and similar charges	7	<u>(5,723)</u>	<u>(5,019)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		20,636	19,464
Tax on profit on ordinary activities	8	<u>(6,293)</u>	<u>(4,771)</u>
PROFIT FOR THE FINANCIAL YEAR	19	<u>14,343</u>	<u>14,693</u>

CONTINUING OPERATIONS

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

The notes on pages 12 to 27 form part of these financial statements

London Luton Airport Operations Limited (Registered number: 03491213)

**Statement of Total Recognised Gains and Losses
for the Year Ended 31 December 2012**

	2012 £'000	2011 £'000
PROFIT FOR THE FINANCIAL YEAR	14,343	14,693
Actuarial loss on pension scheme	(2,188)	(1,241)
Rate change pension scheme deferred tax	(349)	(306)
Deferred tax movement on pension deficit	<u>503</u>	<u>310</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>12,309</u>	<u>13,456</u>


The notes on pages 12 to 27 form part of these financial statements

London Luton Airport Operations Limited (Registered number: 03491213)

Balance Sheet
31 December 2012

	Notes	2012 £'000	2011 £'000
FIXED ASSETS			
Tangible assets	11	92,968	98,823
CURRENT ASSETS			
Stocks	12	566	596
Debtors	13	139,647	131,287
Cash at bank		<u>1,890</u>	<u>1,853</u>
		142,103	133,736
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	<u>(65,547)</u>	<u>(51,549)</u>
NET CURRENT ASSETS		<u>76,556</u>	<u>82,187</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		169,524	181,010
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(106,591)	(115,480)
PROVISIONS FOR LIABILITIES	18	(5,896)	(7,195)
PENSION LIABILITY	21	<u>(14,127)</u>	<u>(12,744)</u>
NET ASSETS		<u>42,910</u>	<u>45,591</u>
CAPITAL AND RESERVES			
Called up share capital	19	5,274	5,274
Other reserves	20	63	53
Profit and loss account	20	<u>37,573</u>	<u>40,264</u>
SHAREHOLDERS' FUNDS	26	<u>42,910</u>	<u>45,591</u>

The financial statements were approved and authorised for issue by the Board of Directors on 10.4.13 and were signed on its behalf by:


.....
E Renton - Director

The notes on pages 12 to 27 form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 December 2012**

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 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 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 Abertis Infraestructuras S.A. and is included in the consolidated financial statements of Abertis Infraestructuras S.A. which are publicly available.

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 contractually 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

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 2012**

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 2012

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.

	2012 £'000	2011 £'000
Traffic income	55,298	53,027
Commercial income	47,886	46,583
Tenant income	<u>14,674</u>	<u>12,452</u>
TURNOVER	<u>117,858</u>	<u>112,062</u>

The breakdown of turnover for 2011 has been adjusted to better align revenue streams with income headings. Total turnover is unaffected and the impact of these reclassifications is immaterial

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

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

3. STAFF COSTS

	2012	2011
	£'000	£'000
Wages and salaries	18,188	16,798
Social security costs	1,551	1,409
Other pension costs	<u>2,934</u>	<u>2,774</u>
	<u>22,673</u>	<u>20,981</u>

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

	2012	2011
Operations	457	414
Management and support services	53	55
Technical services	<u>46</u>	<u>47</u>
	<u>556</u>	<u>516</u>

4. DIRECTORS' EMOLUMENTS

	2012	2011
	£'000	£'000
Aggregate emoluments	732	654
Pension costs	<u>55</u>	<u>49</u>
	<u>787</u>	<u>703</u>

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 (2011: 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 (2011: nil) to any Company directors during the year. During the year, 10,417 share options (2011: nil) were exercised by the Company's directors (Note 27).

Highest paid director

	2012	2011
	£'000	£'000
Aggregate emoluments and other benefits	298	277
Company pension contributions to money purchase scheme	21	20

The aggregate emoluments and other benefits paid to the highest paid director include a bonus of £72,324 (2011: £63,000). Also, there were no Abertis Infraestructuras S.A. share options granted to the highest paid director during the year (2011: nil). During the year, 6,945 share options (2011: nil) were exercised by the highest paid director.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

5. OPERATING PROFIT

The operating profit is stated after charging:

	2012	2011
	£'000	£'000
Depreciation - owned assets	11,602	11,149
Depreciation - assets on finance leases	200	200
Fees payable to the Company's auditor for the audit	28	28
Fees payable to the Company's auditor for non-audit services	<u>3</u>	<u>-</u>

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

	2012	2011
	£'000	£'000
Operating profit	24,435	23,803
Add: Depreciation on tangible assets - owned and leased assets	<u>11,802</u>	<u>11,349</u>
EBITDA	<u>36,237</u>	<u>35,152</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012	2011
	£'000	£'000
Deposit account interest	-	6
Interest receivable on loans to group undertakings	<u>1,924</u>	<u>674</u>
	<u>1,924</u>	<u>680</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£'000	£'000
Interest payable on bank loans	994	674
Interest payable to group undertakings	3,271	3,106
Other interest payable	260	142
Other finance costs arising on FRS 17	435	351
Finance lease interest payable	<u>763</u>	<u>746</u>
	<u>5,723</u>	<u>5,019</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

8. TAXATION

Analysis of the tax charge

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

	2012 £'000	2011 £'000
Current tax:		
UK corporation tax	6,341	4,902
Adjustments in respect of prior periods	<u>518</u>	<u>253</u>
Total current tax	<u>6,859</u>	<u>5,155</u>
Deferred tax:		
Origination and reversal of timing differences	(145)	93
Pension contribution relief in excess of/(less than) pension cost charge	194	(15)
Adjustments in respect of prior periods	(164)	(5)
Changes in tax rates	<u>(451)</u>	<u>(457)</u>
Total deferred tax	<u>(566)</u>	<u>(384)</u>
Tax on profit on ordinary activities	<u>6,293</u>	<u>4,771</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:

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	<u>20,636</u>	<u>19,464</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.500% (2011 - 26.493%)	5,056	5,157
Effects of:		
Group relief receivable for no payment	(1,494)	(1,298)
Differences between depreciation and capital allowances	208	(49)
Pension contribution relief (less than)/in excess of pension cost charge	(194)	15
Other timing differences	(66)	(49)
Adjustments to tax charge in respect of prior periods	518	253
Permanent differences	<u>2,831</u>	<u>1,126</u>
Current tax charge	<u>6,859</u>	<u>5,155</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

8. TAXATION - continued

Factors that may affect future tax charges

Finance Bill 2012 included a reduction in the rate of corporate income tax from 26% to 24% effective 1 April 2012 that was substantively enacted in March 2012, and a further reduction to 23% effective April 2013 that was substantively enacted in July 2012. 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 23% is reflected in the closing deferred tax balances. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 20% by 1 April 2015. 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

	2012 £'000	2011 £'000
Ordinary shares of £1 each		
Interim paid at £150 per share	<u>15,000</u>	<u>15,643</u>

10. 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. The concession fee for the 12 month period ended on 31 December 2012 was £26,231,000 (2011: £24,935,000).

11. TANGIBLE FIXED ASSETS

	Short leasehold land and buildings £'000	Runways, taxiways and other similar structures £'000	Plant and machinery £'000	Totals £'000
COST				
At 1 January 2012	74,636	68,972	54,408	198,016
Additions	-	4,542	1,405	5,947
Disposals	<u>(341)</u>	<u>(8)</u>	<u>(2,417)</u>	<u>(2,766)</u>
At 31 December 2012	<u>74,295</u>	<u>73,506</u>	<u>53,396</u>	<u>201,197</u>
DEPRECIATION				
At 1 January 2012	38,741	28,438	32,014	99,193
Charge for year	2,716	4,186	4,900	11,802
Eliminated on disposal	<u>(341)</u>	<u>(8)</u>	<u>(2,417)</u>	<u>(2,766)</u>
At 31 December 2012	<u>41,116</u>	<u>32,616</u>	<u>34,497</u>	<u>108,229</u>
NET BOOK VALUE				
At 31 December 2012	<u>33,179</u>	<u>40,890</u>	<u>18,899</u>	<u>92,968</u>
At 31 December 2011	<u>35,895</u>	<u>40,534</u>	<u>22,394</u>	<u>98,823</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

11. TANGIBLE FIXED ASSETS - continued

Included within the cost of fixed assets are cumulative capitalised interest costs of £3,641,000 (2011: £3,641,000). The depreciation charge for the year includes an amount of £188,000 (2011: £188,000) representing the depreciation of capitalised interest. As at 31 December 2012 there were £3,070,000 of assets in the course of construction (2011: £nil) which have not been depreciated. As at 31 December 2012 there were runways, taxiways and other similar structure assets with a net book value of £3,229,000 held under a finance lease arrangement (2011: £3,429,000).

12. STOCKS

	2012	2011
	£'000	£'000
Consumables	<u>566</u>	<u>596</u>

13. DEBTORS

	2012	2011
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	9,089	9,112
Amounts owed by group undertakings	107,513	100,413
Other debtors	645	22
Prepayments and accrued income	<u>2,400</u>	<u>1,740</u>
	<u>119,647</u>	<u>111,287</u>

Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>20,000</u>	<u>20,000</u>

Aggregate amounts	<u>139,647</u>	<u>131,287</u>
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Amounts due from group undertakings, which are unsecured and accrued interest at a three-month variable weighted average rate of 2.81% as at 31 December 2012, include £92,433,000 (2011: £100,352,000) which is 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 (2011: £20,000,000) with Banco Sabadell (see Note 15) that has been lent on to TBI Limited. It was drawn down on 14 June 2011 and accrued interest at three-month GBP LIBOR + 2.75%. The loan is repayable on 14 June 2014. There is another bank loan of £15,000,000 (2011: £nil) 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%. The loan is repayable on 14 March 2013.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£'000	£'000
Bank loans and overdrafts (see note 16)	15,080	61
Trade creditors	11,206	13,686
Amounts owed to group undertakings	13,428	21,934
Corporation Tax	3,818	2,357
Other taxation and social security	1,282	1,023
Other creditors	9,997	2,539
Accruals and deferred income	<u>10,736</u>	<u>9,949</u>
	<u>65,547</u>	<u>51,549</u>

All amounts owed to group undertakings classified within one year are unsecured and repayable on demand. This includes £2,281,000 (2011: £11,774,000) payable to TBI Overseas (UK) LLC and accrued interest at a three-month variable weighted average rate of 2.87% as at 31 December 2012.

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

	2012	2011
	£'000	£'000
Bank loans (see note 16)	20,000	20,000
Other loans (see note 16)	9,552	9,552
Finance leases (see note 17)	5,647	5,631
Amounts owed to group undertakings	70,000	70,000
Other creditors	<u>1,392</u>	<u>10,297</u>
	<u>106,591</u>	<u>115,480</u>

The unsecured loan of £70,000,000 (2011: £70,000,000) with Airport Concessions and Development Limited (ACDL), accrued interest at 6 month GBP LIBOR + 1.447%. On 11 January 2013, 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 2012.

16. LOANS

An analysis of the maturity of loans is given below:

	2012	2011
	£'000	£'000
Amounts falling due within one year or on demand:		
Bank loans	<u>15,080</u>	<u>61</u>
Amounts falling due between one and two years:		
Loan with intermediate parent	<u>70,000</u>	<u>70,000</u>
Amounts falling due between two and five years:		
Bank loans	20,000	20,000
Loan Notes	<u>9,552</u>	<u>9,552</u>
	<u>29,552</u>	<u>29,552</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

16. LOANS - continued

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

The bank loan of £15,000,000 (2011: £nil) with Barclays Bank was drawn on 14 December 2012 and accrued interest at three-month GBP LIBOR + 1.8%. The loan is repayable on 14 March 2013.

17. OBLIGATIONS UNDER LEASING AGREEMENTS

	Finance leases	
	2012	2011
	£'000	£'000
Net obligations repayable:		
In more than five years	<u>5,647</u>	<u>5,631</u>

£252,000 (2011: £252,000) of the total amounts due represents accrued interest payments under the finance lease arrangement.

18. PROVISIONS FOR LIABILITIES

	2012	2011
	£'000	£'000
Deferred tax		
Accelerated capital allowances	5,341	5,980
Other timing differences	<u>(296)</u>	<u>(175)</u>
	<u>5,045</u>	<u>5,805</u>
Other provisions	<u>851</u>	<u>1,390</u>
Aggregate amounts	<u>5,896</u>	<u>7,195</u>
	Deferred tax	Other provisions
	£'000	£'000
Balance at 1 January 2012	5,805	1,390
Released during year	<u>(760)</u>	<u>(539)</u>
Balance at 31 December 2012	<u>5,045</u>	<u>851</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

18. 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.

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2012 £'000	2011 £'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 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 - continued
for the Year Ended 31 December 2012

20. RESERVES

	Profit and loss account £'000	Other reserves £'000	Totals £'000
At 1 January 2012	40,264	53	40,317
Profit for the year	14,343	-	14,343
Dividends	(15,000)	-	(15,000)
FRS 20 credit to other reserves	-	10	10
Net actuarial gain/(loss) on pension scheme	(2,188)	-	(2,188)
Movement in deferred tax on pension scheme	154	-	154
At 31 December 2012	<u>37,573</u>	<u>63</u>	<u>37,636</u>
Profit and loss account excluding pension liability	51,700		
Pension deficit	<u>(14,127)</u>		
Profit and loss account	<u>37,573</u>		

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

21. 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 31 March 2012. 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 pension plans	
	2012 £'000	2011 £'000
Present value of funded obligations	(77,340)	(69,502)
Fair value of plan assets	<u>58,993</u>	<u>52,498</u>
Deficit	(18,347)	(17,004)
Deferred tax asset	<u>4,220</u>	<u>4,260</u>
Net liability	<u>(14,127)</u>	<u>(12,744)</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2012	2011
	£'000	£'000
Current service cost	2,875	2,721
Interest cost	3,432	3,675
Expected return	(2,997)	(3,324)
	<u>3,310</u>	<u>3,072</u>
Actual return on plan assets	<u>3,682</u>	<u>(1,357)</u>

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

	Defined benefit pension plans	
	2012	2011
	£'000	£'000
Opening defined benefit obligation	69,502	67,417
Current service cost	2,875	2,721
Contributions by scheme participants	654	619
Interest cost	3,432	3,675
Actuarial losses/(gains)	2,873	(3,440)
Benefits paid	(1,725)	(1,213)
Expenses Paid	(271)	(277)
	<u>77,340</u>	<u>69,502</u>

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

	Defined benefit pension plans	
	2012	2011
	£'000	£'000
Opening fair value of scheme assets	52,498	51,711
Contributions by employer	4,155	3,015
Contributions by scheme participants	654	619
Expected return	2,997	3,324
Actuarial gains/(losses)	685	(4,681)
Benefits paid	(1,725)	(1,213)
Expenses paid	(271)	(277)
	<u>58,993</u>	<u>52,498</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	Defined benefit pension plans	
	2012	2011
	£'000	£'000
Net experience adjustments	(644)	1,879
Changes in assumptions underlying present value of scheme liabilities	<u>2,832</u>	<u>(638)</u>
	<u>2,188</u>	<u>1,241</u>
Cumulative amount of actuarial gains	<u>10,952</u>	<u>8,764</u>

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

	Defined benefit pension plans	
	2012	2011
	£'000	£'000
Equities	20,732	18,156
Bonds	6,116	5,393
Other	<u>32,145</u>	<u>28,949</u>
	<u>58,993</u>	<u>52,498</u>

The overall expected return on assets for 2012 of 5.4% is based on the Scheme's asset allocation as at 31 December 2012 and the expected investment returns on this asset allocation.

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

	2012	2011
Discount rate	4.70%	5.00%
Expected return on scheme assets	5.40%	5.60%
Future salary increases	3.65%	3.75%
Future pension increases	2.90%	3.00%
Rate of increase pensions in deferment	2.90%	3.00%
Inflation	2.90%	3.00%
	Year	Year
Longevity at age 65 for current pensioners (years)		
- Men	22.4	22.2
- Women	24.5	24.4
Longevity at age 65 for future pensioners, currently aged 45 (years)		
- Men	24.6	24.5
- Women	26.9	26.8

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Defined benefit pension plans					
Defined benefit obligation	(77,340)	(69,502)	(67,417)	(60,218)	(42,497)
Fair value of scheme assets	58,993	52,498	51,711	44,111	35,126
Deficit	(18,347)	(17,004)	(15,706)	(16,107)	(7,371)
Experience adjustments on scheme liabilities	41	(2,802)	77	72	162
Experience adjustments on scheme assets	(685)	4,681	(2,185)	(4,564)	10,964

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 £3,682,000 (2011: loss on assets £1,357,000).

22. 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 TBI House, Building 72-104, Frank Lester Way, London Luton Airport, Luton LU2 9NQ.

The ultimate parent company and controlling party is Abertis Infraestructuras S.A., 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.

23. CAPITAL COMMITMENTS

	2012 £'000	2011 £'000
Contracted but not provided for in the financial statements	<u>62</u>	<u>147</u>

24. OTHER 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 10).

25. 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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012	2011
	£'000	£'000
Profit for the financial year	14,343	14,693
Other recognised gains and losses relating to the year (net)Dividends	<u>(2,034)</u>	<u>(1,237)</u>
	12,309	13,456
Dividends	(15,000)	(15,643)
FRS 20 credit to other reserves	<u>10</u>	<u>14</u>
Net reduction of shareholders' funds	(2,681)	(2,173)
Opening shareholders' funds	<u>45,591</u>	<u>47,764</u>
Closing shareholders' funds	<u>42,910</u>	<u>45,591</u>

27. 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 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 2012 is £10,000 (2011: £14,000), and relates only to options granted to directors of the Company. During 2012, a total of 10,417 share options (2011: nil) were exercised by the directors, on 2 April 2012, at an exercise price of €9.40.

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 2012 (2011: nil). 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 publicly available.