

**London Luton Airport Operations
Limited**

Registered Number 3491213

**Annual report and accounts
for the year ended 31 December 2010**

London Luton Airport Operations Limited

Annual report and accounts for the year ended 31 December 2010

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London Luton Airport Operations Limited

Directors and advisers

Directors

R Bullock

G Jones

E Renton

N Thompson

Company Secretary

M A Gatehouse

Registered Office

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Chartered Accountants and Statutory Auditors

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London Luton Airport Operations Limited

Directors' report for the year ended 31 December 2010

The directors present their annual report and the audited financial statements of London Luton Airport Operations Limited (the Company) for the year ended 31 December 2010.

Principal activities

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

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

Business review

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

Although overall trading results for the year ended 31 December 2010 have improved, passenger volumes have decreased from 9.1 million passengers in 2009 to 8.8 million passengers in 2010. This decrease in passengers was primarily driven by the impact of the well publicised volcanic ash crisis, a reduction in easyJet's flying programme and the demise of SkyEurope, which ceased trading on 1 September 2009. It was partially offset by Wizz Air, which continues to grow at London Luton Airport.

Turnover

Total turnover for the year ended 31 December 2010 was £102.2m (2009: £98.5m). See note 1 for further analysis.

Traffic income in 2010 represented an average of £5.23 per passenger (2009: £5.02), an increase of approximately 4%. This increase can be attributed to inflationary increases in aeronautical tariffs across the board and an upturn in the market for private aviation.

Average commercial income per passenger increased by 10% to £5.17 (2009: £4.69). Contractual inflationary and other increases in many concessions, coupled with an improvement in general retail yields, along with the impact of new property leases and rent reviews were the key causal factors.

Operating profit and EBITDA ("Earnings before Interest, Tax, Depreciation and Amortisation")

Operating profit for the year was £20.5m (2009: £19.3m). 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 (2009: £0.2m) was £33.6m for the year (2009: £31.5m).

Although passenger throughput experienced a decline of 3.3%, EBITDA increased by 6.3%. The disproportionate increase in EBITDA is mainly due to an improvement in commercial income and recovery of the private aviation market as described above.

Future developments

London Luton Airport had previously published its draft Master Plan in October 2005 and this was subsequently withdrawn in July 2007, with the intention to focus future development proposals on making the most of the existing site. Details of the revised proposals are currently in the process of being formulated and will be issued in due course.

London Luton Airport Operations Limited

Directors' report for the year ended 31 December 2010 (continued)

Balance Sheet

Defined benefit pension scheme

The Company operates a defined benefit pension scheme. The FRS17 Pension liability at 31 December 2010 was £11.5m (2009: £11.6m). See note 3 for further details.

Financing

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

Tangible fixed assets

During the year, tangible fixed asset additions totalled £5.2m (2009: £10.0m). These additions primarily related to improvements to the central terminal area, taxiways, airport infrastructure and also purchases of equipment and vehicles.

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

Financial risk management

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

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

Credit risk

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

Liquidity risk

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

Interest rate cash flow risk

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

Results and dividends

The Company's profit for the year is set out in the profit and loss account on page 7. The directors do not recommend the payment of a dividend for the year (2009: £nil).

London Luton Airport Operations Limited

Directors' report for the year ended 31 December 2010 (continued)

Directors and their interests

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

R Bullock
G Jones
M Lloyd (resigned on 28 May 2010)
E Renton
N Thompson (appointed on 1 April 2010)

Donations

During the year ended 31 December 2010 the Company made a variety of local and national charitable donations with an aggregate value of £54,961 (2009: £62,000), the major beneficiary being The Bedfordshire & Luton Community Foundation.

Employees

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

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

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

Policy and practice on payment of creditors

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

- Settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- Ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts;
- 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 2010 was 33 days (2009: 26 days).

London Luton Airport Operations Limited

Directors' report for the year ended 31 December 2010 (continued)

Statement of directors' responsibilities

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

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

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

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

Statement of disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all steps that they ought to have taken in order to make themselves aware of any relevant information and to establish that the Company's auditors are aware of that information.

By order of the Board



G Jones
Managing Director
30 March 2011

Independent auditors' 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 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Accounting Policies and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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.

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

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.

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 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

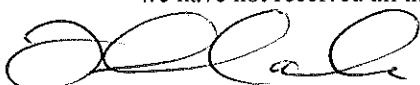
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Jason Clarke (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

31 March 2011

London Luton Airport Operations Limited

Profit and loss account for the year ended 31 December 2010

	Note	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Continuing Operations			
Turnover	1	102,187	98,525
Administrative expenses		(81,657)	(79,178)
Operating profit		20,530	19,347
Interest receivable and similar income		123	5
Interest payable and similar charges	4	(4,457)	(5,896)
Profit on ordinary activities before taxation	5	16,196	13,456
Tax on profit on ordinary activities	6	(3,094)	(1,456)
Profit for the financial year	16	13,102	12,000

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 12 to 26 form part of these financial statements.

London Luton Airport Operations Limited

Statement of total recognised gains and losses for the year ended 31 December 2010

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Profit for the financial year	13,102	12,000
Actuarial gain/(loss) on pension scheme	261	(9,845)
Effect of rate change on deferred tax relating to pension deficit	(161)	-
Movement in deferred tax relating to pension deficit	(70)	2,757
Net effect of pension scheme	30	(7,088)
Total recognised gains relating to the year	13,132	4,912

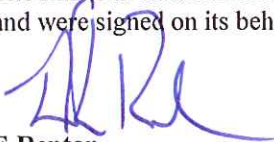
The notes on pages 12 to 26 form an integral part of these financial statements.

London Luton Airport Operations Limited

Balance sheet as at 31 December 2010

	Note	31 December 2010 £'000	31 December 2009 £'000
Fixed assets			
Tangible assets	8	102,784	110,675
Current assets			
Stock	9	535	431
Debtors	10	105,863	76,017
Short term deposits		1,452	952
		107,850	77,400
Creditors - amounts falling due within one year	11	(48,450)	(40,408)
Net current assets		59,400	36,992
Total assets less current liabilities		162,184	147,667
Creditors - amounts falling due after more than one year	12	(95,357)	(94,442)
Provisions for liabilities and charges	14	(7,598)	(7,013)
Net assets excluding pension scheme liability		59,229	46,212
Pension scheme liability	3	(11,465)	(11,597)
Net assets		47,764	34,615
Capital and reserves			
Called up share capital	15	5,274	5,274
Profit and loss account	16	42,451	29,319
Other reserves	16	39	22
Total shareholders' funds	17	47,764	34,615

The financial statements on pages 7 to 26 were approved by the board of directors on 30 March 2011 and were signed on its behalf by:


E Renton
 Finance Director

Company Registered No: 3491213

London Luton Airport Operations Limited

Accounting policies

The Company's principal accounting policies, which are set out below, have been applied consistently.

The Company's financial statements have been prepared on a going concern basis, under the historic cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently throughout are set out below.

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. Tennant income is earned based on contractual agreed terms.

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

Fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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	15 – 30 years
Short leasehold land and buildings	10 – 30 years
Plant, machinery and equipment	2 – 10 years
Motor vehicles	3 – 20 years

Stock

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

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.

Pensions

The Company operates a defined benefit pension scheme which is accounted for in accordance with the provisions of FRS 17 'Retirement Benefits'. The assets of the defined benefit scheme are measured using bid market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

London Luton Airport Operations Limited

Accounting policies (continued)

Deferred tax

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.

Accrued income

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.

Deferred income

Where specific services are invoiced in advance of the service being provided then the turnover is deferred and recognised when the services are provided.

Costs associated with the raising of finance

Under the provisions of FRS 4 'Capital Instruments', costs associated with the raising of relevant finance are accounted for as a deduction from the amount of consideration received. The costs are then amortised over the life of the instrument.

Provisions

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

Cash flow statement

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

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010

1 Turnover

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

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Traffic income	45,742	45,830
Commercial income	45,287	42,847
Tenant income	11,158	9,848
	102,187	98,525

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

2 Directors' emoluments

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Aggregate emoluments	518	596
Company pension contributions	40	48
	558	644

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 (2009: 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, 10,500 (2009: 12,000) Abertis Infraestructuras SA share options were granted to two (2009: three) directors in total (Note 20).

Highest paid director	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Aggregate emoluments and other benefits	240	232
Company pension contributions under personal pension scheme	18	18

The aggregate emoluments and other benefits paid to the highest paid director include a bonus of £50,000 (2009: £48,000). Also, 8,521 (2009: 6,615) Abertis Infraestructuras SA share options have been granted to the highest paid director during the year.

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

3 Employee information

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

By activity	Year ended 31 December 2010 Number	Year ended 31 December 2009 Number
Operations	423	433
Management and support services	53	59
Technical services	46	46
	522	538

The aggregate payroll costs of these employees were as follows:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Wages and salaries	15,331	15,636
Social security costs	1,207	1,424
Other pensions costs	2,504	1,624
Share option costs (Note 20)	17	14
Staff costs	19,059	18,698

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 2008. The valuation used the projected unit method and was carried out by Watson Wyatt Limited, professionally qualified actuaries. As per agreement with the trustees, employer contributions were 18.6% of pensionable salaries plus an additional monthly deficit recovery payment of £86,000.

In light of the actuarial valuation of LLAPS as at 31 March 2008, TBI Limited (an intermediate parent company) has agreed to provide a guarantee in respect of the Company's obligations to the scheme. This has strengthened the employer covenant supporting the scheme.

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

Assumptions	31 December 2010 %	31 December 2009 %
Inflation	3.45	3.6
Rate of increase in salaries	4.2	4.35
Rate of increase of pensions in payment	3.45	3.6
Rate of increase in pensions in deferment	3.45	3.6
Discount rate	5.5	5.8

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

3 Employee information (continued)

The mortality assumptions used were as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Longevity at age 65 for current pensioners (years):		
- Men	21.9	21.9
- Women	24.3	24.2
Longevity at age 65 for future pensioners, currently aged 45 (years):		
- Men	23.2	23.2
- Women	25.4	25.4

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

	Expected rate of return %	31 December 2010 £'000	Expected rate of return %	31 December 2009 £'000
Equities	7.7	18,454	8.0	16,270
Bonds	5.4	4,777	4.9	10,616
Other	5.57	28,480	6.3	17,225
	6.3	51,711	6.6	44,111

The overall expected return on assets for 2010 of 6.3% is based on the Scheme's asset allocation as at 31 December 2010 and the expected investment returns on this asset allocation.

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

	31 December 2010 £'000	31 December 2009 £'000
Fair value of plan assets	51,711	44,111
Present value of funded obligations	(67,417)	(60,218)
Deficit in scheme	(15,706)	(16,107)
Related deferred tax asset	4,241	4,510
Net pension deficit	(11,465)	(11,597)

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

3 Employee information (continued)

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

	31 December 2010 £'000	31 December 2009 £'000
As at 1 January	44,111	35,126
Expected return on plan assets	2,990	2,388
Actuarial gain on plan assets	2,185	4,564
Employer contributions	3,072	3,057
Member contributions	596	584
Benefits paid	(1,078)	(1,288)
Expenses paid	(165)	(320)
As at 31 December	51,711	44,111

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 actual return on scheme assets during the year was £5,175,000 (2009: £6,952,000).

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

	31 December 2010 £'000	31 December 2009 £'000
As at 1 January	60,218	42,497
Current service costs	2,460	1,573
Interest cost	3,462	2,763
Contribution by scheme participants	596	584
Actuarial loss	1,924	14,409
Benefits paid	(1,078)	(1,288)
Expenses paid	(165)	(320)
As at 31 December	67,417	60,218

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

3 Employee information (continued)

The amounts recognised in the performance statements are as follows:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Operating profit		
Current service costs	(2,460)	(1,573)
Total operating charge	(2,460)	(1,573)
Other finance costs		
Expected return on pension scheme assets	2,990	2,388
Interest on pension scheme liabilities	(3,462)	(2,763)
Net charge	(472)	(375)

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Statement of total recognised gains and losses		
Experience adjustments on pension scheme assets	(2,185)	(4,564)
Experience adjustments arising on the scheme liabilities	77	72
Changes in assumptions underlying the present value of the scheme liabilities	1,847	14,337
Actuarial (gain)/loss recognised in the statement of total recognised gains and losses	(261)	9,845

The cumulative amount of actuarial gains recognised in the statement of recognised gains and losses is £7,523,000 (2009: £7,784,000)

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Movement in deficit during the year		
Pension liability at beginning of the year	(16,107)	(7,371)
Current service cost	(2,460)	(1,573)
Contributions	3,072	3,057
Other finance charges	(472)	(375)
Actuarial gain / (loss)	261	(9,845)
Pension liability at end of year	(15,706)	(16,107)

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

3 Employee information (continued)

Details of experience gains and losses for the 12 months to 31 December	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	(2,185)	(4,564)
Percentage of scheme assets	4.2%	10.3%
Experience adjustments on scheme liabilities:		
Amount (£'000)	77	72
Percentage of the present value of the scheme liabilities	0.1%	0.1%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000)	(261)	9,845
Percentage of the present value of the scheme liabilities	0.4%	16.3%

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

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Defined benefit obligation	(67,417)	(60,218)	(42,497)	(46,864)	(47,786)
Plan assets	51,711	44,111	35,126	41,085	36,288
Deficit	(15,706)	(16,107)	(7,371)	(5,779)	(11,498)
Experience adjustments on plan assets	(2,185)	(4,564)	10,964	146	(551)
Experience adjustments on plan liabilities	77	72	162	206	700
Amount recognised in the statement of recognised gains and losses	(261)	9,845	2,779	(4,840)	649

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

4 Interest payable and similar charges

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Interest payable to group undertakings	2,932	4,313
Finance lease interest payable	768	765
Other interest payable	285	443
Other finance costs arising on FRS 17	472	375
	4,457	5,896

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Depreciation on tangible assets - owned assets	12,835	12,139
Depreciation on tangible assets – leased assets	200	200
Amounts payable under operating leases:		
Land and buildings	11	80
Loss on sale of fixed assets	185	16

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

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Fees payable to the Company's auditors for the audit	27	39
Fees paid to auditors in respect of tax advice	13	14

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

6 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Current tax		
UK corporation tax on profits of the period	4,235	821
Adjustments in respect of prior periods	(998)	-
Total current tax (Note 6 (b))	3,237	821
Deferred tax		
Origination and reversal of timing differences	(65)	319
Pension contribution relief in excess of pension cost charge	38	311
Adjustments in respect of prior periods	115	5
Changes in tax rates	(231)	-
Total deferred tax	(143)	635
Total tax charge on profit on ordinary activities	3,094	1,456

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

The current tax assessed for the 12 month period is lower than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Profit on ordinary activities before tax	16,196	13,456
Profit multiplied by the standard rate of corporation tax in the UK of 28% (31 December 2009: 28%)	4,535	3,768
Effects of temporary differences between taxation and accounting profit:		
Group relief receivable for no payment	(1,764)	(3,474)
Accelerated capital allowances	111	(328)
Pension contribution relief in excess of pension cost charge	(38)	(311)
Other timing differences	(44)	8
Adjustments to tax charge in respect of prior periods	(998)	-
Permanent differences	1,435	1,158
Current tax charge for year (Note 6(a))	3,237	821

From 1 April 2011, the main rate of UK corporation tax reduces by 1% from 28% to 27%. The Company's deferred tax provisions as at 31 December 2010 are therefore provided at 27%.

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

7 Concession agreement

Under the terms of the Concession Agreement, Luton Borough Council and London Luton Airport Limited ("LLAL") granted the Company the exclusive right to carry on the airport business in accordance with the terms of the Concession Agreement for the whole of the concession period. The Company pays a fee to LLAL, based on the throughput of passengers and cargo. LLAL is entitled to terminate the concession agreement after 15 years from the original date of the agreement by giving 12 months notice. Should LLAL exercise this option, it would be required to make payment to the Company in respect of the discounted value of forecast shareholder distributions to the end of the concession period, as well as settling outstanding funding and other liabilities and obligations. The concession fee for the 12 month period ending on 31 December 2010 was £21,848,491 (2009: £21,993,831).

8 Tangible assets

	Short leasehold land and buildings £'000	Runways, taxiways and other similar Structures £'000	Plant, equipment and vehicles £'000	Total £'000
Cost				
At 1 January 2010	77,915	61,273	50,632	189,820
Additions	274	1,043	3,878	5,195
Disposals	(53)	-	(2,742)	(2,795)
At 31 December 2010	78,136	62,316	51,768	192,220
Accumulated depreciation				
At 1 January 2010	29,179	18,869	31,097	79,145
Charge for the year	3,977	4,497	4,561	13,035
Disposals	(53)	-	(2,691)	(2,744)
At 31 December 2010	33,103	23,366	32,967	89,436
Net book amount				
At 31 December 2010	45,033	38,950	18,801	102,784
At 31 December 2009	48,736	42,404	19,535	110,675

Included within the cost of fixed assets are cumulative capitalised interest costs of £3,641,000 (2009: £3,641,000). The depreciation charge for the year includes an amount of £188,000 (2009: £188,000) representing the depreciation of capitalised interest. As at 31 December 2010 there were £991,000 of assets in the course of construction (2009: £314,000) which have not been depreciated. As at 31 December 2010 there were runways, taxiways and other similar structures assets with a net book value of £3,629,000 held under a finance lease arrangement (2009: £3,828,000).

9 Stock

	31 December 2010 £'000	31 December 2009 £'000
Consumables	535	431

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

10 Debtors

	31 December 2010 £'000	31 December 2009 £'000
Trade debtors	14,783	11,526
Amounts due from group undertakings	90,078	63,051
Other debtors	30	525
Prepayments and accrued income	972	915
	105,863	76,017

Amounts due from group undertakings, which are unsecured and bear no interest, include £89,403,000 (2009: £62,400,000) which is due from an intermediate holding company (TBI Limited), relating to cash which has been pooled for Group purposes.

11 Creditors – amounts falling due within one year

	31 December 2010 £'000	31 December 2009 £'000
Trade creditors	10,789	9,006
Amounts owed to group undertakings	18,395	15,335
Corporation tax	4,235	1,300
Other taxation and social security	1,146	1,142
Other creditors	3,089	2,263
Accruals and deferred income	10,796	11,362
	48,450	40,408

All amounts owed to group undertakings classified within one year are unsecured, repayable on demand and in some cases accrue interest.

12 Creditors – amounts falling due after more than one year

	31 December 2010 £'000	31 December 2009 £'000
Loan notes	9,552	9,552
Amounts owed to group undertakings	70,000	70,000
Amounts due under finance leases	5,633	5,613
Other creditors	10,172	9,277
	95,357	94,442

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

13 Loans and other borrowings

	31 December 2010 £'000	31 December 2009 £'000
Loan with intermediate parent	70,000	70,000
Loan notes with immediate parent	9,552	9,552
	79,552	79,552
Maturity of debt		
In one year or less, or on demand	-	-
In more than one year, but not more than two years	70,000	70,000
In more than two years, but not more than five years	-	-
In more than five years	9,552	9,552
	79,552	79,552

The unsecured loan of £70,000,000 (2009: £70,000,000) with Airport Concessions and Development Limited (ACDL), accrued interest at 6 month GBP LIBOR + 1.447%. On 17 March 2011, 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 2010.

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.

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

	31 December 2010 £'000	31 December 2009 £'000
In more than two years, but not more than five years	-	-
In more than five years	5,633	5,613
	5,633	5,613

£251,000 (2009: £231,000) of the total amounts due represents accrued interest payments under the finance lease arrangement.

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

14 Provisions for liabilities and charges

	Obligations under Concession Agreement £'000	Other provisions £'000	Deferred Tax £'000	Total £'000
At 1 January 2010	504	154	6,355	7,013
Provided during the year	-	800	-	800
Released in the year	-	(34)	(181)	(215)
At 31 December 2010	504	920	6,174	7,598

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

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

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

Deferred tax

The movement of the deferred tax balance is as follows:

	31 December 2010 £'000	31 December 2009 £'000
At start of year	6,355	6,031
Profit and loss account	(181)	324
At end of the year	6,174	6,355

Deferred tax is made up as follows:	31 December 2010 £'000	31 December 2009 £'000
Accelerated capital allowances	6,414	6,192
Other timing differences	(240)	163
	6,174	6,355

Deferred tax asset related to the pension deficit;	31 December 2010 £'000	31 December 2009 £'000
1 January	4,510	2,064
Deferred tax charge in the profit and loss account	(38)	(311)
Deferred tax credit in STRGL on actuarial loss	(70)	2,757
Effect of change in tax rate	(161)	-
31 December	4,241	4,510

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

15 Called up share capital

	31 December 2010 £'000	31 December 2009 £'000
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	100	100
5,174,000 redeemable shares of £1 each	5,174	5,174
	5,274	5,274

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

16 Reserves

	Other reserve £'000	Profit and loss account £'000
At 1 January 2010	22	29,319
Retained profit for the year	-	13,102
FRS 20 credit to other reserves	17	-
Actuarial gain on pension scheme	-	261
Movement in deferred tax on pension scheme	-	(231)
At 31 December 2010	39	42,451

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

17 Reconciliation of movements in shareholders' funds

	31 December 2010 £'000	31 December 2009 £'000
Retained profit for the year	13,102	12,000
Net effect of pension scheme	30	(7,088)
FRS 20 credit to other reserves	17	14
Net increase in shareholders' funds	13,149	4,926
Opening shareholders' funds	34,615	29,689
Closing shareholders' funds	47,764	34,615

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

18 Capital and other commitments

	31 December 2010 £'000	31 December 2009 £'000
Contracts placed for future capital expenditure not provided in the financial statements	882	189

19 Financial commitments

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

20 Share based payment

- On 1 April 2008, the Abertis Infraestructuras SA General Shareholders' Meeting approved a share options plan for shares in Abertis Infraestructuras, S.A., aimed at management executives of the group (hereinafter "Plan 2008").
- On 31 March 2009, the Abertis General Shareholders' Meeting approved another share options plan for shares in Abertis Infraestructuras, S.A., also aimed at management executives of the group (hereinafter "Plan 2009").
- On 27 April 2010, the Abertis General Shareholders' Meeting approved another share options plan for shares in Abertis Infraestructuras, S.A., also aimed at management executives of the group (hereinafter "Plan 2010").

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

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

The obligation is recognised in the profit and loss account as an expense as accrued during the period of time for which the employee must remain in the Company in order to exercise the option, with a corresponding entry in Other reserves. The amounts recognised in the profit and loss account at 31 December 2010 and 31 December 2009 are shown in note 3, and relate only to options granted to Directors of the Company. 3,000 stock options, which were issued in 2009, have been forfeited during the year due to the resignation of a director. No options have been exercised or expired during the years ending 31 December 2009 and 2010.

The Abertis Infraestructuras SA Group share based payment scheme is linked to Abertis Infraestructuras's share price. 10,500 share options were issued in 2010 at a fair value of 1.90 Euros per option (2009: 12,000 options at 2.44 Euros per option), to two London Luton Airport Operations Limited directors, although no options have been exercised in the year. 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 SA share based payment scheme, and the fair value of options, can be obtained from the Abertis Infraestructuras SA accounts which are publically available.

21 Related party disclosures

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

London Luton Airport Operations Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

22 Ultimate and immediate parent undertaking and controlling party

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

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