London Luton Airport Operations Limited

Financial statements

for the year ended 31 December 2014

Registered number: 03491213

London Luton Airport Operations Limited

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London Luton Airport Operations Limited

Company information

DIRECTORS:	CW Condie R Marabini Ruiz Lord DJ Brennan E Renton AS Liau F Echegaray Del Pozo N Barton
COMPANY SECRETARY:	Elemental Company Secretary Limited
REGISTERED OFFICE:	Navigation House Airport Way Luton Bedfordshire LU2 9LY
AUDITOR	Deloitte LLP Bristol
BANKERS:	Barclays Bank plc Capability Green Luton Bedfordshire LU1 3US
SOLICITORS:	Kimbell & Co Power House Davy Avenue Knowhill Milton Keynes Buckinghamshire MK5 8RR

London Luton Airport Operations Limited

Strategic report

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

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

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

The business model

The Company is a subsidiary of London Luton Airport Group Limited. The ultimate parent undertaking and controlling party is a consortium comprising Entidad Pública Empresarial Enaire ('Aena') and Axa Infrastructure Fund III SCA SICAR ('Ardian').

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

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

Financial performance and key performance indicators

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

Overall trading results for the year ended 31 December 2014 have increased as a result of an 8% increase in passenger volumes from 9.7 million passengers in 2013 to 10.5 million passengers in 2014, which is the highest ever recorded in the airport's history. This increase in passengers was driven primarily by growth across most major scheduled carriers, particularly Wizz who has increased their capacity at Luton Airport significantly.

Total revenue for the year ended 31 December 2014 was £128,994k (2013**:** £122,289k); see note 3 for further analysis. Traffic income in 2014 represented an average of £5.76 per passenger (2013: £5.90). The decrease is due to a growth incentive scheme which has been introduced in 2014 for key airlines based on hitting specific passenger growth targets. Excluding the growth incentive rebate, traffic income represents £5.89 per passenger which is comparable to 2013.

Operating profit for the year was £28,296k (2013: £28,879k). The Directors believe that EBITDA is the performance measure most relevant to the readers of our statutory accounts. EBITDA after exceptional items was £40,103k for the year (2013: £40,490k). EBITDA in 2013 was impacted by one off items including the costs of an intercompany restructuring and a pension curtailment gain (see note 4). EBITDA before exceptional items shows an increase of 6% on 2013 driven by the increase in passenger numbers.

Future developments

On 30 November 2012, the Company submitted a planning application to Luton Borough Council's Planning Department for approval. During the year planning permission was granted.

The shareholders are committed to the development of the infrastructure of London Luton Airport which in line with planning approval, will expand airport capacity to 18 million passengers per annum.

Principal risks and uncertainties

The Company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company.

Strategic report

Principal risks and uncertainties (continued)

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

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.

Further details of the risks and uncertainties faced by the Company are provided in the accounts of its immediate parent undertaking, London Luton Airport Group Limited.

Events after the balance sheet date

During the year, bank borrowings consisted of a revolving credit facility with a syndicate originally comprising Caixabank S.A., Credit Agricole Corporate, HSH Nordbank A.G., Medibanco International, Royal Bank of Canada and the Royal Bank of Scotland. Interest was charged at a rate of 6 month GBP LIBOR plus a margin of originally 2.5% and all facilities matured on 26 November 2018. At 31 December 2014 the total facility available was a capex facility of £50m and a revolving credit facility of £15m, with £6.5m in use at the balance sheet date.

On the 26 March 2015 an Amendment and Restatement Agreement was completed between the original syndicate and AIB Group (UK) PLC. From 26 March 2015, interest is charged at a rate of 6 month LIBOR plus 1.65% with an escalating margin over the 7 year term. All facilities mature on 28 March 2022. The total facility available from 26 March 2015 is a revolving capex facility of £75m and a revolving credit facility of £15m.

Approval

Approved by the Board and signed on its behalf by:

Nicholas Barton
Director

22 June 2015

London Luton Airport Operations Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2014.

Future developments and events after the balance sheet date

Details of future developments and significant events since the balance sheet date are contained in the Strategic Report.

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. Accordingly, 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 Accounting Policies in note 1 to the financial statements.

Financial risk management objectives and policies

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. Further details can be found in the Strategic Report.

Dividends

Interim dividends of £17.5m paid on 23 May 2014 and £11m paid on 4 December 2014, make a total of £28.5m for the year (2013: £2.6m).

Directors

The directors, who served throughout the year except as noted, were as follows:

CW Condie	
R Marabini Ruiz	
Lord DJ Brennan	appointed 15 December 2014
E Renton	
AS Liau	appointed 15 December 2014
F Echegaray Del Pozo	appointed 15 December 2014
N Barton	appointed 15 December 2014
G Jones	resigned 4 July 2014
R Lawrie	resigned 15 December 2014
N Thompson	resigned 15 December 2014

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

London Luton Airport Operations Limited

Directors' report

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the Company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The qualifying employee profit share scheme has been running successfully and is open to all employees

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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 have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

Nicholas Barton
Director

22 June 2015

London Luton Airport Operations Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report including 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 Financial Reporting Standard 101 Reduced Disclosure Framework. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2014 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Stuart N. Woodward

Stuart Woodward (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom

22 June 2015

London Luton Airport Operations Limited
Income statement
For the year ended 31 December 2014

	Note	Year ended 2014 £'000	Restated Year ended 2013 £'000
Revenue	3	128,994	122,289
Administrative expenses		(100,698)	(93,410)
Operating profit		28,296	28,879
Investment revenue	7	2	2,962
Finance costs	8	(2,465)	(4,313)
Profit before tax		25,833	27,528
Tax	9	(117)	(4,254)
Profit for the financial year	4	25,716	23,274

All results relate to continuing activities.

London Luton Airport Operations Limited
Statement of comprehensive income
For the year ended 31 December 2014

	Year ended 2014 £'000	Restated Year ended 2013 £'000
Profit for the year	25,716	23,274
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on defined benefit plan	(10,984)	(3,473)
Deferred tax on actuarial movement	2,197	610
Other comprehensive expense for the year net of tax	(8,787)	(2,863)
Total comprehensive income for the year attributable to the owners of the Company	16,929	20,411

London Luton Airport Operations Limited
Balance sheet
As at 31 December 2014

	Note	2014 £'000	Restated 2013 £'000
Non-current assets			
Property, plant and equipment	11	90,069	90,336
Deferred tax asset	21	5,089	3,481
		95,158	93,817
Current assets			
Inventories	12	567	638
Trade and other receivables	13	15,186	16,142
Cash and bank balances		9,065	10,926
		24,818	27,706
Total assets		**119,976**	**121,523**
Current liabilities:	14	(37,551)	(34,524)
Net current liabilities		(12,733)	(6,818)
Non-current liabilities			
Trade and other creditors	14	(13,349)	(14,377)
Defined benefit pension scheme liability	21	(25,445)	(17,403)
		(38,794)	(31,780)
Provisions for liabilities	17	-	(17)
Total liabilities		**(76,345)**	**(66,321)**
Net assets		**43,631**	**55,202**
Capital and reserves			
Called up share capital	19	5,274	5,274
Profit and loss account	20	38,357	49,928
Total shareholders' funds		**43,631**	**55,202**

The financial statements of London Luton Airport Operations Limited, registered number 03491213, were approved by the board of directors and authorised for issue on 22 June 2015. They were signed on its behalf by:

Director
Elliot Renton

London Luton Airport Operations Limited
Statement of changes in equity
For the year ended 31 December 2014

	Share capital £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2013 (restated)	**5,274**	**63**	**32,082**	**37,419**
Profit for the period (restated)	-	-	23,274	23,274
Share-based payments	-	3	-	3
Other comprehensive loss for the period (restated)	-	-	(2,863)	(2,863)
Total comprehensive income for the period (restated)	**-**	**3**	**20,411**	**20,414**
Dividends	-	-	(2,631)	(2,631)
Transfers	-	(66)	66	-
Balance at 31 December 2013 (restated)	**5,274**	**-**	**49,928**	**55,202**
Profit for the period	-	-	25,716	25,716
Other comprehensive loss for the period	-	-	(8,787)	(8,787)
Total comprehensive income for the period	**-**	**-**	**16,929**	**16,929**
Dividends	-	-	(28,500)	(28,500)
Balance at 31 December 2014	**5,274**	**-**	**38,357**	**43,631**

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

London Luton Airport Operations Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2014 the Company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. Adjustments to the financial statements arising from the transition to FRS 101 are explained in the 'Adoption of new and revised Standards' section, and relate to deferred tax adjustments only.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of London Luton Airport Group Limited. The group accounts of London Luton Airport Group Limited are available to the public and can be obtained as set out in note 24.

1. Accounting policies (continued)

Adoption of new and revised Standards

As explained above, the Company has adopted FRS 101 for the first time in the current year. As part of this adoption, the following new and revised Standards and Interpretations have been adopted in the current year. The application of these specific Standards and Interpretations has not had a significant effect on the Company.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)	The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. In the current year, the Company has adopted FRS 101 for the first time, however, this has not resulted in substantial differences on the information in the statement of financial position as at 1 January 2013. The only transition adjustment has been with respect to the deferred tax liability. An additional net deferred tax liability of £5,491k was recognised upon transition as at 1 January 2013, changing the existing net deferred tax liability from £825k to £6,316k at that date. The closing net deferred tax liability at 31 December 2013 was also adjusted from £964k to £5,319k. The difference in the movements on these net deferred tax liabilities has affected total comprehensive income accordingly. The previous movement from £825k to £964k resulted in a £139k charge to total comprehensive income. This has been adjusted to a movement from £6,316k to £5,319k, a credit of £997k to total comprehensive income. The only other adjustment has been the reclassification of the deferred tax asset relating to the pension deficit from a net presentation within the pension liability to a separate non-current asset. As the only adjustments on transition relate to deferred tax, the Company has therefore not presented a third statement of financial position as at 1 January 2012.
IFRS 13 Fair Value Measurement	The Company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements, however the Company has taken advantage of the exemption provided under FRS 101 from providing these disclosures. IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.

1. Accounting policies (continued)

Going concern

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

The Company made a profit for the year of £25.7m. Although the Group headed by London Luton Airport Holdings III Limited made a loss in the period, it generated £37m of EBITDA and £26.9m of net cash from operating activities. The directors have considered the forecast profit and associated cash flows for 2015 and 2016. They have also considered the facilities available to the Group, which were renewed in March 2015, as described in the Strategic Report, and which are available for the period of their forecast, and are satisfied that the Group can operate within these facilities for the relevant period.

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

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised on a straight-line basis to write off the cost of assets to estimated residual values over their estimated useful economic lives, subject to the remaining life of the Concession Agreement, as follows:

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

Inventories

Inventories, which comprise primarily consumables, are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

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. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

1. Accounting policies (continued)

Taxation (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Revenue

Revenue is stated net of VAT and trade discounts.

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

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net-interest expense or income; and
- remeasurement.

The Company presents the first two components of defined benefit costs within cost of sales and administrative expenses in its income statement. Curtailments gains and losses are accounted for as past-service gains and costs. Net-interest expense or income is recognised within finance costs.

The retirement benefit obligation recognised in the balance sheet represents the deficit or surplus in the Company's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

The Company participates in a group-wide defined benefit scheme, which is the legal responsibility of the Company as the sponsoring employer.

1. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Where the Company holds financial assets in such categories, the accounting policy for these is described below.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Share-based payment

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).

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1. Accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in the year to 31 December 2014. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Discount rate used to determine the carrying amount of the Company's defined benefit obligation

The Company's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

Provisions for disputes

In the course of ordinary business the Company enters into a number of contractual arrangements. Significant judgement is required when determining if the position of any disputes about their interpretation give rise to the requirements for provisioning for losses in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year, are discussed below.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is provided on the basis of being the lower of useful economic life and the life of the Concession Agreement. Given the nature of the Agreement lifecycle, there is uncertainty as to whether this may end sooner than the useful economic lifespan of the assets will be reached.

3. Revenue

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

An analysis of the Company's turnover by class of business is set out below.

	2014	**2013**
	£'000	**£'000**
Turnover:		
Traffic income	60,473	57,303
Commercial income	54,267	51,007
Tenant income	14,254	13,979
	128,994	122,289

In addition investment revenue of £2k (2013: £2,962k) arose in the year (see note 7).

4. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	Year ended 2014 £'000	Year ended 2013 £'000
Depreciation of tangible fixed assets:		
- Owned assets	11,607	11,433
- Held under finance leases	200	178
Litigation costs and settlement	-	2,804
Restructuring of intercompany agreement	-	(3,647)
Curtailment gain on defined benefit pension scheme (see note 21)	-	(1,670)
Staff costs (see note 6)	23,989	21,292

In 2013 an intercompany 'transitional service agreement' was restructured resulting in a one off credit to the profit and loss account. In addition to this, a legal case resulted in significant one off legal and settlement costs being incurred in the period.

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

	Year ended 2014 £'000	Year ended 2013 £'000
Operating profit	28,296	28,879
Add: Depreciation on tangible assets – owned and leased assets	11,807	11,611
EBITDA after exceptional items	**40,103**	**40,490**
Litigation costs and settlement	-	2,804
Restructuring of intercompany agreement	-	(3,647)
Curtailment gain on defined benefit pension scheme (see note 21)	-	(1,670)
EBITDA before exceptional items	**40,103**	**37,977**

Under the terms of the concession agreement which is in place until March 2031, Luton Borough Council and London Luton Airport Limited ("LLAL") granted the Company the exclusive right to carry on the airport business in accordance with the terms of the Concession Agreement for the whole of the concession period. The Company pays a fee to LLAL based on the throughput of passengers and cargo. The concession fee for the twelve month period ended on 31 December 2014 was £30,190k (2013: £27,305k).

5. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £36k (2013: £66k).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

6. Staff costs

The average monthly number of employees (including executive directors) was:

	2014 Number	2013 Number
Operations	482	497
Management and support services	48	53
Technical services	43	46
	573	596

Their aggregate remuneration comprised:

	Year ended 2014 £'000	Year ended 2013 £'000
Wages and salaries	19,762	18,894
Social security costs	1,444	1,565
Other pension costs (note 21)	2,783	833
	23,989	21,292

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

7. Investment revenue

	Year ended 2014 £'000	Year ended 2013 £'000
Other loans and receivables	2	2,962

8. Finance costs

	Year ended 2014 £'000	Year ended 2013 £'000
Interest payable on bank overdrafts and loans	875	1,081
Interest payable to group undertakings	100	1,959
Other interest payable	15	111
Other finance costs arising on defined benefit pension (note 21)	631	333
Interest on obligations under finance leases	844	829
Total interest payable	2,465	4,313

9. Tax

	Year ended 2014 £'000	Restated Year ended 2013 £'000
UK corporation tax	2,497	5,340
Adjustments in respect of prior years - UK corporation tax	(2,017)	(699)
	480	4,641
Deferred tax (note 18)	(363)	(387)
	117	4,254

Corporation tax is calculated at 21.5% (2013: 23.25%) of the estimated taxable profit for the year.

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	Year ended 2014 £'000	Restated Year ended 2013 £'000
Profit before tax on continuing operations	25,833	27,528
Tax at the UK corporation tax rate of 21.5% (2013: 23.25%)	5,554	6,407
Effects of:		
Group relief received for nil payment	(4,186)	(698)
Effects of changes in statutory tax rates	28	(682)
Adjustments to tax charge in respect of previous periods	(2,017)	(699)
Permanent adjustments and other rounding differences	738	(74)
Tax expense for the year	117	4,254

The income tax expense for the year is based on the effective United Kingdom statutory rate of corporation tax for the period of 21.5% (2013: 23.25%). The impact of changes in statutory tax rates in the period relate to the reduction in the rate of corporate income tax from 21% to 20% effective 1 April 2015. This change resulted in a deferred tax credit arising from the reduction in the balance sheet carrying value of deferred tax liabilities to reflect the anticipate rate of tax at which those assets were expected to reverse.

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	Year ended 2014 £'000	Restated Year ended 2013 £'000
Deferred tax:		
Arising on income and expenses recognised in other comprehensive income:		
Actuarial and other movements on post-employment benefits	(2,197)	(610)

10. Dividends

	Year ended 2014 £'000	Year ended 2013 £'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2014 (equivalent to £285 per share), 2013: (£26.31 per share)	28,500	2,631

No final dividend has been declared in either period.

11. Property, plant and equipment

	Land and buildings £'000	Runways, taxiways and other similar structures £'000	Plant and machinery £'000	Assets under construc-tion £'000	Total £'000
Cost					
At 1 January 2014	76,752	76,855	55,453	-	209,060
Reclassification	(863)	(3,191)	(429)	4,483	-
Additions	678	1,444	1,166	8,252	11,540
Disposals	(44)	(1,190)	(902)	-	(2,136)
At 31 December 2014	76,523	73,918	55,288	12,735	218,464
Accumulated depreciation					
At 1 January 2014	44,233	36,599	37,892	-	118,724
Charge for the year	3,157	4,598	4,052	-	11,807
Eliminated on disposal	(44)	(1,190)	(902)	-	(2,136)
At 31 December 2014	47,346	40,007	41,042	-	128,395
Carrying amount					
At 31 December 2014	29,177	33,911	14,246	12,735	90,069
At 31 December 2013	32,519	40,256	17,561	-	90,336

Included within the cost of fixed assets is cumulative capitalised interest of £3,641k (2013: £3,641k). The depreciation charge for the year includes an amount of £220k (2013: £220k) representing the depreciation of capitalised interest. As at 31 December 2014 there were £12,735k of assets in the course of construction (2013: £4,483k), which have not been depreciated. As at 31 December 2014 there were runways, taxiways and other similar structure assets with a net book value of £2,872k held under a finance lease arrangement (2013: £3,072k).

12. Inventories

	2014 £'000	2013 £'000
Consumables	567	638

13. Trade and other receivables

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Amounts receivable for the sale of services	10,264	10,338
Other debtors	1,911	578
Prepayments and accrued income	3,011	5,226
	15,186	16,142

14. Trade and other creditors

	2014 £'000	Restated 2013 £'000
Amounts falling due within one year:		
Bank loans (see note 15)	6,725	-
Finance leases (see note 16)	62	53
Trade creditors	14,480	16,665
Amounts owed to group undertakings	2,000	2,002
Corporation tax	332	2,065
Other taxation and social security	855	553
Other creditors	4,797	3,658
Accruals and deferred income	8,300	9,528
	37,551	34,524
Amounts falling due in more than one year:		
Finance leases (see note 16)	5,501	5,564
Other creditors	-	13
Deferred tax liability (see note 18)	7,848	8,800
	13,349	14,377

All amounts owed to group undertakings classified within one year are unsecured and repayable on demand.

15. Bank loans and debentures

	2014 £'000	2013 £'000
Borrowings falling due within one year:		
Unsecured borrowing at amortised cost		
Related party loans	2,000	2,002
Borrowings falling due within one year:		
Secured borrowing at amortised cost		
Bank loans	6,725	-
Finance leases	62	53
	6,787	53
Borrowings falling due after more than one year:		
Secured borrowing at amortised cost		
Finance lease liabilities (note 16)	5,501	5,564
Total borrowings		
Amount due for settlement within 12 months	8,787	2,055
Amount due for settlement between 2 and 5 years	625	394
Amount due for settlement after 5 years	4,876	5,170
TOTAL	**14,288**	**7,619**

During the year bank borrowings consisted of a revolving credit facility with a syndicate originally comprising Caixabank S.A., Credit Agricole Corporate, HSH Nordbank A.G., Medibanco International, Royal Bank of Canada and the Royal Bank of Scotland. Interest was charged at a rate of 6 month GBP LIBOR plus a margin of originally 2.5% and all facilities mature on 26 November 2018. At 31 December 2014 the total facility available was a capex facility of £50m and a revolving credit facility of £15m with £6.5m in use at the balance sheet date.

On the 26 March 2015 an Amendment and Restatement Agreement was completed between the original syndicate and AIB Group (UK) PLC. From 26 March 2015, interest is charged at a rate of 6 month LIBOR plus 1.65% with an escalating margin over the 7 year term. All facilities mature on 28 March 2022. The total facility available from 26 March 2015 is a revolving capex facility of £75m and a revolving credit facility of £15m.

16. Obligations under finance leases

	2014 £'000	2013 £'000
Amounts payable under finance leases:		
Within one year	898	898
In the second to fifth years inclusive	3,754	3,660
After five years	8,691	9,682
	13,343	14,240
Less: future finance charges	(7,780)	(8,623)
Present value of lease obligations	5,563	5,617

	2014 £'000	2013 £'000
Amounts payable under finance leases:		
Within one year	62	53
In the second to fifth years inclusive	625	394
After five years	4,876	5,170
Present value of lease obligations	5,563	5,617

All lease obligations are denominated in sterling.

The fair value of the Company's lease obligations is approximately equal to their carrying amount.

Finance leases are secured against the assets to which they relate.

17. Provisions

	2014 £'000	2013 £'000
Other	-	17

	Other £'000	Total £'000
At 1 January 2014	17	17
Reclassification of provision	(17)	(17)
At 31 December 2014	-	-

Other provisions, which are not discounted, comprised capital works which were originally funded by Luton Borough Council and also other legal obligations related to third party claims that may have needed to be discharged by the Company. The provision for capital works was utilised over a number of years and matched the depreciation profile of the relevant development. This has been reclassified to property, plant and equipment under IFRS.

18. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period. Details of the restatement are given in note 1.

	Accelerated tax depreciation £'000	General provisions £'000	Retirement benefit obligations £'000	Total £'000
At 1 January 2013 (restated)	**(10,048)**	**62**	**3,670**	**(6,316)**
Credit/(charge) to income statement (restated)	1,223	(37)	(799)	387
Credit to other comprehensive income (restated)	-	-	610	610
At 31 December 2013 (Restated)	**(8,825)**	**25**	**3,481**	**(5,319)**
Credit/(charge) to income statement	977	(25)	(589)	363
Credit to other comprehensive income	-	-	2,197	2,197
At 31 December 2014	**(7,848)**	**-**	**5,089**	**2,759**

19. Share capital

	2014 £'000	2013 £'000
Authorised, issued 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, to attend, and 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 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 unpaid.

20. Profit and loss account

	£'000
Balance at 1 January 2013 (restated)	**32,082**
Dividends paid	(2,631)
Total comprehensive income (restated)	20,411
Share-based payment transfer	66
Balance at 31 December 2013 (restated)	**49,928**
Dividends paid	(28,500)
Net profit for the year	16,929
Balance at 31 December 2014	**38,357**

Details of the restatement are given in note 1.

21. Retirement benefit schemes

Defined benefit schemes

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

The most recent completed actuarial valuation of the scheme was at 31 December 2014. The valuation used the projected unit method and was carried out by Towers Watson Limited, professionally qualified actuaries.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and other.
Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2014 %	2013 %
Key assumptions used:		
Discount rate	3.75%	4.50%
Expected rate of future pension increases	2.85%	3.10%
Rate of increase of pensions in deferment	3.00%	3.40%
Inflation	3.00%	3.40%
Average longevity at retirement age for current pensioners (65 years)*	Years	Years
Male	22.6	22.5
Female	24.8	24.6
Average longevity at retirement age for current employees (future pensioners) (currently aged 45 years)*		
Male	24.9	24.7
Female	27.1	27.0

* Based on A land's standard mortality table with modifications to reflect expected changes in mortality.

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2014 £'000	2013 £'000
Service cost:		
Current service cost	2,783	2,440
Curtailment gain	-	(1,670)
Net interest expense	3,987	3,600
Expected return	(3,365)	(3,267)
Components of defined benefit costs recognised in profit or loss	3,405	1,103

21. Retirement benefit schemes (continued)

Amounts recognised in the statement of comprehensive income are as follows:

	2014 £'000	2013 £'000
The return on plan assets (greater)/less than the discount rate	1,469	(5,469)
Actuarial losses	9,515	8,942
Remeasurement of the net defined benefit liability	10,984	3,473

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2014 £'000	2013 £'000
Present value of defined benefit obligations	(104,325)	(89,452)
Fair value of plan assets	78,880	72,049
Deficit	(25,445)	(17,403)
Deferred tax asset	5,089	3,481
Net liability per statement of financial position	(20,356)	(13,922)

Movements in the present value of defined benefit obligations in the year were as follows:

	2014 £'000	2013 £'000
Opening defined benefit obligation	**89,452**	**77,340**
Current service cost	2,783	2,440
Interest cost	3,987	3,600
	6,770	**6,040**
Actuarial losses	**9,515**	**8,942**
Contributions from plan participants	769	728
Benefits paid	(1,745)	(1,544)
Expenses paid	(436)	(384)
Curtailment	-	(1,670)
	(1,412)	**(2,870)**
Closing defined benefit obligation	**104,325**	**89,452**

21. Retirement benefit schemes (continued)

Movements in the fair value of plan assets in the year were as follows:

	2014 £'000	2013 £'000
Opening fair value of plan assets	**72,049**	**58,993**
Interest income	3,365	3,267
	3,365	**3,267**
Remeasurement (loss)/gain:		
The return on plan assets (excluding amounts included in net interest expense)	(1,469)	5,469
	(1,469)	**5,469**
Contributions from employers	6,339	5,520
Contributions from plan participants	769	728
Benefits paid	(1,745)	(1,544)
Expenses paid	(428)	(384)
	4,935	**4,320**
Closing fair value of plan assets	**78,880**	**72,049**

The major categories and fair values of plan assets at the end of the reporting period for each category are as follows:

	2014 £'000	2013 £'000
Equity instruments	28,397	26,950
Debt securities	11,832	7,183
Other	38,651	37,916
Total	**78,880**	**72,049**

The significant actuarial assumption for the determination of the defined benefit obligation is the discount rate. The sensitivity analysis below has been determined based on reasonably possible changes in the assumption occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 0.5% higher the defined benefit obligation would decrease by £10.2m. If the discount rate is 0.5% lower the defined benefit obligation would increase by £11.3m.

22. Events after the balance sheet date

During the year, bank borrowings consisted of a revolving credit facility with a syndicate originally comprising Caixabank S.A., Credit Agricole Corporate, HSH Nordbank A.G., Medibanco International, Royal Bank of Canada and the Royal Bank of Scotland. Interest was charged at a rate of 6 month GBP LIBOR plus a margin of originally 2.5% and all facilities mature on 26 November 2018. At 31 December 2014 the total facility available was a capex facility of £50m and a revolving credit facility of £15m, with £6.5m in use at the balance sheet date.

On the 26 March 2015 an Amendment and Restatement Agreement was completed between the original syndicate and AIB Group (UK) PLC. From 26 March 2015, interest is charged at a rate of 6 month LIBOR plus 1.65% with an escalating margin over the 7 year term. All facilities mature on 28 March 2022. The total facility available from 26 March 2015 is a revolving capex facility of £75m and a revolving credit facility of £15m.

23. Related party transactions

Trading transactions

The Company is exempt under the terms of FRS 101 "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.

	2014	2013
	£'000	£'000
Directors' remuneration		
Emoluments	800	613
Company contributions to defined benefit pension schemes	52	64
Company contributions to defined contribution pension schemes	10	-
Compensation for loss of office	312	-
	1,174	677

	2014	2013
	Number	Number
The number of directors who:		
Are members of a defined benefit pension scheme	-	4

	2014	2013
	£'000	£'000
Remuneration of the highest paid director:		
Emoluments	218	235
Company contributions to money purchase schemes	-	25

The Executive Directors of London Luton Airport Operations Limited are remunerated through London Luton Airport Holdings I Limited, which has a master services agreement with London Luton Airport Operations Limited to recharge costs and services on a quarterly basis. Non-executive directors are remunerated through other related parties.

In 2013 the emoluments of the Executive Directors for their services to the Company were paid by an intermediate parent company, TBI Limited, until 22 November 2013. The Company incurred a management charge for their services to the Company and these amounts are included within wages and salaries, social security costs and other pension costs in the aggregate payroll costs note.

As of 30 September 2014 the Directors left the defined benefit pension scheme and joined a defined contribution pension scheme.

Directors' transactions
There are no transactions with directors in the year to 31 December 2014 (2013: £nil).

Loans to related parties
Loans to related parties in the year to 31 December 2014 consist of:

	Amounts owed to related parties	
	2014	2013
	£	£
London Luton Airport Holdings I Limited	2,000	2,002

London Luton Airport Holdings I Limited is the immediate parent company of London Luton Airport Group Limited. The amounts outstanding are unsecured and will be settled in cash. Amounts repayable to London Luton Airport Holdings I Limited carry interest of 5% to (2013: 5%) per annum charged on the outstanding loan balances (see note 14).

24. Controlling party

The Company's immediate parent undertaking is London Luton Airport Group Limited, registered in England and Wales, which is the smallest UK group in which the results of the Company are consolidated. Copies of these financial statements can be obtained from Navigation House, Airport Way, Luton, Bedfordshire LU2 9LY.

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is a consortium comprising Entidad Pública Empresarial Enaire ('Aena') and Axa Infrastructure Fund III SCA SICAR ('Ardian'). The largest group in which the results of the Company are consolidated is Entidad Pública Empresarial Enaire ('Aena'). Copies of these financial statements can be obtained from Arturo Soria 109, Madrid, Spain.