Luton Rising

Our airport.
Our community.
Our planet.

December 2023

London Luton Airport Expansion

Planning Inspectorate Scheme Ref: TR020001

Volume 8 Additional Submissions (Examination)

8.133 Applicant's Post Hearing Submission - Compulsory Acquisition Hearing 2 (CAH2)

Infrastructure Planning (Examination Procedure) Rules 2010

Application Document Ref: TR020001/APP/8.133

The Planning Act 2008

The Infrastructure Planning (Examination Procedure) Rules 2010

London Luton Airport Expansion Development Consent Order 202x

8.133 Applicant's Post Hearing Submission - Compulsory Acquisition Hearing 2 (CAH2)

Deadline:	Deadline 6
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Author:	Luton Rising

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1 INTRODUCTION

1.1.1 This document contains Luton Rising's (a trading name of London Luton Airport Limited) (the Applicant) oral summary of evidence and post-hearing comments on submissions made by others at Compulsory Acquisition Hearing 2 (CAH2) held on 28 November 2023. Where the comment is a post-hearing comment submitted by the Applicant, this is indicated. The Applicant has also included tabulated responses to each of the action points raised by the Examining Authority (ExA) for CAH2 originally published on 29 November 2023 and republished 5 December 2023 to reflect amended deadlines requested by the Applicant and agreed by the ExA.

1.1.2 This document uses the headings for each item in the agenda published for CAH2 by the ExA on 20 September 2023.

2 AGENDA ITEM 1: WELCOME, INTRODUCTIONS, ARRANGEMENTS FOR THE HEARING

2.1.1 The Applicant, which is promoting a proposal to expand London Luton Airport (the Proposed Development), was represented at CAH2 by Rebecca Clutten of Counsel, supported by the following members of Applicant's team:

a. Tom Henderson, Partner, BDB Pitmans, Legal Advisers to the Applicant.
b. Stephen Walker, Chartered Surveyor, CBRE, Property Advisers to the Applicant.
c. Jonathan Turton, Director, Arup, Financial Advisors (Funding Statement) to the Applicant in relation to the Proposed Development.
d. Antony Aldridge, Head of DCO Programme, Luton Rising

2.1.2 The ExA reported that the Applicant had queried whether compensation measures were to be considered at CAH2. The ExA confirmed that substantive matters for compensation would be heard at ISH9.

3 AGENDA ITEM 2: SECTION 122 AND 123 OF THE PLANNING ACT 2008 (PA2008)

3.1.1 The Applicant explained that a revised Compulsory Acquisition Schedule (CA Schedule) last submitted at Deadline 3 **[REP3-041]** would be updated and re-submitted at Deadline 6 **[TR020001/APP/8.34]**.

3.1.2 **Action point 1: Provide an updated Compulsory Acquisition Schedule reflecting the status of negotiations as set out at the Hearing**

3.1.3 The Applicant explained that the CA Schedule referred to a large number of interests, however the majority of these were of a minor nature, including half road width interests. The Applicant acknowledged comments from the ExA that they were specifically interested in those Interested Parties that had made objections.

3.1.4 The Applicant set out the current position with each of the relevant Interested Parties identified by the ExA as follows:

3.1.5 **Bartholomew Richard Pleydell-Bouverie [RR-0531] [REP1–036]**: The Applicant explained that the position remained as previously stated in its Deadline 1 **Response to Relevant Representations – Part 2B of 4 [REP1-022]**, although the consent of the neighbouring landowner had now been obtained. The Applicant confirmed that this consent did not activate the provisions of the *Infrastructure Planning (Compulsory Acquisition) Regulations 2010* as all of the relevant land already formed part of the Order limits. The Applicant explained that it expected an agreement to be reached prior to close of examination and that it would liaise with the Interested Party on withdrawing its objection.

3.1.6 **Dean Clive Eldridge, Linda Anne Eldridge [RR-0410]**: The Applicant confirmed that a further meeting had been held since its last update in the CA Schedule **[REP3-041]**. The Applicant has agreed to no longer acquire rights over the land for woodland planting, however, the fuel pipeline which runs beneath the same area of land remains within the scope of the application for development consent. The Applicant has provided details on the fuel pipeline to the Interested Party, but no response has been received. The Applicant explained that it had already set out why the land for the fuel pipeline was necessary as part of its Deadline 4 submissions **[REP4-102]**. The Applicant explained that it was discussing with the Interested Party whether its concerns had been resolved.

3.1.7 **Post hearing submission:** The Applicant can confirm that the agreement referred to above is by assurance letter and no amendment is required to the DCO.

3.1.8 **J S Bloor (Northampton Limited) trading as Bloor Homes Limited [RR-0153], [REP1–062]:** The Applicant explained that it had met with Bloor Homes recently and it was now clear to the parties what works would be required. The Applicant confirmed that the parties had identified a solution to the concerns raised. The parties have agreed in principle that the Applicant would not seek to exercise its powers (relating to hedgerows) if the planning permission sought by Bloor Homes was granted before the Applicant had exercised its rights. The Applicant explained that it expected an agreement to be reached prior to close of examination and that a request for Bloor Homes to withdraw its compulsory acquisition objection would be made once agreed. The Applicant also made clear that it expected the Interested Party's planning application to be determined after the close of examination.

3.1.9 **The Executors of Paul Tompkins [RR–1517], Offley Chase Estates Limited [RR–1288]**: The Applicant noted that the interests of these parties align with Bloor Homes and that it expects an agreement to be reached.

3.1.10 **Post hearing submission:** The Applicant will continue to seek an agreement with the Executors of Paul Tompkins on all other plots (i.e. any plots not connected to Bloor Homes) within their ownership.

3.1.11 **ATO Holdings Limited [RR–002] [REP1-051]:** The Applicant explained that it continued to have dialogue with the Interested Party. Discussions had been held around ensuring there was space for the Interested Party's combine harvester to move between hedgerows. The Applicant is meeting this Interested Party in the week commencing 18 December 2023 and hopes to resolve their objection at that stage. The Applicant confirmed that following that discussion, it would be able to update the ExA on progress.

3.1.12 **Jason & Jason [RR-0692], Jaison Property Development Co. Limited [RR-0603]**: The Applicant explained that an agreement was in place with the Interested Party which will also secure the removal of their objection (as well as for any connected company) in connection with Prospect House and Kensal House.

3.1.13 **Follet Property Holdings Limited [RR-0461]:** The Applicant explained that this Interested Party was the owner of Voyager House and that its car park was subject to compulsory acquisition within the Order. The Applicant explained that it had developed a scheme for replacement car parking to be provided adjacent to Voyager House. The Applicant confirmed that it was confident that the Interested Party's concerns were being resolved through this parking provision. In response to a query from the ExA, the Applicant explained that this replacement car parking already formed part of the application for development consent.

3.1.14 **GKN Aerospace Services Limited [RR–0514]**: The Applicant explained that a Memorandum of Understanding had been progressed, and it would continue to work with the Interested Party in order to reach an agreement, however it was unlikely to conclude an agreement prior to the close of examination.

3.1.15 **Cella UK Property Trust [RR–0209]**: The Applicant clarified that the property affected was Preservation House, and that the Proposed Development impacted the service yard. An agreement (in principle) has been reached for the acquisition of the property. The parties are discussing the timing of the acquisition. The Applicant confirmed that it was likely that a formal agreement would be reached before the close of examination.

3.1.16 In response to questions from the ExA on two parties that had not expressly objected to use of compulsory powers, the Applicant provided the following updates:

3.1.17 **Prospect House Day Nursery Limited]:** The Applicant confirmed that this entity was the occupying business of Prospect House (see Jaison Property Development Co. Limited at paragraph 3.1.11 above). The Applicant explained that the Nursery was operated by an organisation with a lease that would expire in 2028. A suitable replacement property within the control of the Applicant had been identified and an assurance had been provided by the Applicant, which had been accepted. The Applicant explained that the replacement property would be made available for the Nursery following the end of the current lease in 2028 or later if the existing lease was extended. The Applicant also confirmed that as part of its assurance to the Interested Party, it would provide 12 months advance notice of any requirement to compulsory acquire land.

3.1.18 **Ace Sandwich Bar Limited:** The Applicant agreed to provide the ExA with an update on the status of discussions with this Interested Party after the hearing.

3.1.19 The Applicant can confirm following the hearing that it continues to await a hearing date relating to the Interested Party's lease.

3.1.20 **Post hearing submission:** The Applicant can confirm that discussions remain ongoing with Ace Sandwich Bar Limited, and that a hearing date on the lease is still awaited**.**

4 AGENDA ITEM 3: SECTIONS 122 AND 131 OF THE PA2008 WITH REFERENCE TO WIGMORE VALLEY PARK

4.1 Applicant and Luton Borough Council to provide update on negotiations for purchase or leasing of Wigmore Valley Park and future management of replacement open space.

4.1.1 In response to this agenda item, the Applicant explained that it was continuing to progress negotiations for a long lease of the existing park with Luton Borough Council (LBC). Negotiations are at an advanced stage between the parties. The Applicant informed the ExA that any disposal by LBC would be subject to LBC's obligations set out in section 123 of the Local Government Act 1972 relating to "best consideration", and owing to the park's Asset of Community Value (ACV) status under the Localism Act 2011.

4.1.2 In response to queries from the ExA on why a long lease was being sought rather than a freehold, the Applicant explained that a lease term of 250 years was being sought and this was in effect, a virtual freehold. The form of acquisition has been agreed with LBC, who will retain an element of control as freeholder and landlord.

4.1.3 The Applicant and LBC explained to the ExA that the form of lease being negotiated may allow for alterations however this would be subject to freeholder consent, and if relevant, planning consent for any alterations not already covered within the application for development consent. In response to an ExA query on whether enhancements to the Park could be carried out under a licence, the Applicant explained that a licence was a short-term measure and did not provide as much certainty as a lease. The Applicant was not satisfied that it could carry out the nature of works required under a licence. The Applicant noted that LBC agreed that the existing licence to include the Park within the DCO would not be suitable.

4.1.4 The Applicant noted the 6 week moratorium on a disposal that would arise as a result of the ACV applying to the Park. The Applicant explained that the moratorium was likely to commence following completion of the agreement in early 2024. The Applicant noted that there was a previous moratorium but no objections were received.

4.2 Review the need to acquire Wigmore Valley Park and the replacement land.

4.2.1 The Applicant confirmed that it would need to retain compulsory powers over the whole of the Park (insofar as it was within the Order limits) as there may be residual interests in the land may need to be extinguished, including unknown rights which may arise in the future. The Applicant explained that this was in line with standard practice for DCO schemes, owing to a precautionary risk based approach.

4.2.2 On the management of the park, the Applicant explained that the intention to set up a community trust remained, but this was now part of ongoing discussions regarding the section 106 (s106) agreement with the Host Authorities. The Applicant confirmed that it would seek to provide an update in writing at a future deadline,

4.2.3 **Post hearing submission:** The Applicant will provide a response to CAH2 action point 4 at Deadline 7.

4.2.4 The Applicant confirmed that it was seeking to finalise the s106 agreement by the close of examination with agreement from all parties, however should an agreement not be reached, the Applicant explained that it would conclude matters unilaterally either through a unilateral undertaking or a DCO requirement to ensure it was clear to the ExA that this matter (amongst others in the draft s106 agreement) is appropriately secured.

4.2.5 The Applicant noted the comments from the ExA on the need for the replacement land (plots 5-13 and 6-20) given that it is already owned by the Applicant. In response, the Applicant explained that whilst it may be possible to designate land in the DCO as replacement land, the acquisition of this land was necessary to allow for the land to be automatically transferred to the owner of the open space land (LBC), and to cleanse the title of any unknown or third party rights which may arise in the future. Otherwise, there was a risk that LBC would receive land subject to third party rights.

4.2.6 **Post hearing submission***:* The Applicant has considered the text at paragraph 12.1.20 of the **Statement of Reasons [AS-071]**. The Applicant considers this text accurate and not requiring further update**.**

4.2.7 In response to queries on the size of the park, the Applicant sought to clarify that whilst the total size of the park will eventually be over 47ha, were the ExA to consider the size of the open space and replacement land as set out in Part 5 of the **Book of Reference [REP5-007]**, they would note that the open space land subject to acquisition is broadly in line with the size of the replacement land, and accordingly no more land is being acquired that reasonably necessary.

4.2.8 **Post-hearing note:** It should also be recognised that, as above, the replacement land under acquisition is owned by the Applicant and there is no objection to the seeking of compulsory acquisition powers over that land. Furthermore, the test under section 131 of the Planning Act 2008 is that replacement land must be “not less in area” than the special category land being acquired. Replacement category land can legitimately be greater in extent, and indeed this is often a factor that can be taken into account in deciding whether the replacement land is "no less advantageous" than special category land being taken.

4.2.9 **Post hearing submission:** Whilst the Applicant notes that the ExA may be querying this further via Written Questions, the Applicant has clarified this position further below with reference to the **Book of Reference [REP5-007].**

Table 4-1 Size of Open Space Land subject to compulsory acquisition

Plot	Size in square metres
3-01	112,339
5-06	120,476
5-09	9,794
5-12	31,487
5-15	84,646
5-22	287
TOTAL	**359,029**

Table 4-2 Size of Replacement Land subject to compulsory acquisition

Plot	Size in square metres
5-13	172,136
6-20	191,688
Total	**363,824**

4.3 Review potential informal use of the replacement land and recent signage.

4.3.1 The Applicant explained that since Compulsory Acquisition Hearing 1 (CAH1), it had erected signs making clear that the replacement land (plots 5-13 and 6-20) are private. The Applicant considered this necessary following queries from the

Examining Authority at CAH1 about the potential informal use of the land. The Applicant explained that these signs which identified the land as private property were subsequently defaced. The Applicant had replaced the signs as a consequence.

4.3.2 The Applicant informed the ExA that two signs were wrongly erected in the existing Wigmore Valley Park (i.e. the open space and not the replacement land) and were removed within a matter of days once the Applicant became aware of the error, for which it apologises.

4.3.3 The Applicant explained that following comments from Interested Parties (e.g. Friends of Wigmore Park (FoWP) **[REP5-069]**) it had put in place more regular checks of signage. Photos of defaced signs being removed are included at **Appendix A.** The Applicant confirmed that it has never displayed signs on the replacement land indicating that the land is open space. The Applicant has considered fencing the replacement land but this is not considered practical. It would be disproportionate from a cost perspective (given that signage is sufficient) and unnecessarily confrontational to Interested Parties . The absence of fencing does not affect the fact that the land is not open space and that there is no permission for persons to use it as such.

4.3.4 The Applicant acknowledged that there is a 'formal' public footpath network (i.e. Public Rights of Way) across the replacement land. The Applicant explained that these footpaths are clearly set out within the application documents, in the **Streets, Rights of Way and Access Plans [APP-022]**. The Public Rights of Way Proposals plans, which are part of the **Streets, Rights of Way and Access Plans [APP-022],** confirm that Work Nos. 5b (05)-(07) involve changing the status of the footpaths to bridleways, and new lengths of bridleway.

4.3.5 The Applicant explained that to the extent that members of the public were straying from the formal footpath network, and making use of informal pathways, there has been no permission given from the Applicant and such use is unauthorised. To the extent that any such permission may have been implied by members of the public using the informal paths, a landowner such as Luton Rising is permitted to withdraw such permissive use at any time. That has been actioned by the Applicant by the putting up of signs.

4.3.6 The Applicant also explained that the nature of any of the suggested informal usage of the land is linear (e.g. informal usage of field boundaries for walking), and not spatial in the sense it could be said that the land taken as a whole is being used for public recreation.

4.3.7 The Applicant clarified that the replacement land was currently still arable although it had been deliberately left fallow for last few years (so is treated as grassland rather than arable as part of the application), as early preparation for use as future open space (part of management to reduce historic nutrient enrichment – to allow for greater future biodiversity interest).

4.3.8 In response to points raised by the ExA on earlier statements by the Applicant on the use of the land (made at CAH1), the Applicant clarified that any comments on the informal use of the replacement land did not mean that any such use was authorised, and to the extent that such use was assumed by third parties to be authorised it should now be considered withdrawn.

4.3.9 In response to queries from the ExA on official use of the replacement land, the Applicant notes that FoWP have been asked to provide evidence of historic use of the replacement land at Deadline 6 (CAH2 Action Point 7).

4.3.10 **Post hearing submission:** The Applicant has seen no evidence of historic use of the replacement land as claimed by Interested Parties. Given that the land was used for agriculture, the Applicant considers it unlikely that it has been in use by the public at large. The Applicant will consider and respond to the written evidence due to be submitted by FoWP at Deadline 6 under Action Point 7.

4.3.11 The Applicant noted that paradoxically, some Interested Parties had previously suggested that the replacement land was not suitable for use as replacement land, but now they appear to be arguing that the land is suitable and was in fact already being used. The Applicant considered it clear that the land was previously used for agriculture based upon the historic images available identifying tractor lines. The Applicant made clear that any permissive use of the field borders does not equate to use of the land as the open space, and at no time has an application been made to designate such paths formally.

4.3.12 In response to queries from the ExA on the Applicant's use of "public at large" in its Deadline 4 submission: **Applicant's response to Compulsory Acquisition Hearing 1 Actions 14-17: Wigmore Valley Park [REP4-071]**, the Applicant explained that it considered the amount of use material and relevant to the consideration of what constitutes public recreation. Beyond the evidence submitted (e.g. in **FoWP's Deadline 5 submission [REP5-069]**) (which the Applicant does not accept for the reasons set out above at paragraph 4.3.11) the Applicant was not aware of any widespread evidence of public use. The Applicant considers the amount of use a relevant factor.

4.4 Review of anticipated experience by users of the replacement land over time from the point that it is 'accessible to the public', including potential loss of pathway from Eaton Green Road.

4.4.1 In response to queries from the ExA on whether "accessible to the public" is the same as open, the Applicant clarified its view that "accessible to the public" was the most appropriate phrase given the uncertainties around what constitutes open.

4.4.2 The Applicant explained that the works on open space and replacement land are collectively and satisfactorily secured by the following commitments and controls:

a. Requirement 9 (landscape and biodiversity management plan) in the **Draft DCO [REP5-003]** secures the development of the replacement land in accordance with the landscape and biodiversity management plan;

b. Article 35 of the **Draft DCO [REP5-003]** gives effect to section 131 of the Planning Act 2008. This article (i) prevents the Applicant from taking ownership of the existing open space land without providing replacement land and (ii) at sub-paragraph (3) requires a scheme which must be certified by the relevant planning authority in respect of the replacement land;

c. the **Code of Construction Practice [REP4-012]** has been amended to make clear that works cannot commence in Wigmore Valley Park until the replacement open space is "accessible to the public";

d. **Post-hearing submission**: although not mentioned during CAH2, two further relevant controls are:

   i. Requirement 5 of the Draft DCO, the effect of which is that the detailed design of the park works must be approved by the relevant local planning authority. The design must accord with the **Design Principles [REP5-034]** which include specific design principles for Wigmore Valley Park at page 11. Furthermore, the design must not give rise to materially new or different effects compared to those reported in the Environment Statement. Requirement 5 requires provision of a timetable for undertaking the works, along with notification of commencement and completion of the park works. Lastly, the relevant local planning authority can request further information about the park works before making its decision on the application to discharge the requirement;

   ii. Requirement 8 of the Draft DCO, which will secure a landscaping scheme for the replacement land in accordance with the **Strategic Landscape Masterplan [APP-172]** and the **Design Principles [REP5-034]**. The Strategic Landscape Masterplan contains various commitments in relation to Wigmore Valley Park, specifically on page 9.

4.4.3 **Post hearing submission:** The Applicant acknowledges the ExA's concern that "accessible to the public" could be construed narrowly. However, the Applicant would not simply be able to replace existing signage on the replacement land with "open space" and be authorised to carry out works on the existing open space land within Wigmore Valley Park. The Applicant must instead comply with the strict obligations set out in paragraph 4.4.2 above. The Applicant would consider a range of matters prior to declaring the park accessible to the public, including practical completion of works by its contractor. The Examining Authority can be confident that the range of controls listed above would ensure the provision of high quality replacement land at the point it is open to the public.

4.4.4 In response to the ExA's query around whether the local planning authority would have sufficient information before them to be satisfied that the replacement land would be no less advantageous, the Applicant commented that it would be a matter for the ExA and the Secretary of State to be satisfied that the test in section 131 of the Planning Act 2008 is met, having regard to the Applicant's proposals for the replacement land and the control documents and processes that are proposed by the Applicant (as above) to secure the necessary outcomes for the replacement land.

4.4.5 The Applicant also made clear, following queries from the ExA, that the replacement land would not automatically be of equal quality to the existing open space land at the time it becomes accessible to the public. The Applicant explained that this is not an unusual position as replacement land inevitably takes time to mature. It would significantly impede infrastructure projects if promoters of such projects had to wait a number of years to align the quality of areas of replacement open space with quality of existing open space before being able to carry out their works. The Applicant noted that a large portion of the existing park remained untouched by its proposals and would therefore remain of the same quality.

4.4.6 In response to queries from the ExA relating to the loss of an access near Eaton Green Road, the Applicant clarified that this access would not be lost. The pavement along the access road appears on the Applicant's **Strategic Landscape Masterplan [APP-172]** but will be subject to detailed design proposals. The Applicant confirmed that there is no intention to fence off this existing entrance though this is all subject to detailed design.

4.4.7 In response to concerns highlighted by the ExA from Richard Choppin **[REP5-083]** the Applicant stated that the land being acquired was not of great quality (as it was overlooking the airport and runway). The Applicant set out a number of benefits relating to the creation of the replacement open space land, particularly on noise and visual mitigation. The Applicant noted that the replacement land was further away from the runway and would include vegetation. Views from the replacement land towards the airport would include intervening landform and vegetation and not direct views into a surface level car park. The proposed car park will be screened by landform and vegetation.

4.4.8 The Applicant confirmed that there would be an embankment as part of its replacement land proposals. Whilst the Applicant noted comments on a new bund, it highlighted that there was already an existing bund in the area. The Applicant explained that the new bunding proposals provided audio and visual mitigation for users of the park.

4.4.9 In response to concerns raised by Interested Parties about some land not being open to the public, the Applicant clarified that there is an area of land intended for habitat creation and biodiversity net gain that will not be for open access. However, this area is not part of the replacement land area and does not form part of any open space calculation.

4.4.10 The Applicant also explained that there is no prohibition on the replacement park being in another county (or in this case, extending into another area).

4.4.11 **Post hearing submission:** The ExA will note that plots 5-13 and 6-20 are directly adjacent to the existing park.

4.4.12 The Applicant noted comments from the ExA and LBC on the Luton Local Plan, and noted that the applicability of such policies is a matter of judgement for the ExA.

4.4.13 **Action point 6: Provide a response on how policies LLP6 and LLP27 should be applied with particular reference to loss of Wigmore Valley Park.**

4.4.14 **Post hearing submission:** The Applicant will provide its commentary on the applicability of LLP27 and LLP6 at Deadline 7 in response to LBC's comments expected at Deadline 6.

5 AGENDA ITEM 4: SECTIONS 127 AND 138 OF THE PA2008 AND SCHEDULE 8 OF THE DRAFT DCO – PROTECTIVE PROVISIONS

5.1 Applicant to provide an update on the progress with the drafting/agreement on Protective Provisions.

5.1.1 In response to this agenda item, the Applicant confirmed that negotiations with Thames Water and UKPN on protective provisions/side agreements had now concluded successfully. The Applicant reported that negotiations with Affinity Water remained ongoing.

5.1.2 The Applicant explained that its intention with these parties was to conclude side agreements relating to protective provisions, rather than to include protective provisions on the face of the Order. Following completion of the agreements, the Applicant would seek the withdrawal of any objections made by these parties before the ExA. The Applicant expects such withdrawals to be made prior to the close of examination.

5.1.3 The Applicant further explained that where an agreement had not been reached by the close of examination, the Applicant's view was that the existing protective provisions within the **Draft DCO [REP5-003]** would offer adequate protection. The Applicant agreed with the request from the ExA to submit a section 137 case by Deadline 9 where it was likely that an agreement would not be reached at that point.

5.1.4 On protective provisions for Network Rail (NR), the Applicant notified the ExA that it was currently waiting for a meeting to be arranged with NR and their representatives. The Applicant explained that NR now had the information they had requested from the Applicant but it was not clear to the Applicant whether NR required further internal authorisation before progressing discussions. The Applicant remains of the view that an agreement can be reached prior to the close of examination.

5.1.5 On protective provisions for National Highways (NH), the Applicant explained that significant progress had been made and that revised drafting had been included within the latest version of the **Draft DCO [REP5-003]**. However, discussions on the bond referred to in the protective provisions (see paragraphs 37 (definition of bond sum) and 47 (security) of the protective provisions at Part 5, Schedule 8 to the Draft DCO) remained ongoing. The Applicant and NH both share the view that it is likely that an agreement will be reached prior to the close of examination. The Applicant agreed to update the ExA at future deadlines as progress is made with NH and any other party on protective provisions.

5.2 Review of whether additional protective provisions need to be included within Schedule 8.

5.2.1 Negotiations with Network Rail remain ongoing, which include consideration of the need for protective provisions. Otherwise the Applicant is not expecting any further protective provisions to be incorporated within the **Draft DCO [REP5-003]**.

6 AGENDA ITEM 5: SECTION 135 OF THE PA2008 – CROWN LAND

6.1 Applicant to provide a brief update on the progress of obtaining Crown consent.

6.1.1 The Applicant informed the ExA that it had now obtained a disclaimer from solicitors for the Crown Estate for the 13 interests belonging to Birkby Ltd. Those interests had since been removed from Part 4 of the **Book of Reference [REP5-007]** and **Crown Land Plans [REP5-011]**. The Applicant also holds evidence of disclaimer of other crown interests (or confirmation from the Crown that such interests are not Crown interests), already removed from the Book of Reference.

6.1.2 The Applicant confirmed that it would submit evidence of disclaimed interests to the ExA.

6.1.3 **Action Point 8. Submit the correspondence from the relevant representatives for the Crown Estate confirming that they no longer have an interest in the plots previously identified as having a crown interest.**

6.1.4 The Applicant updated the ExA on the outstanding crown land plot (2-46). The Applicant is in contact with the relevant government department and remains hopeful that consent under section 135 can be obtained prior to the close of examination.

7 AGENDA ITEM 6: FUNDING

7.1 Applicant to provide a brief overview of the updated funding statement submitted at Deadline 5 [REP5-009].

7.1.1 The Applicant noted that comments had been made by Interested Parties on LBC's decision to invest in the expansion of the airport. The Applicant acknowledged that the ExA had correctly noted that any investment decisions by LBC are not a matter relevant to the DCO. The Applicant is London Luton Airport Limited (trading as Luton Rising) rather than its shareholder LBC.

7.1.2 The Applicant noted that the **Funding Statement [REP5-009]** had been provided by Luton Rising, the Applicant, rather than LBC. In accordance with the relevant guidance (Planning Act 2008: guidance related to procedures for compulsory acquisition of land, DCLG, 2013) the statement was only required as a consequence of the compulsory acquisition powers within the **Draft DCO [REP5-003]**. Without such powers, there is no requirement for a Funding Statement. The Applicant noted that in line with the guidance, the Funding Statement needs to:

e. confirm that there is a reasonable prospect of the requisite funds for acquisition becoming available within the statutory period, and that the resource implications have been taken account of; and

f. give as much information as is possible about the costs and resource implications of implementing the Proposed Development.

7.1.3 The Applicant provided a brief overview of the contents of the updated **Funding Statement [REP5-009]**. In summary, the updated document:

a. Provides a more detailed breakdown of the costs of compulsory acquisition and the timing of the expenditure (Table 1 and Table 2).

b. Confirms how the Applicant will meet these costs and when (paragraphs 2.2.6 and 2.2.7).

c. Provides a more detailed breakdown of the costs of implementing the Proposed Development and the timing of proposed expenditure (Table 3 and Table 4).

d. Provides more details about the cashflows projected for the expanded airport (Table 5) demonstrating that the Proposed Development is more than capable of being funded from the net revenues generated by the airport.

e. Provides a new analysis demonstrating that there is a live and active investor market for airport expansion projects and sets out feedback from the soft market testing with potential lenders (section 4.2).

f. Confirms the preferred and intended approach to the delivery of Phase 1 of the Proposed Development (paragraph 4.3.1) and provides a letter of support from the operator confirming its commitment to the project (Appendix C).

g. Includes a support letter from Arup setting out the qualifications and experience of the Director responsible for the financial work (Appendix A).

h. Includes a support letter from CBRE setting out the qualifications and experience of the Director responsible for the compulsory acquisition valuation work (Appendix B).

7.2 Review of the resource implications of both acquiring the land and implementing the project for which the land is required.

7.2.1 The Applicant summarised that the resource implications of acquiring the land are approximately £171m after forecasting for future inflation. Of that, approximately £158m is expected to arise after the end of the current concession (2033 onwards). Only approximately £13m is expected to arise in the current concession period. Of this amount, only approximately £2m would arise before 2030.

7.2.2 The Applicant explained that it would fund these land costs from its concession fee from the airport. In response to queries from the ExA, the Applicant confirmed that it had other revenue streams beyond the concession agreement.

7.2.3 **Action Point 9: Provide further details regarding what the concession fee is used to fund including a breakdown for the last five years of 'normal' operation (i.e. not years affected by the pandemic) of what the concession fee was and the number of passengers for that year**

7.2.4 Based on forecasted passenger numbers, the Applicant is anticipating approximately £600-800m of concession income to be generated by end of current concession. The Applicant's Phase 2a land costs arise after 2033 with the last payment expected to be due in 2046. These payments will also be met by the concession fee, and other finance raised to deliver capital works.

7.2.5 The Applicant explained that the Proposed Development's overall resource implications (excluding land) are approximately £2.6bn (or approximately £4.1bn when adjusted for inflation using the best available forecasting). Of the £4.1bn, the Applicant explained that £3.4bn relate to costs anticipated to be funded by the airport and £0.7bn are costs expected to be funded by third parties in relation to ancillary assets such as the fuel farm, new hangars, and solar power investments..

7.2.6 The Applicant further explained that £416m of the £4.1bn is expected to arise before 2033 (i.e. within the current concession) with the remainder arising after this date. The Applicant expects the works to Terminal 1 to be financed by the operator under a commercial arrangement.

7.2.7 **Post hearing submission:** In response to queries from the ExA on the concession fee at CAH 2, the Applicant stated that there is no minimum level of concession fee. This statement was incorrect, and the Applicant apologises for any confusion caused. The minimum level of the concession fee is currently £6.9m, a figure which rises in line with inflation. The concession fee is predominantly linked directly to passenger numbers[1].

7.2.8 The Applicant holds cash in excess of £10m which has been allocated to future land and compulsory acquisition costs. The Applicant informed the ExA that its concession fee income increases with the Retail Price Index (RPI), but many of its costs (notably interest payments) are fixed. Therefore, even before passenger growth, it expects to receive real term increases in income. The Applicant agreed to provide a breakdown of how the concession fee has been used over the five years pre-dating Covid-19.

7.2.9 **Post hearing submission:** The response to CAH2 Action 9 is provided in Table 1.1 and includes in Appendix C the Applicant's audited accounts for the periods 2015-16 to 2019-20 (in total five sets of accounts)**.**

[1] The concession fee is based on the number of work units, where one work unit is one passenger or 100kg of freight. The vast majority of the fees come from passenger trips, with freight income accounting for less than 1% of the concession fee.

7.2.10 The ExA queried the passenger numbers connected to the £10m free cash flow figure for 2023-24 and the Applicant explained that this is based on approximately 17 million passengers.

7.2.11 **Post hearing note:** In response to CAH2 Action 9, the Applicant has provided information of passenger numbers, along with the financial position of the Applicant over the five years, in Appendix C6.

7.2.12 In the period to the current end of the concession in 2032 the total amount of income the Applicant will derive is forecast to be between approximately £600m - £800m which it can use to meet compulsory acquisition, temporary possession and Part One liabilities as they arise. Out of the £600m - £800m the Applicant confirmed its free cash flow (income less operating costs, interest payments and charitable donations) over the next 10 years was expected to be in excess of £100m, and well in excess of the £10m compulsory acquisition costs (current 2023/24 prices).

7.3 Whether adequate funding would be available to cover the cost of compulsory acquisition,/temporary possession and Part One claims within the statutory period following the draft DCO being made, if the application is approved.

7.3.1 The Applicant noted that Luton Rising's accounts had already made an allowance of £10m to cover for compulsory acquisition costs relating to the application for development consent. This information is not yet publicly available as the 2023/24 set of accounts is not due to be published until next year. However, the Applicant agreed to provide a copy of the 2022/23 accounts to the ExA once they are published in the New Year (provided they are published prior to the close of examination). This is recorded as CAH2 Action Point 10.

7.3.2 **Action point 10: Provide the ExA with a copy of the Financial Report for Luton Rising for the financial year 2022/23 if it is agreed before the close of the Examination.**

7.3.3 The Applicant explained that while Luton Rising makes contributions to LBC, e.g. through repayment of loans, rent or contributions to the local area, a dividend has not been paid recently and is not due to be paid for at least a further two financial years in order to rebuild cash reserves.

7.3.4 In response to queries from the ExA on the size of property cost estimates in the **Funding Statement [REP5-009]**, and particularly why the figure was high when the Applicant owned or controlled most of the land, the Applicant explained that a large proportion of the costs are to cover Rule 6 disturbance and other such compensation costs. Most of these costs relate to a few specific large properties.

7.3.5 In response to queries from the ExA relating to what is comprised within "Rule 6 is compensation for disturbance" as referred to in the **Funding Statement [REP5-009]**, the Applicant clarified that this does not include costs for noise insulation. Rather it is compensation for disturbance relate to loss payments, fees and moving payments. It also includes compensation for taking temporary possession.

7.3.6 In response to queries from the ExA on use of a 50-year payback period the Applicant clarified that a 50-year period was assumed for modelling the finances for the Proposed Development, in accordance with best practice. This period allowed for 10 years of the existing concession, and an additional 40 years' for a new arrangement following the end of the current concession. The Applicant explained that this is a standard period of time based on other schemes of this scale and is in line with market norms.

7.3.7 The Applicant noted comments from FoWP and agreed to provide a written response once FoWP has submitted its comments in writing.

8 AGENDA ITEM 7: WHETHER THE PURPOSES OF THE PROPOSED COMPULSORY ACQUISITION ARE LEGITIMATE AND WOULD JUSTIFY INTERFERING WITH THE HUMAN RIGHTS OF THOSE WITH INTEREST IN THE LAND AFFECTED

8.1.1 The Applicant notes that this agenda item was deferred Written Questions.

9 AGENDA ITEM 8: CONSIDERATION OF DUTIES UNDER THE EQUALITY ACT 2010

9.1.1 The Applicant notes that this agenda item was deferred to CAH2 Action Points and Written questions. A response to question 7 of the CAH2 Action Points is available at the Applicant's response to question 7 in Table 1.1 below.

10 AGENDA ITEM 9: ACTION POINTS ARISING FROM THE HEARING

10.1.1 See Table 1.1 below

11 AGENDA ITEM 10: ANY OTHER BUSINESS

11.1.1 The Applicant did not make any submissions under this agenda item.

Table 11-1: Applicant's Response to CAH2 Action Points (NB: Any missing action below was addressed to another third party)

Action / Question	Description	When	Applicant's response
Action 1	no	Deadline 6	The Applicant has submitted an updated **Status of Negotiations/Compulsory Acquisition Schedule** at Deadline 6 [**TR020001/APP/8.34**].
Action 4	Provide an update on the progress of discussions about establishing a Community Trust for the future management of Wigmore Valley Park (indication that this would be secured by means of Section 106)	Deadline 7	The Applicant notes this action and will draft a response for Deadline 7.
Action 6	Provide a response on how policies LLP6 and LLP27 should be applied with particular reference to loss of Wigmore Valley Park	Deadline 6	The Applicant notes this action is for LBC at Deadline 6 and will provide comments on LBC's response at Deadline 7.
Action 8	Submit the correspondence from the relevant representatives for the Crown Estate confirming that they no longer have an interest in the plots previously identified as having a crown interest	Deadline 6	This is available at **Appendix A**.
Action 9	Provide further details regarding what the concession fee is used to fund including a breakdown for the last five years of 'normal' operation (i.e. not years affected by the pandemic) of what the concession fee was and the number of passengers for that year	Deadline 6	The Applicant regards the financial years 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20 as the last five years of 'normal' operations unaffected by the Covid-19 pandemic given that Britain went into lockdown on 23 March 2020. The passenger numbers for March 2020 did show some reduction, but not to a material effect. The numbers for passengers will differ from those reported by the Civil Aviation Authority as the

Action / Question	Description	When	Applicant's response
			figures included here relate only to fee paying passengers (i.e. exclude minors below the age of 2, passengers in transit, returning crew members and other *de minimus* categories). The Applicant includes the audited accounts for these five years at **Appendices C1, C2, C3, C4 and C5**. From these appendices the Applicant has prepared a summary which removes the impact of values that are only book entries and which make it more difficult to understand the underlying position of the company. The passenger numbers and summary document is included at **Appendix C6**.
Action 10	Provide the ExA with a copy of the Financial Report for Luton Rising for the financial year 2022/23 if it is agreed before the close of the Examination	As soon as available.	The Applicant will seek to provide a response prior to the close of examination, provided that the report becomes available.

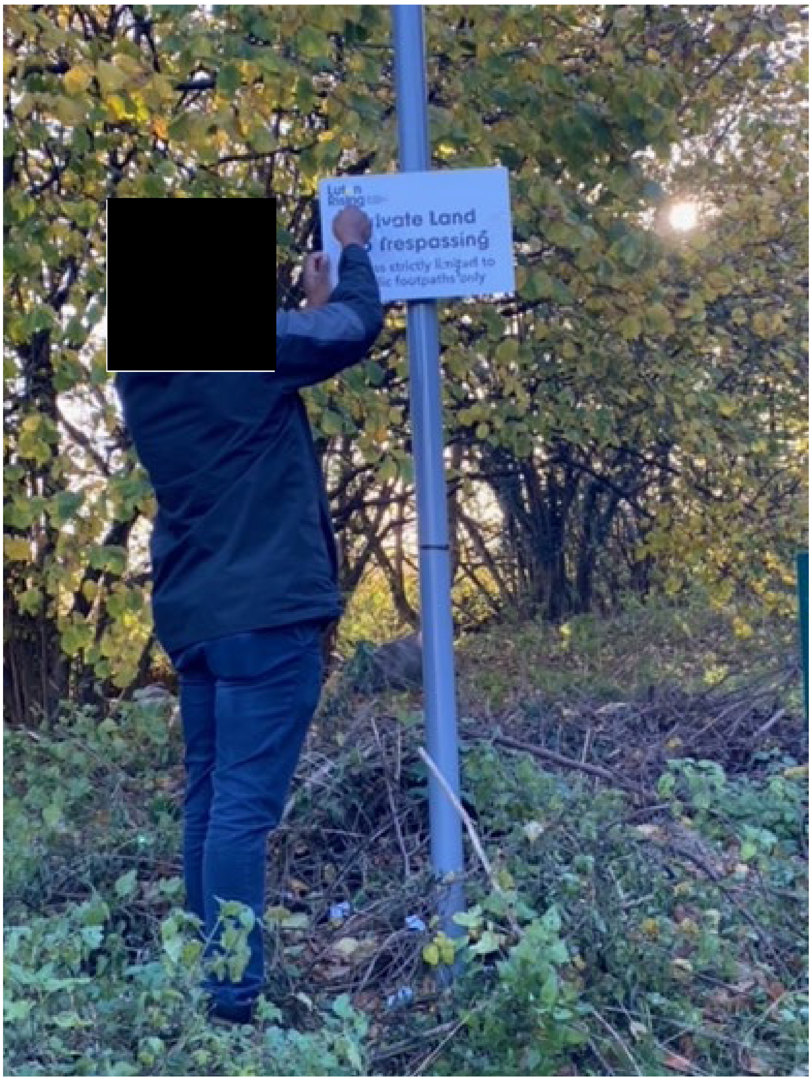
Action / Question	Description	When	Applicant's response
Action 11	Remaining questions from the script to be asked as written questions (see separate table below)	Deadline 7	N/A
Question 1	Paragraph 3.1.2 in previous funding statement [APP-012] gave the estimated total project cost as £2,700 million in 2022/23. In the new funding statement [REP5-009] it has two figures, capital cost estimate £2,612m in 2022/23 or approx. £3,400m in forecast outturn prices. Please explain the difference between the two sets of figures and why one of these figures is lower than previously stated given that since the original funding report was prepared (27 Feb 2023) interest rates and material and labour prices have increased.	Deadline 7	The Applicant notes this question and will draft a response for Deadline 7.
Question 2	Table 3 [REP5-009] provides a very high-level breakdown of capital cost under the headings of airfield/ landside/ platform/ terminal 1/ terminal 2/ noise insulation scheme. However, there is no further detail, with the exception of the noise insulation scheme, behind how these figures were achieved or what they consist of e.g. where would the cost for DART extension between T1 and T2 sit? Is it possible to provide some further detail of the works that would sit under these headings? Given capital cost over runs do these figures include a contingency budget or is this a separate figure and if so what is it?	Deadline 7	The Applicant notes this question and will draft a response for Deadline 7.

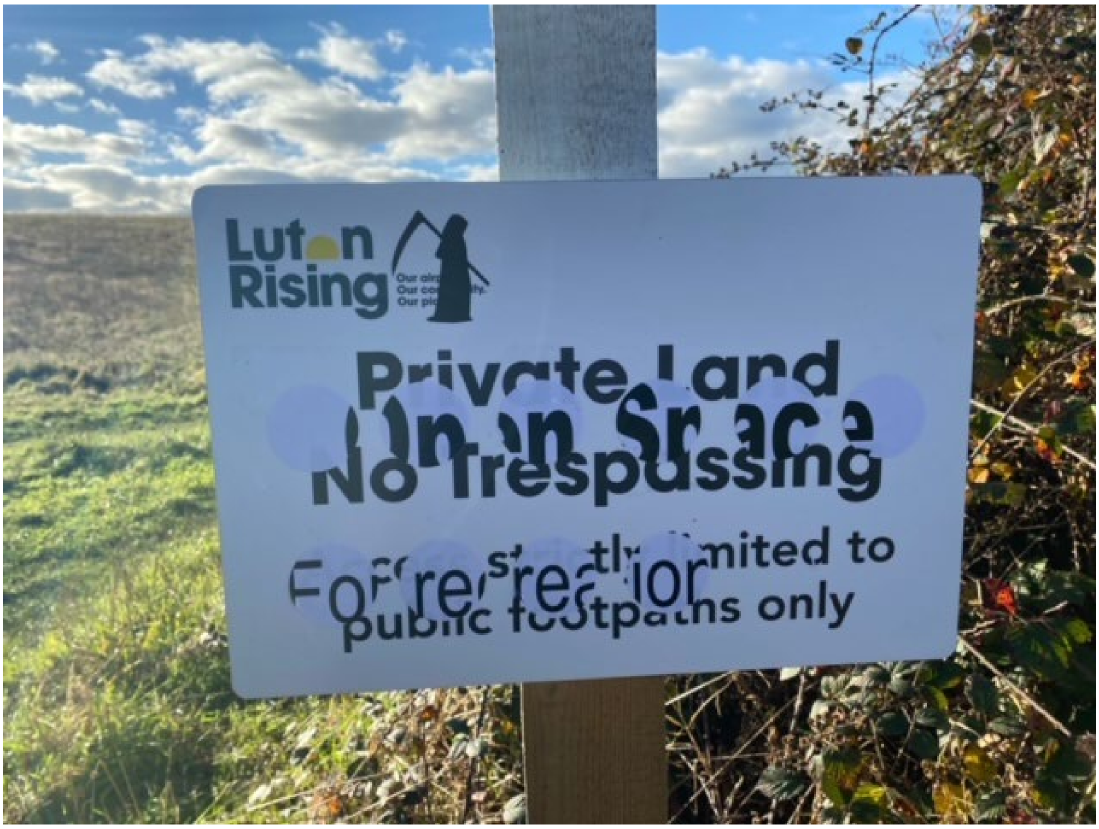
Action / Question	Description	When	Applicant's response
Question 3	Can you provide further explanation regarding what constitutes third party investments (low carbon heating and cooling energy centre, new fuel farm and pipeline connection, new hangers, new hotel and Solar PV, Battery and EV charger investments) i.e. is the assumption that these would be funded and provided by a third party or funded by the Applicant and provided by a third party and would any of them deliver a future revenue stream for the Airport?	Deadline 7	The Applicant notes this question and will draft a response for Deadline 7.
Question 4	Table 5 [REP5-009] provides details of what inflation rate was used for the capital cost, given that inflation rates are currently rising have the figures been stress tested for higher inflation rate scenarios, if not, why not and if so at what level?	Deadline 7	The Applicant notes this question and will draft a response for Deadline 7.
Question 5	Please expand on what you mean in paragraph 4.2.3 [REP5-009] and how this would affect funding?	Deadline 7	The Applicant notes this question and will draft a response for Deadline 7.
Question 6	Given concerns about the state of the Council's finances/ number of local councils who have financial issues and having to declare themselves bankrupt, if the Council did have to issue a 114 Notice how would this impact deliverability of scheme/ securing of finances given one of the finance options would be for the Council to raise the funding?	Deadline 7	The Applicant notes this question and will draft a response for Deadline 7.

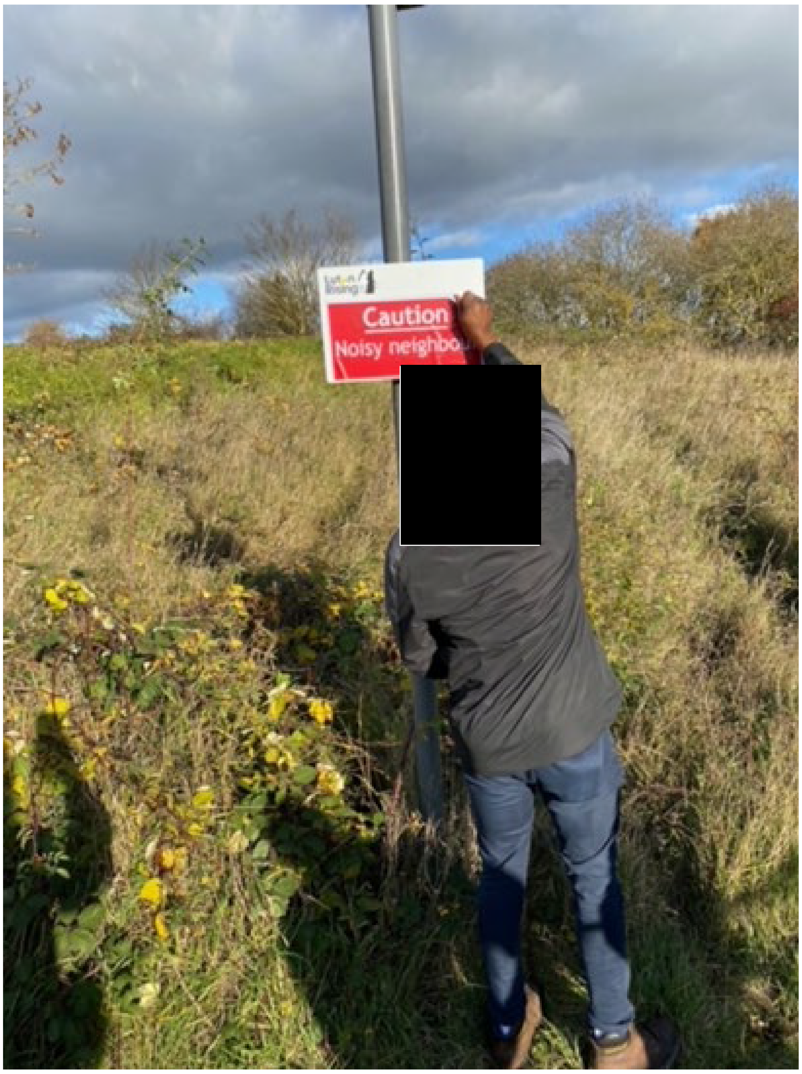
Action / Question	Description	When	Applicant's response
Question 7	The ExA asked a question regarding how the Applicant has had regard to the Equalities Act in relation to Compulsory Acquisition (CA) and Temporary Possession (TP) and asked whether any Affected Persons have been identified as having protected characteristics and if so what regard has been had to them [Question CA.1.6, PD-010]. You did provide a response at D4 [REP4-056] where the ExA were directed to the Statement of Reasons [AS-071] and the Equality Impact Assessment (EIA) [AS-129]. The EIA makes a broad assessment of impacts on various groups but as far as I can see does not contain any specific reference to CA and TP. It talks about mitigations in broad terms and section 13.3 of the Statement of Reasons [AS-071], which consists of the consideration of duties under the Equality Act, refers back to the EIA it does not provide a specific assessment in relation to CA/ TP. So in context of CA and TP are there any people or groups who have been identified as having protected characteristics who would be affected and if there are, has an assessment been undertaken? If not, why not and should it be? Did the assessment include Category 3 parties, if not why not?	Deadline 7	The Applicant notes this question and will draft a response for Deadline 7.

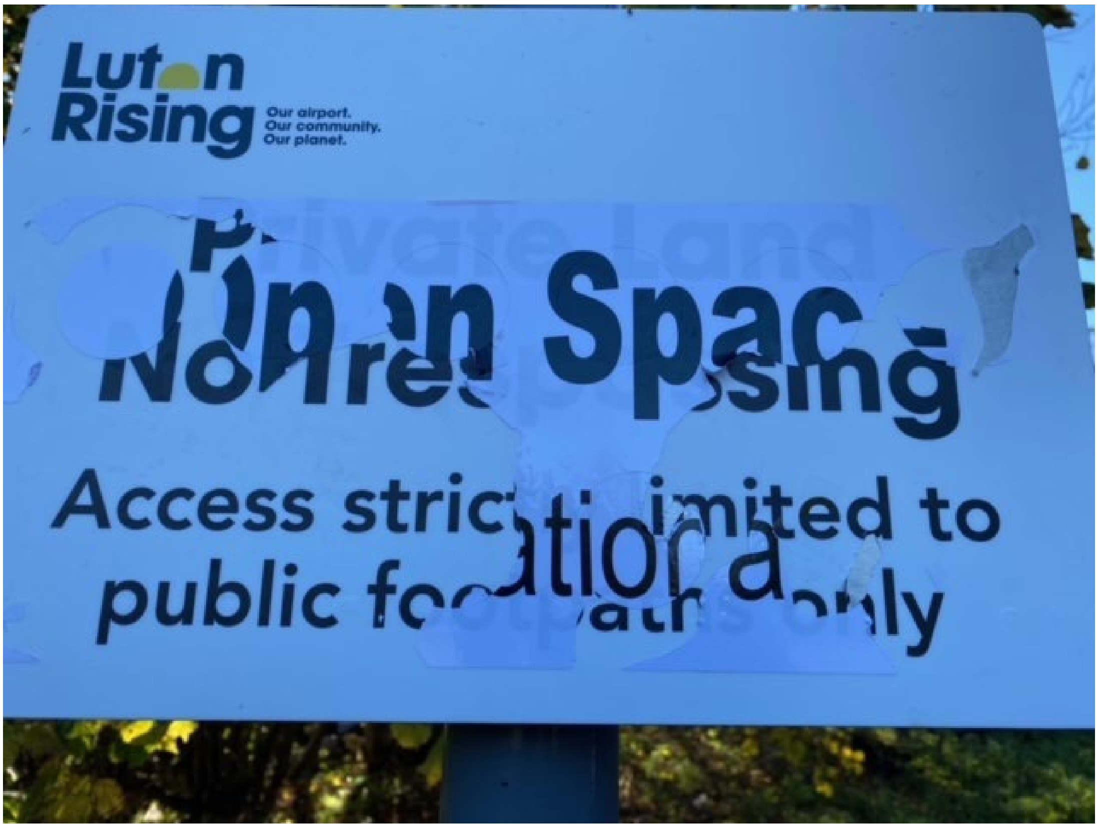
Action / Question	Description	When	Applicant’s response
	And should it, as there are a significant number of Relevant Representations (RR) who have referred to the impacts on the elderly, disabled, children, mental health etc		
Question –8	Have either the Statement of Reasons [AS-071] or the EIA [AS129] been reviewed since the application was submitted and in particular in light of RRs to ensure that everything has been done to ensure anyone with protected characteristics has been captured and assessed to ensure compliance with the Equality Act 2010?	Deadline 7	The Applicant notes this question and will draft a response for Deadline 7.
Question 9	The reprovision of Prospect Day Nursery appears to be based on an assessment of need at time of relocation. Given the loss of the facility is highlighted as a major significant effect in the Environmental Statement and would be affecting persons with protected characteristics, why is its reprovision subject to this proviso? Is it acceptable?	Deadline 7	The Applicant notes this question and will draft a response for Deadline 7.

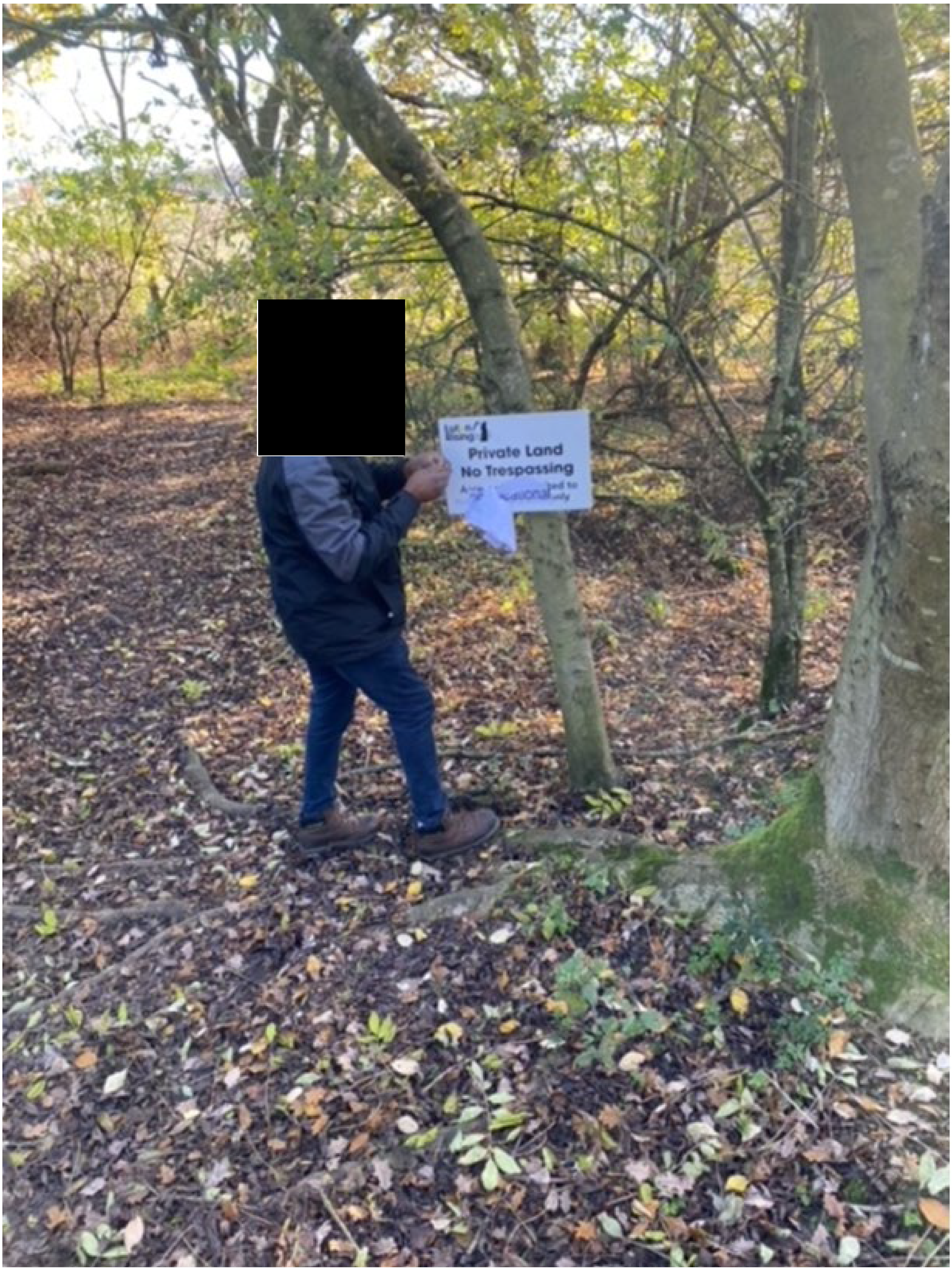
Appendix A – Sign Upkeep Photos

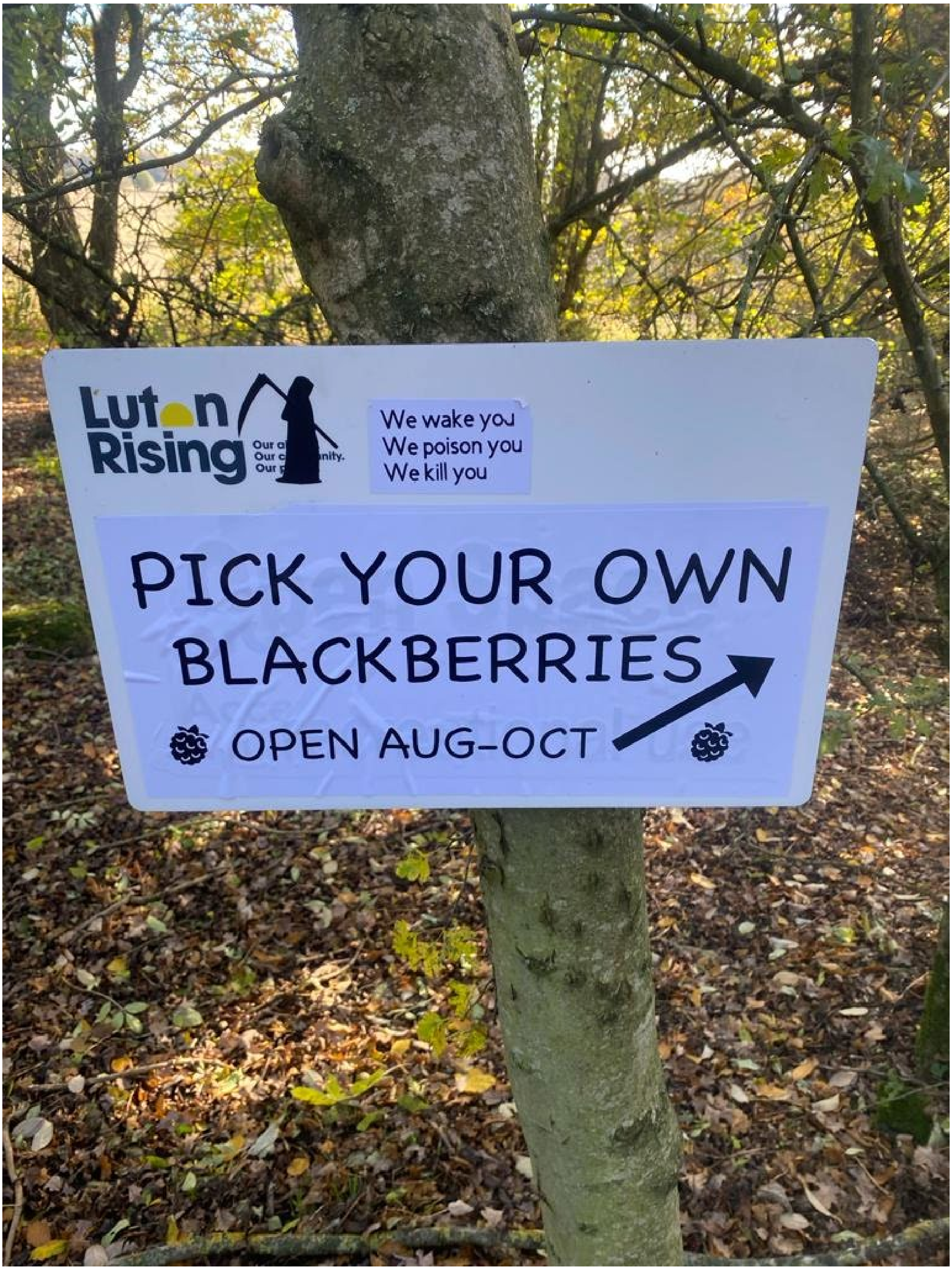


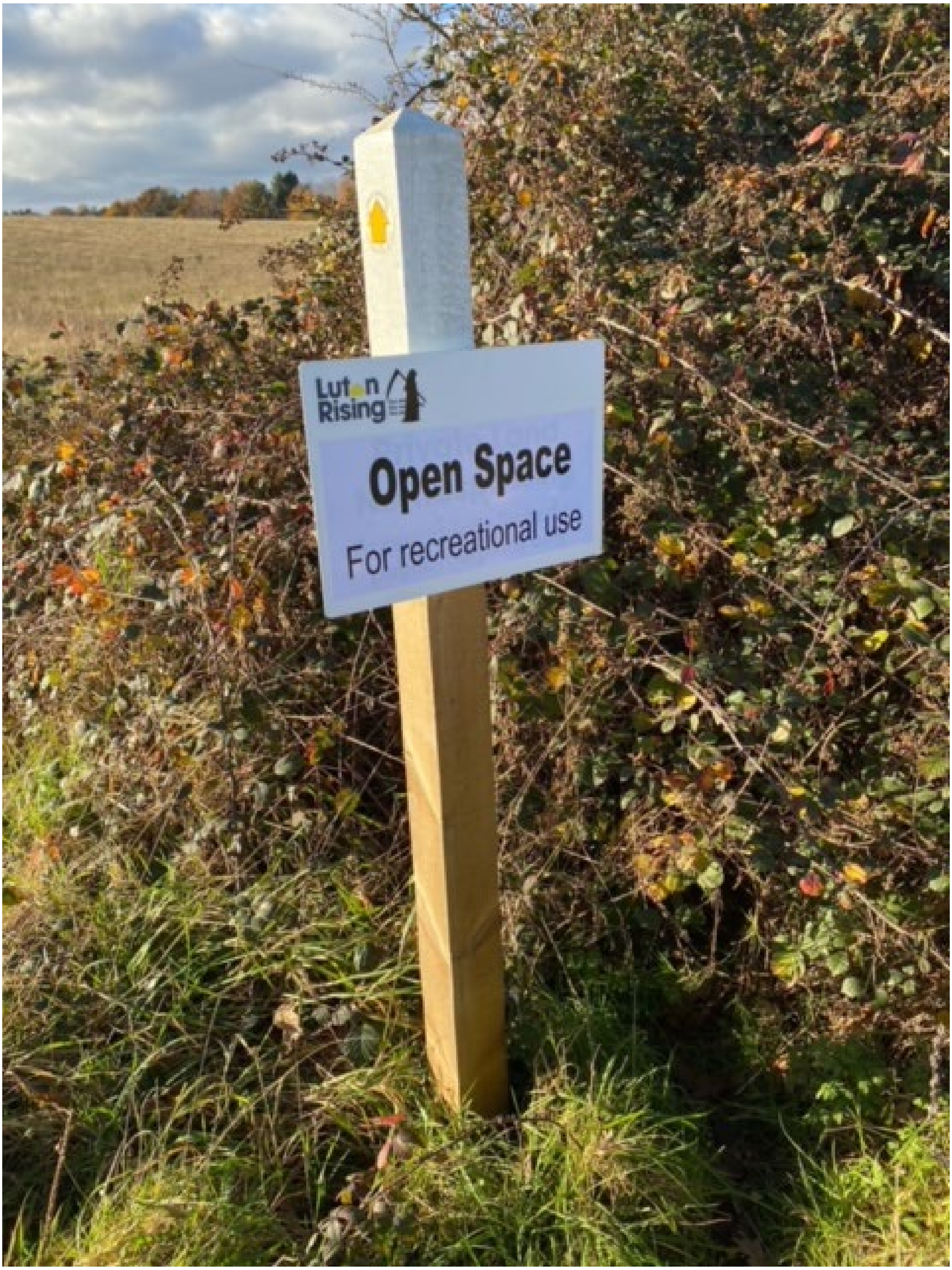

Luton Rising
Private Land
No Trespassing
public footpaths only


Caution


Luton
Rising
Our airport.
Our community.
Our planet.


Private Land
No Trespassing


Luton Rising
We wake you
We poison you
We kill you
PICK YOUR OWN
BLACKBERRIES
OPEN AUG-OCT


Luton Rising
Open Space
For recreational use

Appendix B – Crown Consents

Appendix B1 – Disclaimer notice (Tea Green Golf Company Ltd)

Form BVC.10
August 2004 Edition

T S Ref: BV22302017/1/CE

Notice of Disclaimer under s.1013 of the Companies Act 2006

DISCLAIMER OF WHOLE OF THE PROPERTY

1. In this Notice the following shall apply:

Company Name:	TEA GREEN GOLF COMPANY LIMITED
Company Number:	06325350
Interest:	Leasehold
Title Number:	HD374617
Property:	The Property situated at and described as Golf Driving Range, Wandon End, Luton, Bedfordshire LU2 8NX being the land comprised in the above mentioned title
Treasury Solicitor:	The Solicitor for the Affairs of His Majesty's Treasury of PO Box 2119, Croydon (DX 325801 Croydon 51).

2. In pursuance of the powers granted by s.1013 of the Companies Act 2006 the Treasury Solicitor as nominee for the Crown (in whom the property and rights of the company vested when the Company was dissolved) hereby disclaims the Crown's title (if any) in the Property the vesting of the Property having come to her notice on 13 December 2022.

Dated 22 February 2023

[redacted]

Assistant Treasury Solicitor
(Section 3 Treasury Solicitor Act 1876)

Appendix B2 – Ministry of Defence Restrictive Covenant

From: [redacted]
Sent: 20 June 2023 17:00
To: Walker, Stephen @ London HH [redacted]
Subject: RE: 20230620 - Luton Airport – MOD Restrictive Covenants

External

Good Afternoon Stephen,

Apologies for the delay in responding.

I have now heard back from the National Archives, the Air Historical Branch and have advice from our Legal team.

Unfortunately neither National Archives or Air Historical Branch have any record of the Conveyance dated 4th February 1955 made between (1) The Minister of Supply (Vendor) and (2) Luton Corporation (Purchasers) ("the Conveyance").

The specifics of the rights contained in the Conveyance are therefore unknown. The Secretary of State for Defence no longer has any interest in land in the area, and is not aware of who is the current beneficiary of the rights.

Kind Regards,

Dave

David Tye
Senior Estate Surveyor
Estates – Land Management Services

Please note that as from 1st May 2022 my working days will be Tuesday – Thursday.

Due to covid-19 I am mainly working from home until further notice.

Defence Infrastructure Organisation
LMS, Swales Pavilion
RAF Wyton | Huntingdon | PE28 2EA |
Mobile: 07787 004507
SKYPE: 0300 168 3763
Email: [redacted]
Website: www.gov.uk/government/organisations/defence-infrastructure-organisation

Appendix B3 – Disclaimer notice (Birkby Ltd)

For the attention of: Sharif Adama
Senior Land Consultant
WSP
WSP House
70 Chancery Lane
London
WC2A 1AF

Burges Salmon

One Glass Wharf
Bristol BS2 0ZX
Tel: +44 (0)117 939 2000
email@burges-salmon.com
www.burges-salmon.com
DX 7829 Bristol

[redacted]

By email: [redacted]

Our ref: SO03/SO03/RO01/31932.10201/DAY

10 October 2023

When telephoning please ask for: Shelley Day

Dear WSP,

Property: Land and buildings on the south side of Eaton Green Road, Luton (comprised in former freehold title BD106056)
Company: Birkby Limited (dissolved)

Thank you for your email of 28th September 2023.

BACKGROUND

Following the disclaimer of the Property by the Treasury Solicitor, the Property may be deemed subject to escheat to the Crown at common law. By longstanding convention, properties that are subject to escheat fall to be dealt with by The Crown Estate, for whom this firm acts. However, as will be apparent from this letter, The Crown Estate should not be regarded as the current owner of the Property, at least in any conventionally understood sense.

POLICY

In accordance with legal advice given on previous occasions, The Crown Estate does not propose to take any action which might be construed as an act of management, possession or ownership in relation to the Property, since to do so may incur upon it liabilities with which the Property is, or may become, encumbered. Neither this letter nor any other correspondence passing between us should be construed as such an act.

The reasoning behind this approach is that The Crown Estate does not accept that it should be, in effect, the guarantor of last resort for companies and individuals who have failed financially, leaving onerous property in their wake. To do so would not be an appropriate application of The Crown Estate's revenues, nor is it a function envisaged for The Crown Estate by Parliament. Properties which may be subject to escheat are not infrequently onerous in nature and many have little or no monetary value. The total cost of all potential past, present and future liabilities connected to such properties, of which there are many, would be enormous. As The Crown Estate accounts to the Treasury for its operating surplus, such cost would end up as a burden on the public purse.

In practical terms, this means that The Crown Estate cannot assist with securing any agreements and consents under section 135(1) Planning Act 2008 as mentioned in your email.

Equally, The Crown Estate cannot undertake any steps to repair or carry out remedial work to the Property, nor can it consent to such works being carried out. However, we would also point out that it is highly unlikely that The Crown Estate would seek to interfere with any works carried out by an appropriate body that has the requisite power and ability to remedy the issues. Please note that any such works would be carried out entirely at the risk and expense of those executing them.

A POSSIBLE SOLUTION

The Crown Estate has a limited remit in relation to the Property, which is now effectively ownerless and the only action that it may take is to transfer a new freehold interest in the Property to an appropriate person or body.

In relation to disposals of the Crown's interest, please note:

(a) The Crown Estate can only sell the whole of the land subject to escheat in one transaction, as to sell part may constitute an act of management in respect of the remainder;

(b) The Crown Estate would require all potentially interested or affected parties to be consulted prior to any sale, although unanimity of agreement of all consulted parties is not always a prerequisite for a sale;

(c) any sale would be subject to any mortgages, legal charges or other encumbrances which might exist against the former freehold interest; and

(d) The Crown Estate is required by statute to achieve the best consideration, having regard to all the circumstances, for any disposal of such land.

If such a disposal never happens, then it is likely that the Property will remain subject to escheat, effectively ownerless, indefinitely.

CONCLUSION

We appreciate that this may appear to be an unsatisfactory state of affairs, but trust that you will understand that the events leading up to the current situation are not of The Crown Estate's making and its role in relation to the Property is limited. This is a complex and arcane area of our property and constitutional law but we hope that our letter is helpful to explain the constraints upon The Crown Estate in dealing with the properties that may be subject to escheat.

Yours faithfully

Burges Salmon LLP

BURGES SALMON LLP

Appendix C – Accounts and Financial Information

Appendix C1 – Luton Rising Accounts 2015-16

London Luton Airport Limited

Annual report and financial statements

for the year ended 31 March 2016

Registered number: 2020381

THURSDAY

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A22 18/08/2016 #34

COMPANIES HOUSE

London Luton Airport Limited

Contents

Page

London Luton Airport Limited

Strategic Report for the year ended 31 March 2016

The directors present their strategic report on the company for the year ended 31 March 2016.

Principal activities

The company's principal activities until August 1998 were the ownership, operation and management of London Luton Airport. In August 1998 the company granted a concession contract to an unrelated company, London Luton Airport Operations Limited ("LLAOL") to operate the airport on its behalf in return for a concession fee. The company continues to own the land, buildings and infrastructure at the airport.

Review of the business

LLAL's principal source of income continued to be the Concession Fee, The Concession Fee which is based on work-load units, each unit being one passenger or 100kg of freight. Growth in passenger numbers was particularly strong, reaching a number in excess of 12.8 million in the year to March 2016, an increase of some 19.9% over the previous year.

During the year LLAOL commenced the development works to increase the passenger capacity up to 18 million passengers per annum, and accelerated the pace of construction to meet demand.

The company continued to diversify its property investment portfolio by acquiring land at Century Park, Stirling Place and Vauxhall Road.

Principal risks and uncertainties

The key business risks and uncertainties for the company are considered to relate to fluctuations in passenger throughput, the key determinant of the concession income. Passenger numbers are subject to competition between airlines, airport operators, the selection of routes and destinations, and underlying passenger demand for air travel which can be influenced by the general economic environment and consumer confidence. There is a risk that the decision to leave the European Union may diminish passenger demand for leisure related air travel. The concessionaire is deemed to be in the best position to manage this risk by its contractual relationships with Airline operators.

Plans are currently being developed in the light of the UK's decision to leave the European Union; early indications are that the company's business plans remain deliverable, and no material change is expected in the company's prospects.

Review of business and future developments

At the financial year end the company's financial position was strong and its future prospects are good.

The company continues to operate profitably and will share in the future success of the airport via the concession fee receivable from LLAOL.

The company is likely to continue to diversify its property portfolio by acquiring suitable properties adjacent to or nearby the airport, where it can be shown that these not only have a long-term strategic value to the company but are also capable of making a reasonable return on investment in the short to medium-term.

Much of the company's landholdings now form part of the London Luton Airport Enterprise Zone, announced by the former Chancellor of the Exchequer, the Rt. Hon. George Osborne MP, in November 2015.

In April 2016, the Chair of the Board announced that LLAL had authorised the start of the procurement process for a mass passenger transit system to provide a fast, frequent and efficient transfer from London Luton Airport Parkway station to the central terminal area. The £200m construction is expected to begin mid-2017, and the system be fully operational by the end of 2020

Key performance indicators (KPI's)

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not currently necessary for an understanding of the development, performance or position of the business.

London Luton Airport Limited

Strategic report for the year ended 31 March 2016 (continued)

Financial risk management

The company does not have any external financial relationships with banks or finance houses. The debenture loans to the company are from Luton Borough Council, the shareholder, and are held at fair value at inception. No repayments are scheduled until the end of the concession period. It is not, therefore, exposed to any financial risks resulting from changes in debt market prices, credit risk, and liquidity risk.The company does not use finance derivatives and as such no hedge accounting is required.

Price risk

The company is not currently exposed to commodity price risk as a result of its operations.

Credit risk

The company is only exposed to credit risk in respect of London Luton Airport Operations Limited who pays a concession fee to the company on a quarterly basis in arrears. LLAOL is bound by an open book policy with the company and therefore its internal auditors have access to monitor performance and viability. An annual internal audit is undertaken to ensure that the liquidity and financial position of LLAOL is sufficient to meet its obligations under the concession agreement. The company utilises the facilities of its parent, Luton Borough Council, in ensuring minimal risk with its cash and investments.

Liquidity risk

The company receives its concession income at four agreed dates on a quarterly basis. It actively manages its short term investments and cash holdings to ensure sufficient funds are available for its activities.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a fixed rate. The company maintains it debt at a mixture of fixed and variable rates reducing exposure to fluctuating interest rates. The directors will revisit the appropriateness of this and determine a policy should the company's operations change in size or nature.

By order of the Board

[redacted]

M Turner
For the Company Secretary, Luton Borough Council

1st August 2016

London Luton Airport Limited

Directors' report for the year ended 31 March 2016

The directors present their report and the audited financial statements for the year ended 31st March 2016.

Future developments

Future developments for the company are set out in the Strategic report.

Results and dividends

The company's profit for the financial year is £29.7 m (2015: £65.4m). The company's distributable profit, excluding fair value adjustments on investment properties, is £8.9m (2015: £12.7m)The members at a General Meeting held on 31st March 2016 approved a dividend for the financial year of 13.39 pence per ordinary share (amounting to £6m), this being the total dividend payable for the year (2015: 2.79p, £1.25m).

Directors

The directors who held office during the year and up to the date of signing the financial statements were:

M Ashraf	(resigned 17th May 2016)
I Chowdhury	
D Franks	
F Green	(appointed 17th May 2016)
T Khan	
A Malcolm	Chairman
J Rowlands	
A Skepelhorn	
J Taylor	
J Young	

Lord McKenzie of Luton and Dr Romano Pagliari of Cranfield University attend Board meetings in an advisory capacity. They are not Directors of the company and have no voting rights.

Employees

The company has no employees (2015: nil). Services to London Luton Airport Limited are carried out by employees of Luton Borough Council and the company is charged for these as set out in note 7.

Corporate Social Responsibility

The year ended 31st March 2016 saw the continuation of the company's Community Funding Policy, which sets out the ways in which the company will contribute to the social, environmental and economic wellbeing of the communities surrounding London Luton Airport. Details of the Community Funding Policy are available on the company's website at llal.org.uk.

Financial Risk Management

This has been documented within the Strategic Report at page 1.

Directors' report for the year ended 31 March 2016(continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 Company's websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

The directors confirm that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report for the year ended 31 March 2016 (continued)

Charitable donations

The company has, through its Community Funding Programme, made donations during the financial year amounting to £14.823m (2015: £13.029m) to local charitable organisations based or operating in Luton and the surrounding area. Payments are analysed across the seven Funding Themes of the Programme as follows:

	2016 £000	2015 £000
Children, Families & Young People	4,087	2,895
Citizen Enablement	945	659
Community Involvement	940	340
Community Safety	626	706
Environment & Economy	236	186
Health &Wellbeing	1,304	1,367
Leisure & Culture	6,685	6,876
	14,823	13,029

Independent Auditors

PricewaterhouseCoopers LLP have acted as auditors to the company in the financial year and will be reappointed automatically as the company passed an elective resolution to that effect at its Annual General Meeting on 10 June 2006.

By order of the Board

[redacted]

M Turner
For the Company Secretary, Luton Borough Council

1st August 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON LUTON AIRPORT LIMITED

Report on the financial statements

Our opinion

In our opinion, London Luton Airport Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 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.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 31 March 2016;
- the profit and loss account and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, 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) ("ISAs (UK & 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 parent 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

[redacted]

Deshan Karunaratne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

2 August 2016

London Luton Airport Limited

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London Luton Airport Limited

Profit and loss account
for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover	6	**34,878**	29,902
Administrative expenses		**(20,201)**	(16,861)
Change in fair value of investment properties		**19,438**	65,000
Operating profit	7	**34,115**	78,041
Interest receivable and similar income	9	**92**	87
Interest payable and similar charges	10	**(3,266)**	(2,033)
Profit on ordinary activities before taxation		**30,941**	76,095
Tax on profit on ordinary activities	11	**(1,202)**	(10,652)
Profit for the financial year		**29,739**	65,443

London Luton Airport Limited

Statement of comprehensive income
for the year ended 31 March 2016

	Note	2016 **£'000**	2015 £'000
Profit for the financial year		**29,739**	65,443
Re-measurements of net defined benefit obligation	22	**174**	(9)
Current tax deductions relating to net defined benefit obligation		**(34)**	2
Impact of change in tax rates		**6**	-
Total comprehensive income for the financial year		**29,885**	65,436

London Luton Airport Limited

Balance sheet
as at 31 March 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Investment properties	13	**519,525**	482,014
Current assets			
Debtors	14	**5,580**	5,487
Cash and cash equivalents		**12,404**	11,959
Total current assets		**17,984**	17,446
Creditors: amounts falling due within one year	15	**(9,150)**	(8,235)
Net current assets/(liabilities)		**8,834**	9,211
Total assets less current liabilities		**528,359**	491,225
Creditors: amounts falling due after more than one year	16	**(42,921)**	(27,921)
Provisions – deferred tax liability	18	**(52,806)**	(54,298)
Net assets excluding pension deficit		**432,632**	409,006
Pension deficit	22	**(2,087)**	(2,346)
Net assets including pension deficit		**430,545**	406,660
Capital and reserves			
Called up share capital	19	**44,837**	44,837
Retained earnings	20	**385,708**	361,823
Total shareholders' funds		**430,545**	406,660

The financial statements on pages 9 to 27 were approved by the Board of Directors on 1st August 2016 and were signed on its behalf by:

[redacted]

A Malcolm, Director

1st August 2016

Registered Number 2020381

London Luton Airport Limited

Statement of changes in equity for the year ended 31 March 2016

	Called-up Share Capital £'000	Retained Earnings £'000	Total £'000
Balance at 1 April 2014	44,837	297,637	342,474
Profit for the financial year		65,443	65,443
Other comprehensive income for the financial year		(7)	(7)
Total comprehensive income for the financial year		**65,436**	**65,436**
Total transactions with owners - dividends		(1,250)	(1,250)
Balance at 31 March 2015	44,837	361,823	406,660
Balance at 1 April 2015	44,837	361,823	406,660
Profit for the financial year		29,739	29,739
Other comprehensive income		146	146
Total comprehensive income for the financial year		**29,885**	**29,885**
Total transactions with owners - dividends		(6,000)	(6,000)
Closing shareholders' funds at 31 March 2016	**44,837**	**385,708**	**430,545**

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2016

1. General Information

London Luton Airport Limited ("the company") is the owner of London Luton Airport, together with a number of other investment properties and parcels of land. The company operates entirely in the UK. The airport is leased to London Luton Airport Operation Limited ("LLAOL") as set out in note 5.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Hart House Business Centre, Kimpton Road, Luton, LU2 0LA.

2. Statement of Compliance

The individual financial statements of London Luton Airport Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

Basis of Accounting Policy

The accounting policies have been applied consistently other than where new policies have been adopted.

Accounting convention

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of investment properties and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the exemptions, under FRS 102 paragraph 1.12, from preparing a statement of cash flows, from disclosing the compensation of key management personnel, and the disclosure of related party transactions, on the basis that it is a qualifying entity and its ultimate parent company, Luton Borough Council, includes these statements in its own consolidated financial statements.

Turnover

Turnover relating to concession income is recognised in line the the concession contract, see note 5 for further details. Other property income represents amounts falling due under rental agreements.

Leased assets

As a lessee rental costs under operating leases are charged to the profit and loss account on a straight line basis over the periods of the leases.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Financial Instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, and loans from banks and other third parties.

(i) Financial assets

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest, and thereafter measured at amortised cost.

These are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

Notes to the financial statements for the year ended 31 March 2016 (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Accounting policies (continued)

Pension costs

Certain employees of the airport business prior to the granting of the Concession Contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the financial year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire Local Government Pension Scheme in respect of former employees' entitlement to pension augmentations arising on redundancy.

This provision has been assessed in accordance with the advice of an independent actuary using the following principal assumptions.

	% pa
Pensions increase rate	2.1
Discount rate	3.4

A formal actuarial valuation is carried out by the administering authority, Bedford Borough Council, and is due every 3 years. The most recent formal actuarial valuation was at 31 March 2010. The results of this valuation have been projected forward by the authority's advisers to 31 March 2016 and reflected in these financial statements. The scheme is a defined benefits scheme.

Investment properties

The company includes investment properties at their fair value at the balance sheet date on the basis of the external valuer's valuation. Any gains or losses through the change in fair value are recorded through the income statement.

Given the rapid growth in passenger numbers at the airport over the past two years, and the acquisition by the company of a number of strategic property assets adjacent to or connected with the airport, the Board has commissioned a full valuation as at 31st March 2016.

4. Critical accounting judgements and estimation uncertainty

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain former employees now employed by LLAOL. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 22 for the disclosures relating to the defined benefit pension scheme.

Investments

The valuation, undertaken by Deloitte LLP, took into account forecast future cash flows based primarily on passenger growth and was discounted using a discount rate of 10.75% being an estimate of the company's long term weighted average cost of capital. The DCF analysis assumes a reversionary value of the airport at the expiry of the concession on 31st March 2031. The valuation was made in accordance with the RICS Appraisal and Valuation Manual.

5. Concession contract

On 20 August 1998 ('the concession date') the company entered into a concession contract with an unrelated entity, London Luton Airport Operations Limited ("LLAOL").

Under the terms of this contract LLAOL was granted a concession to operate the airport for a period of 30 years ('the concession period') and a lease over the company's land and buildings. In return LLAOL undertook to pay an annual concession fee to the company comprising of £3 million as a minimum fixed payment or a greater amount based on workload units (being each departing and arriving passenger and each 100 tonnes of freight) as prescribed in the concession agreement and, subject to the continuing growth of passenger numbers, fund an extensive capital investment programme. At the end of the concession period the assets, liabilities and operations of the airport revert to the ownership and use of the company.

In August 2012 a supplemental agreement to the concession contract was reached between LLAL and LLAOL. This agreement commits the operators to undertake a significant programme of development works to increase the Airport's capacity to handle throughput of up to 18 million passengers per year, in return for an extension of the Concession Period to March 31st 2031. The concession agreement was further amended in January 2014 to provide for a scheme to rebate the Concession Fee Rate payable by the airport operator in certain circumstances, in order to encourage passenger growth.

At the concession date the trading assets and liabilities of the company were transferred to LLAOL at book value. No profit or loss arose on the transfer of these assets and liabilities. The employees of the company were also transferred to LLAOL.

As the company no longer operates the airport itself, the land and buildings have become investment properties. At the instruction of London Luton Airport Limited, Deloitte LLP have valued the freehold interest in London Luton

Notes to the financial statements for the year ended 31 March 2016 (continued)

Airport as at 31 March 2016. The next valuation is due to be undertaken as at 31 March 2020; it has, however, been agreed that, given the rate at which passenger numbers are currently growing, and the other developments currently being carried out by the company, the valuation will be reviewed annually in the intervening periods to ensure the investment properties are reflected at fair value.

6. Turnover

	2016	2015
	£'000	£'000
Concession Income	34,355	29,574
Other Property Income	523	328
Total Investment income	34,878	29,902

All turnover is generated and originates in the United Kingdom. The future minimum rental amounts are £3,000,000 per annum.

7. Operating profit

	2016	2015
	£'000	£'000
Operating profit is stated after the following amounts have been charged:		
Operating leases - land and buildings	1,950	1,950
Charge for enhanced pension payments	167	172
Charitable donations	14,823	13,029
Auditors' remuneration:		
Audit services	33	30
Non-audit services – tax	24	80

The shareholder, Luton Borough Council, provides professional services to the company. Charges to the company for these services amounted to £634,860 (2015: £617,740) and are on commercial terms. £1,924,547 (2015: £1,924,547) of the operating lease charge for a car park on the airport premises is with Luton Borough Council on commercial terms. Luton Borough Council is the company's controlling party by virtue of its majority shareholding.

8. Directors' emoluments

Directors' emoluments for the financial year amounted to £nil (2015: £nil). All of the directors are council members and therefore do not qualify for remuneration.

9. Interest receivable and similar income

	2016	2015
	£'000	£'000
Interest receivable	92	87

10. Interest payable and similar charges

	2016	2015
	£'000	£'000
Interest on debenture loans - repayable after more than 5 years (note 16)	(3,266)	(2,033)

11. Tax on profit on ordinary activities

	2016	2015
	£'000	£'000
Current tax		
United Kingdom corporation tax on profits of the financial year	2,617	2,427
Adjustments in respect of prior years	5	(4,446)
	2,622	(2,019)
Deferred tax :		
Origination and reversing of timing differences	4,395	13,278
Adjustments in respect of prior years	2	24
Change in tax rates	(5,817)	(632)
	(1,420)	12,671
Total tax charge on profit on ordinary activities	1,202	10,652

Notes to the financial statements for the year ended 31 March 2016 (continued)

11. Tax on profit on ordinary activities (continued)

The tax assessed for the financial year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	2016	2015
	£'000	£'000
Profit on ordinary activities before tax	**30,941**	76,095
Profit on ordinary activities multiplied by standard rate in the UK of 20% (2014: 21%)	**6,158**	15,980
Effects of:		
Expenses non-deductible for tax purposes	**401**	134
Income not taxable	-	(22)
Deferred tax not recognised	**1,128**	-
Indexation on revalued properties	**(625)**	(385)
Adjustments in respect of prior years	**7**	(4,423)
Tax rate changes	**(5,867)**	(632)
Total tax charge	**1,202**	10,652

Factors that may affect future tax rate

Changes to the UK Corporation tax rates were substantially enacted as part of the Finance Bill 2013 on 2nd July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. It has been announced that the rate of corporation tax will reduce to 19% from 1 April 2017 and reduce again to 18% from 1 April 2020.These changes in rates were substantively enacted on 18 November 2015 when they received royal assent and so 18% has been applied to the company's timing differences in calculating the deferred tax balances at the end of the year.

12. Dividends

	2016	2015
	£'000	£'000
On ordinary equity shares		
Approved 31 March 2016: 13.39p (2015: 2.79p) per share	**6,000**	1,250

Notes to the financial statements for the year ended 31 March 2016 (continued)

13. Investment properties

Fixed asset investments	Airport £'000	Other Properties £'000	Total £'000
Balance at 1 April 2015	475,000	7,014	482,014
Acquisitions in the year		18,073	18,073
Fair value adjustments	25,000	(5,562)	19,438
Balance at 31st March	**500,000**	**19,525**	**519,525**

The interest in investment property has been valued in accordance with the circumstances and principles set out in note 3.

The "Other Properties" category includes an addition of £17,904,000 representing the acquisition of land at Century Park, Stirling Place and Vauxhall Road during the year. The fair value adjustment charge recognised relates primarily to Stirling Place, a brownfield site adjacent to Luton Airport Parkway. The motivation for the purchase of the site was its suitability as the hub of the proposed mass passenger transport system for which the planning application is due to be submitted shortly. However, given the inherent planning risk, Stirling Place has been valued at its current open market value, which has resulted in a significant impairment charge being recognised.

14. Debtors

	2016	2015
	£'000	£'000
Deferred tax (note 17)	**392**	493
Prepayments and accrued income	**5,188**	4,994
	5,580	5,487

15. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Corporation tax	**1,532**	2,819
Other taxation and social security payable	**955**	682
Dividends	**6,000**	4,250
Other creditors	**663**	484
	9,150	8,235

Notes to the financial statements for the year ended 31 March 2016 (continued)

16. Creditors: amounts falling due after more than one year

	2016	2015
Debenture loans. Maturity loans non-instalment	£'000	£'000
Debenture loan 1 – interest fixed at 12%	3,153	3,153
Debenture loans 2,3, and 6 – interest at 4% over three months LIBOR	8,878	8,878
Debenture loan 4 – interest 4% over six months LIBOR	1,788	1,788
Debenture loan 5 – interest fixed at 12.125%	3,102	3,102
Debenture loan 7 – interest at 7.58% over three months LIBOR	11,000	11,000
Debenture loan 8 – interest fixed at 11.5%	12,000	-
Debenture loan 9 – interest fixed at 11.5%	3,000	-
	42,921	27,921

The debenture loans are from Luton Borough Council, the shareholder. The repayment in full in a single payment of the principal in respect of debenture loans 1 to 6 is scheduled for 28th March 2028 and of debenture loans 7 to 9 for 1st April 2031. The debentures are secured on the total assets of the company.

17. Deferred tax asset

The deferred tax asset represents the following:

	2016	2015
	£'000	£'000
Owned fixed assets realised through use	2	8
Short term timing differences	14	16
Deferred tax in relation to pensions liability	376	469
Deferred tax asset at 31 March	392	493

Deferred tax at 1 April	493	26
Deferred tax charge in the profit and loss account	(101)	(2)
Deferred tax asset at 31 March	392	24

18. Provisions - deferred tax liability

The deferred tax liability arises wholly in relation to investment properties.

	2016	2015
	£'000	£'000
Balance at 1 April	**54,298**	41,665
Deferred tax in respect of fair value adjustments in year	**4,375**	13,265
Change in tax rate	**(5,867)**	(632)
Balance at 31 March	**52,806**	54,298

19. Called up share capital

	2016	2015
	£'000	£'000
60,000,000 (2015: 60,000,000)Authorised ordinary shares £1 each	**60,000**	60,000
44,837,002 (2015: 44,837,002) Allotted and fully paid	**44,837**	44,837

20. Retained earnings

	Distributable	Non-distributable	Total
	£'000	£'000	£'000
Balance at 1 April 2015	14,125	347,698	361,823
Total comprehensive income	9,027	20,858	29,885
Dividends payable	(6,000)		(6,000)
Balance at 31 March 2016	**17,006**	**368,556**	**385,708**

Included within the non-distributable total comprehensive income for the year are £19,438,000 of fair value adjustments, and £1,420,000 of deferred tax liability adjustments.

Notes to the financial statements for the year ended 31 March 2016 (continued)

21. Operating lease commitments and contingencies

At 31 March 2016 the company was committed to making the following total payments in respect of operating leases relating to land and buildings.

	2016	2015
	£'000	£'000
Leases which expire after five years	1,950	1,950

22. Pension commitments

Certain employees of the airport business prior to the granting of the concession contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the financial year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire Local Government Pension Scheme (LGPS) in respect of former employees' entitlement to pension augmentations arising on redundancy. The LGPS is a defined benefit statutory scheme. The cost charged to the company is based on the actual cost attributable to the former employees.

a) Defined benefit scheme

An actuarial valuation of the Bedfordshire Pension Fund for the purposes of settling London Luton Airport Limited's actual contributions was carried out at 31 March 2010 using the projected unit basis, by Hymans Robertson LLP, independent consulting actuaries. The results of this valuation have been projected forward to 31 March 2016 by Hymans Robertson LLP. The major assumptions used by the actuary were:

	2016	2015
	%	%
Pension increase rate	2.1	2.1
Discount rate	3.4	3.1

The mortality assumptions used were as follows:

	2016	2015
	years	years
Longevity at age 65 for current pensioners:		
– Men	22.4	22.4
– Women	24.3	24.3

22. Pension commitments (continued)

a) Defined benefit scheme (continued)

	2016 £'000	2015 £'000
Present value of scheme liabilities	(2,087)	(2,346)

b) Reconciliation of present value of scheme liabilities

	2016 £'000	2015 £'000
At 1 April	2,346	2,406
Interest cost	70	95
Unfunded benefits paid	(155)	(164)
Re-measurements of net defined benefit obligation	(174)	9
At 31 March	2,087	2,346

23. Parent entity and ultimate controlling party

The immediate and ultimate parent undertaking and controlling party is Luton Borough Council. Luton Borough Council is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2016. The consolidated financial statements of Luton Borough Council are available from Town Hall, George Street, Luton, LU1 2BQ.

24. Transition to FRS 102

This is the first year that the company has presented its results under FRS102. The last financial statements under the UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2015 and the total equity as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

Profit for the financial year	Note		2015 £'000
UK GAAP – as previously reported			13,076
Fair value adjustments to investment property	A	65,000	
Total adjustment to profit before tax for the financial year			65,000
Deferred tax impact of fair value adjustments	B	(13,265)	
Change in tax rates	B	632	
Total adjustment to tax expense			(12,633)
Total adjustment to profit for the year			52,637
FRS 102			65,443

Other comprehensive income	Note	2015 £'000
UK GAAP – as previously reported		64,993
Revaluation of investment property	A	(65,000)
FRS102		(7)

Total equity	Note	01-Apr-14 £'000	31-Mar-15 £'000
UK GAAP – as previously reported		384,139	460,958
Deferred tax impact of fair value adjustments	B	(41,665)	(54,298)
FRS102		342,474	406,660

There have also been changes in the presentation of balance sheet items as follows:

Balance sheet as at 31 March 2015	Note	As previously reported £'000	Effect of transition £'000	FRS 102 (restated) £'000
Cash at bank and in hand	C	9,889	2,070	11,959
Investments	C	2,070	(2,070)	0
Deferred tax	D	24	469	493
Pension deficit	D	(1,877)	(469)	(2,346)

Notes to the financial statements for the year ended 31 March 2016 (continued)

A. The treatment of revaluation gains on freehold investment property has changed in the transition between UK GAAP and FRS 102, this has had the effect of increasing the profit for the financial year by £65,000,000 for the year to 31 March 2015.

B. The treatment of deferred tax has changed in the transition between UK GAAP and FRS 102. The net assets of the company were reduced by £41,665,000 at 1 April 2014 as a result of this change in treatment and this has also had the effect of decreasing the profit for the financial year by £12,633,000 for the year to 31 March 2015, offsetting the increase described in note A above.

C. Items previously classified as 'Current investments' have been included as 'Cash and cash equivalents' at 31 March 2015 in the transition between UK GAAP and FRS 102. The total value of these items is £2,070,000

D. Due to the change in the treatment of deferred tax in the transition between UK GAAP and FRS 102, the deferred tax asset associated with the pension deficit has been included as part of a separate deferred tax asset, whereas it was previously disclosed within the pension deficit. The total value of this item is £469,000

25. Post balance sheet event – EU Referendum

On 23 June 2016 the UK electorate voted to leave the European Union. This decision commences a process that is likely to take a minimum of two years to complete, and during this time the UK remains a member of the European Union. There will be a resulting period of uncertainty for the UK economy and real estate markets, with increased volatility expected in financial markets. This does not impact the fair value of assets and liabilities, including investment property, reported at the balance sheet date of 31 March 2016.

Prior to the balance sheet date the company has appointed Arup to carry out the detailed design, leading into a planning application and a procurement process for the build contract. The cost of the contract is estimated at £2,000,000.

Additionally the company has also appointed Capita to advise on the development of Stirling Place at an estimated cost of £1,000,000.

Appendix C2 – Luton Rising Accounts 2016-17

London Luton Airport Limited

Annual report and financial statements

for the year ended 31 March 2017

Registered in England & Wales No.: 2020381

London Luton Airport Limited

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London Luton Airport Limited

Strategic Report for the year ended 31 March 2017

The directors present their strategic report on the company for the year ended 31 March 2017.

Principal activities

The company's principal activities until August 1998 were the ownership, operation and management of London Luton Airport. In August 1998 the company granted a concession contract to an unrelated company, London Luton Airport Operations Limited ("LLAOL") to operate the airport on its behalf in return for a concession fee. The company continues to own the land, buildings and infrastructure at the airport.

Review of the business

LLAL's principal source of income continued to be the Concession Fee, The Concession Fee which is based on work-load units, each unit being one passenger or 100kg of freight. Growth in passenger numbers was particularly strong, reaching a number in excess of 15 million in the year to March 2017, an increase of some 17.2% over the previous year.

During the year LLAOL commenced the development works to increase the passenger capacity up to 18 million passengers per annum, and accelerated the pace of construction to meet demand.

Principal risks and uncertainties

The key business risks and uncertainties for the company are considered to relate to fluctuations in passenger throughput, the key determinant of the concession income. Passenger numbers are subject to competition between airlines, airport operators, the selection of routes and destinations, and underlying passenger demand for air travel which can be influenced by the general economic environment and consumer confidence. There is a risk that the decision to leave the European Union may diminish passenger demand for leisure related air travel. The concessionaire is deemed to be in the best position to manage this risk by its contractual relationships with Airline operators.

Plans are currently being developed in the light of the UK's decision to leave the European Union; early indications are that the company's business plans remain deliverable, and no material change is expected in the company's prospects.

Review of business and future developments

At the financial year end the company's financial position was strong and its future prospects are good.

The company continues to operate profitably and will share in the future success of the airport via the concession fee receivable from LLAOL.

The company is likely to continue to diversify its property portfolio by acquiring suitable properties adjacent to or nearby the airport, where it can be shown that these not only have a long-term strategic value to the company but are also capable of making a reasonable return on investment in the short to medium-term.

Much of the company's landholdings now form part of the London Luton Airport Enterprise Zone, announced by the former Chancellor of the Exchequer, the Rt. Hon. George Osborne MP, in November 2015.

In February 2017, LLAL submitted an application for planning consent for a mass passenger transit system to provide a fast, frequent and efficient transfer from London Luton Airport Parkway station to the central terminal area. The £225m construction is expected to begin late 2017, and the system to be fully operational by the first quarter of 2021.

Key performance indicators (KPI's)

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not currently necessary for an understanding of the development, performance or position of the business.

Strategic report for the year ended 31 March 2017 (continued)

Financial risk management

The company does not have any external financial relationships with banks or finance houses. The debenture loans to the company are from Luton Borough Council, the shareholder, and are held at fair value at inception. No repayments are scheduled until the end of the concession period. It is not, therefore, exposed to any financial risks resulting from changes in debt market prices, credit risk, and liquidity risk. The company does not use finance derivatives and as such no hedge accounting is required.

Price risk

The company is not currently exposed to commodity price risk as a result of its operations.

Credit risk

The company is only exposed to credit risk in respect of London Luton Airport Operations Limited who pays a concession fee to the company on a quarterly basis in arrears. LLAOL is bound by an open book policy with the company and therefore its internal auditors have access to monitor performance and viability. An annual internal audit is undertaken to ensure that the liquidity and financial position of LLAOL is sufficient to meet its obligations under the concession agreement. The company utilises the facilities of its parent, Luton Borough Council, in ensuring minimal risk with its cash and investments.

Liquidity risk

The company receives its concession income at four agreed dates on a quarterly basis. It actively manages its short term investments and cash holdings to ensure sufficient funds are available for its activities.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a fixed rate. The company maintains it debt at a mixture of fixed and variable rates reducing exposure to fluctuating interest rates. The directors will revisit the appropriateness of this and determine a policy should the company's operations change in size or nature.

By order of the Board

[redacted]

M Turner
For the Company Secretary, Luton Borough Council

31st July 2017

London Luton Airport Limited

Directors' report for the year ended 31 March 2017

The directors present their report and the audited financial statements for the year ended 31st March 2017.

Future developments

Future developments for the company are set out in the Strategic report.

Results and dividends

The company's profit for the financial year is £46.9m (2016: £29.7m). The company's distributable profit for the year, excluding fair value adjustments on investment properties, is £16.2m (2016: £8.9m). The members at a General Meeting held on 30th March 2017 approved a dividend for the financial year of 39.72 pence per ordinary share (amounting to £17.8m), this being the total dividend payable for the year (2016: 13.39p, £6m).

Directors

The directors who held office during the year and up to the date of signing the financial statements were:

W Akbar	(Appointed 16 May 2017)
M Ashraf	(Resigned 17 May 2016)
I Chowdhury	(Resigned 16 May 2017)
D Franks	
F Green	(Appointed 17 May 2016; resigned 18 April 2017)
T Khan	
A Malcolm	Chairman
A O'Callaghan	(Appointed 16 May 2017)
J Rowlands	
A Skepelhorn	
J Taylor	
J Young	

Lord McKenzie of Luton and Dr Romano Pagliari of Cranfield University attend Board meetings in an advisory capacity. They are not Directors of the company and have no voting rights.

Employees

The company has no employees (2016: nil). Services to London Luton Airport Limited are carried out by employees of Luton Borough Council and the company is charged for these as set out in note 7.

Corporate Social Responsibility

The year ended 31st March 2017 saw the continuation of the company's Community Funding Policy, which sets out the ways in which the company will contribute to the social, environmental and economic wellbeing of the communities surrounding London Luton Airport. Details of the Community Funding Policy are available on the company's website at llal.org.uk.

Financial Risk Management

This has been documented within the Strategic Report at page 2.

Directors' report for the year ended 31 March 2017 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Disclosure of information to auditors

The directors confirm that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

London Luton Airport Limited

Directors' report for the year ended 31 March 2017 (continued)

Charitable donations

The company has, through its Community Funding Programme, made donations during the financial year amounting to £10.326m (2016: £14.823m) to local charitable organisations based or operating in Luton and the surrounding area. Payments are analysed across the seven Funding Themes of the Programme as follows:

	2017 £000	2016 £000
Children, Families & Young People	**2,219**	4,087
Citizen Enablement	**783**	945
Community Involvement	**829**	940
Community Safety	**578**	626
Environment & Economy	**217**	236
Health &Wellbeing	**929**	1,304
Leisure & Culture	**4,771**	6,685
	10,326	14,823

Independent Auditors

PricewaterhouseCoopers LLP have acted as auditors to the company in the financial year and will be reappointed automatically as the company passed an elective resolution to that effect at its Annual General Meeting on 10 June 2006.

By order of the Board

[redacted]

M Turner
For the Company Secretary, Luton Borough Council

31st July 2017

Independent auditors' report to the members of London Luton Airport Limited

Report on the financial statements

Our opinion

In our opinion, London Luton Airport Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 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.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 31 March 2017;
- the profit and loss account and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

[redacted]

Deshan Karunaratne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

1 August 2017

London Luton Airport Limited

Profit and loss account
for the year ended 31 March 2017

	Note	**2017**	2016
		£'000	£'000
Turnover	6	**41,467**	34,878
Administrative expenses		**(17,253)**	(20,201)
Change in fair value of investment properties		**32,176**	19,438
Operating profit	7	**56,390**	34,115
Interest receivable and similar income	9	**96**	92
Interest payable and similar expense	10	**(3,883)**	(3,266)
Profit before taxation		**52,603**	30,941
Tax on profit	11	**(5,676)**	(1,202)
Profit for the financial year		**46,927**	29,739

London Luton Airport Limited

Statement of comprehensive income for the year ended 31 March 2017

	Note	**2017**	2016
		£'000	£'000
Profit for the financial year		**46,927**	29,739
Re-measurements of net defined benefit obligation	22	**(152)**	174
Current tax deductions relating to net defined benefit obligation		**29**	(34)
Impact of change in tax rates		**-**	6
Total comprehensive income for the financial year		**46,804**	29,885

London Luton Airport Limited

Balance sheet
as at 31 March 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investment properties	13	**559,187**	519,525
Current assets			
Debtors	14	**7,064**	5,580
Cash and cash equivalents		**20,146**	12,404
Total current assets		**27,210**	17,984
Creditors: amounts falling due within one year	15	**(22,522)**	(9,150)
Net current assets		**4,688**	8,834
Total assets less current liabilities		**563,875**	528,359
Creditors: amounts falling due after more than one year	16	**(47,921)**	(42,921)
Provisions for liabilities	18	**(54,252)**	(52,806)
Net assets excluding pension deficit		**461,702**	432,632
Pension deficit	22	**(2,153)**	(2,087)
Net assets including pension deficit		**459,549**	430,545
Capital and reserves			
Called up share capital	19	**44,837**	44,837
Retained earnings	20	**414,712**	385,708
Total shareholders' funds		**459,549**	430,545

The financial statements on pages 9 to 26 were approved by the Board of Directors on 31st July 2017 and were signed on its behalf by:

[redacted]

A Malcolm, Director

31st July 2017

Registered Number 2020381

London Luton Airport Limited

Statement of changes in equity
for the year ended 31 March 2017

	Called-up Share Capital	Retained Earnings	Total Shareholders' Funds
	£'000	£'000	£'000
Balance at 1 April 2015	44,837	361,823	406,660
Profit for the financial year		29,739	29,739
Other comprehensive income for the financial year		146	146
Total comprehensive income for the financial year		**29,885**	**29,885**
Total transactions with owners - dividends		(6,000)	(6,000)
Balance at 31 March 2016	44,837	385,708	430,545
Balance at 1 April 2016	44,837	385,708	430,545
Profit for the financial year		46,927	46,927
Other comprehensive income		(123)	(123)
Total comprehensive income for the financial year		**46,804**	**46,804**
Total transactions with owners - dividends		(17,800)	(17,800)
Closing shareholders' funds at 31 March 2017	**44,837**	**414,712**	**459,549**

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2017

1. General Information

London Luton Airport Limited ("the company") is the owner of London Luton Airport, together with a number of other investment properties and parcels of land. The company operates entirely in the UK. The airport is leased to London Luton Airport Operation Limited ("LLAOL") as set out in note 5.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Hart House Business Centre, Kimpton Road, Luton, LU2 0LA.

2. Statement of Compliance

The individual financial statements of London Luton Airport Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

Basis of Accounting Policy

The accounting policies have been applied consistently other than where new policies have been adopted.

Accounting convention

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of investment properties and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the exemptions, under FRS 102 paragraph 1.12, from preparing a statement of cash flows, from disclosing the compensation of key management personnel, and the disclosure of related party transactions, on the basis that it is a qualifying entity and its ultimate parent company, Luton Borough Council, includes these statements in its own consolidated financial statements.

Turnover

Turnover relating to concession income is recognised in line with the concession contract, see note 5 for further details. Other property income represents amounts falling due under rental agreements.

Leased assets

As a lessee rental costs under operating leases are charged to the profit and loss account on a straight line basis over the periods of the leases.

Notes to the financial statements
for the year ended 31 March 2017 (continued)

Accounting Policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Financial Instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, and loans from banks and other third parties.

(i) Financial assets

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest, and thereafter measured at amortised cost.

These are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

Notes to the financial statements for the year ended 31 March 2017 (continued)

Accounting policies (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Pension costs

Certain employees of the airport business prior to the granting of the Concession Contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the financial year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire Local Government Pension Scheme in respect of former employees' entitlement to pension augmentations arising on redundancy.

This provision has been assessed in accordance with the advice of an independent actuary using the following principal assumptions.

	% pa
Pensions increase rate	2.4
Discount rate	2.5

An actuarial valuation for the purposes of settling London Luton Airport Limited's actual contributions was carried out at 31 March 2010 by Hymans Robertson LLP on the instructions of the then administering authority, Bedfordshire County Council. The results of this valuation have been projected forward to 31 March 2017 by Hymans Robertson LLP on the instruction of the current administering authority, Bedford Borough Council, and reflected in these financial statements. The scheme is a defined benefits scheme.

Investment properties

The company includes investment properties at their fair value at the balance sheet date on the basis of the external valuer's valuation. Any gains or losses through the change in fair value are recorded through the income statement.

Given the rapid growth in passenger numbers at the airport over the past two years, and the acquisition by the company of a number of strategic property assets adjacent to or connected with the airport, the Board commissioned a full valuation as at 31st March 2016, and this has been reviewed and updated at 31st March 2017.

4. Critical accounting judgements and estimation uncertainty

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain former employees now employed by LLAOL. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 22 for the disclosures relating to the defined benefit pension scheme.

Investments

The valuation, undertaken by Deloitte LLP, took into account forecast future cash flows based primarily on passenger growth and was discounted using a discount rate of 11.5% being an estimate of the company's long term weighted average cost of capital. The DCF analysis assumes a reversionary value of the airport at the expiry of the concession on 31st March 2031. The valuation was made in accordance with the RICS Appraisal and Valuation Manual.

5. Concession contract

On 20 August 1998 ('the concession date') the company entered into a concession contract with an unrelated entity, London Luton Airport Operations Limited ("LLAOL").

Under the terms of this contract LLAOL was granted a concession to operate the airport for a period of 30 years ('the concession period') and a lease over the company's land and buildings. In return LLAOL undertook to pay an annual concession fee to the company comprising of £3 million as a minimum fixed payment or a greater amount based on workload units (being each departing and arriving passenger and each 100 tonnes of freight) as prescribed in the concession agreement and, subject to the continuing growth of passenger numbers, fund an extensive capital investment programme. At the end of the concession period the assets, liabilities and operations of the airport revert to the ownership and use of the company.

In August 2012 a supplemental agreement to the concession contract was reached between LLAL and LLAOL. This agreement commits the operators to undertake a significant programme of development works to increase the Airport's capacity to handle throughput of up to 18 million passengers per year, in return for an extension of the Concession Period to March 31st 2031. The concession agreement was further amended in January 2014 to provide for a scheme to rebate the Concession Fee Rate payable by the airport operator in certain circumstances, in order to encourage passenger growth.

At the concession date the trading assets and liabilities of the company were transferred to LLAOL at book value. No profit or loss arose on the transfer of these assets and liabilities. The employees of the company were also transferred to LLAOL.

As the company no longer operates the airport itself, the land and buildings have become investment properties. At the instruction of London Luton Airport Limited, Deloitte LLP have valued the freehold interest in London Luton

Notes to the financial statements
for the year ended 31 March 2017 (continued)

Airport as at 31 March 2016. The next valuation is due to be undertaken as at 31 March 2020; it has, however, been agreed that, given the rate at which passenger numbers are currently growing, and the other developments currently being carried out by the company, the valuation will be reviewed annually in the intervening periods to ensure the investment properties are reflected at fair value.

6. Turnover

	2017	2016
	£'000	£'000
Concession Income	**40,774**	34,355
Other Property Income	**693**	523
Total Investment income	**41,467**	34,878

All turnover is generated and originates in the United Kingdom. The future minimum rental amounts are £3,000,000 per annum.

7. Operating profit

	2017	2016
	£'000	£'000
Operating profit is stated after the following amounts have been charged:		
Operating leases - land and buildings	**2,860**	1,950
Charge for enhanced pension payments	**70**	167
Charitable donations	**10,305**	14,823
Auditors' remuneration:		
Audit services	**48**	33
Non-audit services – tax and advisory	**281**	24

The shareholder, Luton Borough Council, provides professional services to the company. Charges to the company for these services amounted to £1,008,705 (2016: £634,860) and are on commercial terms. £2,834,547 (2016: £1,924,547) of the operating lease charge for a car park on the airport premises and for the adjacent area of Wigmore Valley Park is with Luton Borough Council on commercial terms. Luton Borough Council is the company's controlling party by virtue of its majority shareholding.

Notes to the financial statements for the year ended 31 March 2017 (continued)

8. Directors' emoluments

Directors' emoluments for the financial year amounted to £nil (2016: £nil). All of the directors are council members and therefore do not qualify for remuneration.

9. Interest receivable and similar income

	2017	2016
	£'000	£'000
Interest receivable	**96**	92

10. Interest payable and similar charges

	2017	2016
	£'000	£'000
Interest on debenture loans - repayable after more than 5 years (note 16)	**(3,883)**	(3,266)

11. Tax on profit

	2017	2016
	£'000	£'000
Current tax		
United Kingdom corporation tax on profits of the financial year	**4,171**	2,617
Adjustments in respect of prior years	**17**	5
	4,188	2,622
Deferred tax :		
Origination and reversing of timing differences	**5,172**	4,395
Adjustments in respect of prior years		2
Change in tax rates	**(3,684)**	(5,817)
	1,488	(1,420)
Total tax charge on profit	**5,676**	1,202

Notes to the financial statements for the year ended 31 March 2017 (continued)

11. Tax on profit (continued)

The tax assessed for the financial year is higher (2016: lower) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017	2016
	£'000	£'000
Profit on ordinary activities before tax	52,603	30,941
Profit on ordinary activities multiplied by standard rate in the UK of 20% (2016: 20%)	10,520	6,158
Effects of:		
Expenses non-deductible for tax purposes	118	401
Short-term timing differences	40	-
Deferred tax not recognised	-	1,128
Indexation on revalued properties	(1,295)	(625)
Adjustments in respect of prior years	17	7
Tax rate changes	(3,684)	(5,867)
Rounding	1	-
Total tax charge	5,676	1,202

Factors that may affect future tax rate

Changes to the UK Corporation tax rates were substantially enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016) . These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

12. Dividends

	2017	2016
	£'000	£'000
On ordinary equity shares		
Approved 31 March 2017: 39.72p (2016: 13.39p) per share	17,800	6,000

Notes to the financial statements for the year ended 31 March 2017 (continued)

13. Investment properties

	Airport £'000	Other Properties £'000	Assets in the course of construction £'000	Total £'000
Balance at 1 April 2016	500,000	19,525		519,525
Additions in the year		974	6,512	7,486
Fair value adjustments	32,000	176		32,176
Balance at 31st March	**532,000**	**20,675**	**6,512**	**559,187**

The interest in investment property has been valued in accordance with the circumstances and principles set out in note 3.
The "Other Properties" category includes an addition of £974,000 representing the acquisition of land at Parkway Road during the year.
The "Assets in the course of construction" includes additions of £3,858,000 in respect of the Luton DART (Direct Air Rail Transit) mass passenger transit system linking Luton Airport Parkway railway station to the central terminal area of London Luton Airport, and of £2,654,000 in respect of the commercial development sites at Bartlett Square and Century Park.

Notes to the financial statements
for the year ended 31 March 2017 (continued)

14. Debtors

	2017	2016
	£'000	£'000
Deferred tax (note 17)	**379**	392
Prepayments and accrued income	**6,685**	5,188
	7,064	5,580

15. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Corporation tax	**2,239**	1,532
Other taxation and social security payable	**578**	955
Dividends	**17,800**	6,000
Other creditors	**1,905**	663
	22,522	9,150

Notes to the financial statements for the year ended 31 March 2017 (continued)

16. Creditors: amounts falling due after more than one year

	2017	2016
Debenture loans. Maturity loans non-instalment	**£'000**	£'000
Debenture loan 1 – interest fixed at 12%	**3,153**	3,153
Debenture loans 2,3, and 6 – interest at 4% over three months LIBOR	**8,878**	8,878
Debenture loan 4 – interest 4% over six months LIBOR	**1,788**	1,788
Debenture loan 5 – interest fixed at 12.125%	**3,102**	3,102
Debenture loan 7 – interest at 7.58% over three months LIBOR	**11,000**	11,000
Debenture loan 8 – interest fixed at 11.5%	**12,000**	12,000
Debenture loan 9 – interest fixed at 11.5%	**3,000**	3,000
Debenture loan 10 – interest fixed at 8%	**5,000**	
	47,921	42,921

The debenture loans are from Luton Borough Council, the shareholder. The repayment in full in a single payment of the principal in respect of debenture loans 1 to 6 is scheduled for 28th March 2028 and of debenture loans 7 to 10 for 1st April 2031. The debentures are secured on the total assets of the company.

17. Deferred tax asset

The deferred tax asset represents the following:

	2017	2016
	£'000	£'000
Owned fixed assets realised through use	-	2
Short term timing differences	-	14
Deferred tax in relation to pensions liability	**379**	376
Deferred tax asset at 31 March	**379**	392
Deferred tax at 1 April	**392**	493
Deferred tax charge in the profit and loss account	**(11)**	(101)
Adjustment in respect of prior year	**(2)**	-
Deferred tax asset at 31 March	**379**	392

Notes to the financial statements for the year ended 31 March 2017 (continued)

18. Provisions for liabilities

The deferred tax liability arises wholly in relation to investment properties.

	2017	2016
	£'000	£'000
Balance at 1 April	**52,806**	54,298
Deferred tax in respect of fair value adjustments in year	**5,155**	4,375
Adjustment in respect of prior year	**(2)**	
Change in tax rate	**(3,707)**	(5,867)
Balance at 31 March	**54,252**	52,806

19. Called up share capital

	2017	2016
	£'000	£'000
60,000,000 (2016: 60,000,000)Authorised ordinary shares £1 each	**60,000**	60,000
44,837,002 (2016: 44,837,002) Allotted and fully paid	**44,837**	44,837

Notes to the financial statements for the year ended 31 March 2017 (continued)

20. Retained earnings

	Distributable	Non-distributable	Total
	£'000	£'000	£'000
Balance at 1 April 2016	17,152	368,556	385,708
Total comprehensive income	16,239	30,565	46,804
Dividends payable	(17,800)		(17,800)
Balance at 31 March 2017	**15,591**	**399,121**	**414,712**

Included within the non-distributable total comprehensive income for the year are £32,176,000 of fair value adjustments, and £1,488,000 of deferred tax liability adjustments.

21. Operating lease commitments and contingencies

At 31 March 2017 the company was committed to making the following total payments in respect of operating leases relating to land and buildings.

	2017	2016
	£'000	£'000
Leases which expire after five years	**2,860**	1,950

22. Pension commitments

Certain employees of the airport business prior to the granting of the concession contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the financial year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire Local Government Pension Scheme (LGPS) in respect of former employees' entitlement to pension augmentations arising on redundancy. The LGPS is a defined benefit statutory scheme. The cost charged to the company is based on the actual cost attributable to the former employees.

Notes to the financial statements for the year ended 31 March 2017 (continued)

a) Defined benefit scheme

An actuarial valuation of the Bedfordshire Pension Fund for the purposes of settling London Luton Airport Limited's actual contributions was carried out at 31 March 2010 using the projected unit basis, by Hymans Robertson LLP, independent consulting actuaries. The results of this valuation have been projected forward to 31 March 2017 by Hymans Robertson LLP. The major assumptions used by the actuary were:

	2017	2016
	%	%
Pension increase rate	**2.4**	2.1
Discount rate	**2.5**	3.4

The mortality assumptions used were as follows:

	2017	2016
	years	years
Longevity at age 65 for current pensioners:		
– Men	**22.4**	22.4
– Women	**24.5**	24.3

	2017	2016
	£'000	£'000
Present value of scheme liabilities	**(2,153)**	(2,087)

b) Reconciliation of present value of scheme liabilities

	2017	2016
	£'000	£'000
At 1 April	**2,087**	2,346
Interest cost	**68**	70
Unfunded benefits paid	**(154)**	(155)
Re-measurements of net defined benefit obligation	**152**	(174)
At 31 March	**2,153**	2,087

Notes to the financial statements for the year ended 31 March 2017 (continued)

23. Parent entity and ultimate controlling party

The immediate and ultimate parent undertaking and controlling party is Luton Borough Council. Luton Borough Council is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2017. The consolidated financial statements of Luton Borough Council are available from Town Hall, George Street, Luton, LU1 2BQ.

Appendix C3 – Luton Rising Accounts 2017-18

London Luton Airport Limited

Annual report and financial statements

for the year ended 31 March 2018

Registered in England & Wales No.: 2020381

London Luton Airport Limited

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London Luton Airport Limited

Strategic Report
for the year ended 31 March 2018

The directors present their strategic report on the company for the year ended 31 March 2018.

Principal activities

The company's principal activities until August 1998 were the ownership, operation and management of London Luton Airport. In August 1998 the company granted a concession contract to an unrelated company, London Luton Airport Operations Limited ("LLAOL") to operate the airport on its behalf in return for a concession fee. The company continues to own the land, buildings and infrastructure at the airport.

Review of the business

LLAL's principal source of income continued to be the Concession Fee, The Concession Fee which is based on work-load units, each unit being one passenger or 100kg of freight. Growth in passenger numbers was particularly strong, reaching a number just short of 16 million in the year to March 2018, an increase of some 5% over the previous year.

During the year LLAOL continued with the development works to increase the passenger capacity up to 18 million passengers per annum, and accelerated the pace of construction to meet demand.

Principal risks and uncertainties

The key business risks and uncertainties for the company are considered to relate to fluctuations in passenger throughput, the key determinant of the concession income. Passenger numbers are subject to competition between airlines, airport operators, the selection of routes and destinations, and underlying passenger demand for air travel which can be influenced by the general economic environment and consumer confidence. There is a risk that the decision to leave the European Union may diminish passenger demand for leisure related air travel. The concessionaire is deemed to be in the best position to manage this risk by its contractual relationships with Airline operators.

Assessments have been undertaken of the potential and likely impacts of the UK's decision to leave the European Union; indications are that the company's business plans remain deliverable, and no material change is expected in the company's prospects.

Review of business and future developments

At the financial year end the company's financial position was strong and its future prospects are good.

The company continues to operate profitably and will share in the future success of the airport via the concession fee receivable from LLAOL.

The company is likely to continue to diversify its property portfolio by acquiring suitable properties adjacent to or nearby the airport, where it can be shown that these not only have a long-term strategic value to the company but are also capable of making a reasonable return on investment in the short to medium-term.

Much of the company's landholdings now form part of the London Luton Airport Enterprise Zone, announced by the former Chancellor of the Exchequer, the Rt. Hon. George Osborne MP, in November 2015.

In February 2017, LLAL submitted an application for planning consent for a mass passenger transit system to provide a fast, frequent and efficient transfer from London Luton Airport Parkway station to the central terminal area. The £225m construction commenced in the first quarter of 2018, and the system is to be fully operational by the first quarter of 2021.

During the early part of 2018, LLAL submitted applications for planning consent in respect of it commercial development sites at Bartlett Square and Century Park. Decisions are expected in the autumn of 2018.

Key performance indicators (KPI's)

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not currently necessary for an understanding of the development, performance or position of the business.

Financial risk management

The company does not have any external financial relationships with banks or finance houses. The debenture loans to the company are from Luton Borough Council, the shareholder, and are held at fair value at inception. No repayments are scheduled until the end of the concession period. It is not, therefore, exposed to any financial risks resulting from changes in debt market prices, credit risk, and liquidity risk. The company does not use finance derivatives and as such no hedge accounting is required.

Price risk

The company is not currently exposed to commodity price risk as a result of its operations.

Credit risk

The company is only exposed to credit risk in respect of London Luton Airport Operations Limited who pays a concession fee to the company on a quarterly basis in arrears. LLAOL is bound by an open book policy with the company and therefore its internal auditors have access to monitor performance and viability. An annual internal audit is undertaken to ensure that the liquidity and financial position of LLAOL is sufficient to meet its obligations under the concession agreement. The company utilises the facilities of its parent, Luton Borough Council, in ensuring minimal risk with its cash and investments.

Liquidity risk

The company receives its concession income at four agreed dates on a quarterly basis. It actively manages its short term investments and cash holdings to ensure sufficient funds are available for its activities.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a fixed rate. The company maintains it debt at a mixture of fixed and variable rates reducing exposure to fluctuating interest rates. The directors will revisit the appropriateness of this and determine a policy should the company's operations change in size or nature.

By order of the Board

[redacted]

M Turner
For the Company Secretary, Luton Borough Council

12 December 2018

London Luton Airport Limited

Directors' report
for the year ended 31 March 2018

The directors present their report and the audited financial statements for the year ended 31st March 2018.

Future developments

Future developments for the company are set out in the Strategic report.

Results and dividends

The company's profit for the financial year is £26.7m (2017: £46.9m). The company's distributable profit for the year, excluding fair value adjustments on investment properties, is £21.6m (2017: £16.2m). The members at a General Meeting held on 29th March 2018 approved a dividend for the financial year of 43.5 pence per ordinary share (amounting to £19.5m), this being the total dividend payable for the year (2017: 39.72p, £17.8m).

Directors

The directors who held office during the year and up to the date of signing the financial statements were:

D Agbley	(Appointed 20 August 2018)
W Akbar	(Appointed 16 May 2017)
I Chowdhury	(Resigned 16 May 2017)
D Franks	
F Green	(Appointed 17 May 2016; resigned 18 April 2017)
T Khan	
A Malcolm	Chairman
A O'Callaghan	(Appointed 16 May 2017)
J Rowlands	(Resigned 27 July 2018)
A Skepelhorn	
J Taylor	
J Young	

Lord McKenzie of Luton and Dr Romano Pagliari of Cranfield University attend Board meetings in an advisory capacity. They are not Directors of the company and have no voting rights.

Employees

The company has no employees (2017: nil). Services to London Luton Airport Limited are carried out by employees of Luton Borough Council and the company is charged for these as set out in note 7.

Corporate social responsibility

The year ended 31st March 2018 saw the continuation of the company's Community Funding Policy, which sets out the ways in which the company will contribute to the social, environmental and economic wellbeing of the communities surrounding London Luton Airport. Details of the Community Funding Policy are available on the company's website at llal.org.uk.

Financial risk management

This has been documented within the Strategic Report at page 2.

Directors' insurance

The company maintains insurance policies on behalf of all the directors against liabilities arising from negligence, breach of duty, and breach of trust in relation to the company.

Going concern

Refer to the accounting policies (note 3) for a review of going concern.

Directors' report
for the year ended 31 March 2018 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

London Luton Airport Limited

Directors' report
for the year ended 31 March 2018 (continued)

Charitable donations

The company has, through its Community Funding Programme, made donations during the financial year amounting to £9.365m (2017: £10.326m) to local charitable organisations based or operating in Luton and the surrounding area. Payments are analysed across the seven Funding Themes of the Programme as follows:

	2018 £000	2017 £000
Children, Families & Young People	1,677	2,219
Citizen Enablement	792	783
Community Involvement	880	829
Community Safety	611	578
Environment & Economy	220	217
Health &Wellbeing	914	929
Leisure & Culture	4,271	4,771
	9,365	10,326

Independent auditors

PricewaterhouseCoopers LLP have acted as auditors to the company in the financial year and will be reappointed automatically as the company passed an elective resolution to that effect at its Annual General Meeting on 10 June 2006.

By order of the Board

[redacted]

M Turner
For the Company Secretary, Luton Borough Council

12 **December 2018**

Independent auditors' report to the members of London Luton Airport Limited

Report on the audit of the financial statements

Opinion

In our opinion, London Luton Airport Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2018; the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditors' report to the members of London Luton Airport Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

London Luton Airport Limited

Independent auditors' report to the members of London Luton Airport Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

[redacted]

Tim Broadway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

12 December 2018

London Luton Airport Limited

Profit and loss account
for the year ended 31 March 2018

	Note	**2018** **£'000**	2017 £'000
Turnover	6	**46,310**	41,467
Administrative expenses		**(15,991)**	(17,253)
Change in fair value of investment properties		**4,695**	32,176
Operating profit	7	**35,014**	56,390
Interest receivable and similar income	9	**85**	96
Interest payable and similar expenses	10	**(3,826)**	(3,883)
Profit before taxation		**31,273**	52,603
Tax on profit	11	**(4,622)**	(5,676)
Profit for the financial year		**26,651**	46,927

The profit and loss account has been prepared on the basis that all operations are continuing operations.

London Luton Airport Limited

Statement of comprehensive income
for the year ended 31 March 2018

	Note	**2018**	2017
		£'000	£'000
Profit for the financial year		**26,651**	46,927
Re-measurements of net defined benefit obligation	20	**49**	(152)
Current tax deductions relating to net defined benefit obligation		**(9)**	29
Impact of change in tax rates		**1**	-
Total comprehensive income for the financial year		**26,692**	46,804

London Luton Airport Limited

Balance sheet
as at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investment properties	13	**571,046**	559,187
Property, plant & equipment	14	**27,138**	-
		598,184	559,187
Current assets			
Debtors	15	**9,237**	7,064
Cash at bank and in hand		**4,329**	20,146
Total current assets		**13,566**	27,210
Creditors: amounts falling due within one year	16	**(31,119)**	(22,522)
Net current (liabilities)/assets		**(17,553)**	4,688
Total assets less current liabilities		**580,631**	563,875
Creditors: amounts falling due after more than one year	17	**(57,921)**	(47,921)
Provisions for liabilities	19	**(53,963)**	(54,252)
Pension deficit	20	**(2,006)**	(2,153)
Net assets including pension deficit		**466,741**	459,549
Capital and reserves			
Called up share capital	21	**44,837**	44,837
Retained earnings	22	**421,904**	414,712
Total shareholders' funds		**466,741**	459,549

The notes on pages 14 to 28 are an integral part of these financial statements.

The financial statements on pages 9 to 28 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

[redacted]

A Malcolm, Director
12 December 2018

Registered Number 2020381

London Luton Airport Limited

Statement of changes in equity
for the year ended 31 March 2018

	Called-up share capital	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 April 2016	44,837	385,708	430,545
Profit for the financial year		46,927	46,927
Other comprehensive income for the financial year		(123)	(123)
Total comprehensive income for the financial year		**46,804**	**46,804**
Total transactions with owners - dividends		(17,800)	(17,800)
Balance at 31 March 2017	44,837	414,712	459,549
Balance at 1 April 2017	44,837	414,712	459,549
Profit for the financial year		26,651	26,651
Other comprehensive income		41	41
Total comprehensive income for the financial year		**26,692**	**26,692**
Total transactions with owners - dividends		(19,500)	(19,500)
Balance at 31 March 2018	**44,837**	**421,904**	**466,741**

London Luton Airport Limited

Statement of cash flows
for the year ended 31 March 2018

	2018	2017
	£'000	£'000
Cash flows from operating activities		
Profit for the financial year	**26,651**	46,927
Adjustments for:		
Taxation charge	**4,622**	5,676
Interest payable and similar expenses	**3,826**	3,883
Interest receivable and similar income	**(85)**	(96)
Change in fair value of investment properties	**(4,695)**	(32,176)
Increase in debtors	**(1,700)**	(1,484)
Increase in creditors	**1,105**	876
Corporation tax paid	**(4,526)**	(3,481)
Net cash from operating activities	**25,198**	20,125
Cash flows from investing activities		
Purchase of tangible assets	**(29,424)**	(7,596)
Interest received	**85**	96
Net cash used in investing activities	**(29,339)**	(7,500)
Cash flows from financing activities		
Interest paid	**(3,876)**	(3,883)
Receipts from loan facility	**10,000**	5,000
Dividends paid	**(17,800)**	(6,000)
Net cash used in financing activities	**(11,676)**	(4,883)
Net (decrease)/increase in cash and cash equivalents	**(15,817)**	7,742
Cash and cash equivalents at the beginning of year	20,146	12,404
Cash and cash equivalents at the end of year	4,329	20,146

Notes to the financial statements for the year ended 31 March 2018

1. General information

London Luton Airport Limited ("the company") is the owner of London Luton Airport, together with a number of other investment properties and parcels of land. The company operates entirely in the UK. The airport is leased to London Luton Airport Operation Limited ("LLAOL") as set out in note 5.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Hart House Business Centre, Kimpton Road, Luton, LU2 0LA.

2. Statement of compliance

The individual financial statements of London Luton Airport Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

The accounting policies have been applied consistently other than where new policies have been adopted.

Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of investment properties and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover relating to concession income is recognised in line with the concession contract, see note 5 for further details. Other property income represents amounts falling due under rental agreements.

Leased assets

As a lessee rental costs under operating leases are charged to the profit and loss account on a straight line basis over the periods of the leases.

Notes to the financial statements for the year ended 31 March 2018 (continued)

Accounting Policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, and loans from banks and other third parties.

(i) Financial assets

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest, and thereafter measured at amortised cost.

These are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

Notes to the financial statements for the year ended 31 March 2018 (continued)

Accounting policies (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Pension costs

Certain employees of the airport business prior to the granting of the Concession Contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the financial year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire Local Government Pension Scheme in respect of former employees' entitlement to pension augmentations arising on redundancy.

This provision has been assessed in accordance with the advice of an independent actuary using the following principal assumptions.

	% pa
Pensions increase rate	2.4
Discount rate	2.6

An actuarial valuation for the purposes of settling London Luton Airport Limited's actual contributions was carried out at 31 March 2010 by Hymans Robertson LLP on the instructions of the then administering authority, Bedfordshire County Council. The results of this valuation have been projected forward to 31 March 2018 by Hymans Robertson LLP on the instruction of the current administering authority, Bedford Borough Council, and reflected in these financial statements. The scheme is a defined benefits scheme.

Investment properties

The company includes investment properties at their fair value at the balance sheet date on the basis of the external valuer's valuation. Any gains or losses through the change in fair value are recorded through the income statement.

Given the rapid growth in passenger numbers at the airport over the past two years, and the acquisition by the company of a number of strategic property assets adjacent to or connected with the airport, the Board commissioned a full valuation as at 31st March 2016, and this has been reviewed and updated at 31st March 2018.

Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing cost capitalised.

Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are ready for use.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

4. Critical accounting judgements and estimation uncertainty

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain former employees now employed by LLAOL. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 20 for the disclosures relating to the defined benefit pension scheme.

Investments

The valuation, undertaken by Deloitte LLP, took into account forecast future cash flows based primarily on passenger growth and was discounted using a discount rate of 11.5% being an estimate of the company's long term weighted average cost of capital. The DCF analysis assumes a reversionary value of the airport at the expiry of the concession on 31st March 2031. The valuation was made in accordance with the RICS Appraisal and Valuation Manual.

5. Concession contract

On 20 August 1998 ('the concession date') the company entered into a concession contract with an unrelated entity, London Luton Airport Operations Limited ("LLAOL").

Under the terms of this contract LLAOL was granted a concession to operate the airport for a period of 30 years ('the concession period') and a lease over the company's land and buildings. In return LLAOL undertook to pay an annual concession fee to the company comprising of £3 million as a minimum fixed payment or a greater amount based on workload units (being each departing and arriving passenger and each 100 tonnes of freight) as

Notes to the financial statements
for the year ended 31 March 2018 (continued)

prescribed in the concession agreement and, subject to the continuing growth of passenger numbers, fund an extensive capital investment programme. At the end of the concession period the assets, liabilities and operations of the airport revert to the ownership and use of the company.

In August 2012 a supplemental agreement to the concession contract was reached between LLAL and LLAOL. This agreement commits the operators to undertake a significant programme of development works to increase the Airport's capacity to handle throughput of up to 18 million passengers per year, in return for an extension of the Concession Period to March 31st 2031. The concession agreement was further amended in January 2014 to provide for a scheme to rebate the Concession Fee Rate payable by the airport operator in certain circumstances, in order to encourage passenger growth.

At the concession date the trading assets and liabilities of the company were transferred to LLAOL at book value. No profit or loss arose on the transfer of these assets and liabilities. The employees of the company were also transferred to LLAOL.

As the company no longer operates the airport itself, the land and buildings have become investment properties. At the instruction of the company, Deloitte LLP have valued the freehold interest in London Luton Airport as at 31 March 2016. The next valuation is due to be undertaken as at 31 March 2020; it has, however, been agreed that, given the rate at which passenger numbers are currently growing, and the other developments currently being carried out by the company, the valuation will be reviewed annually in the intervening periods to ensure the investment properties are reflected at fair value.

6. Turnover

	2018	2017
	£'000	£'000
Concession income	**45,414**	40,774
Other property income	**896**	693
Total investment income	**46,310**	41,467

All turnover is generated and originates in the United Kingdom. The future minimum rental amounts are £3,000,000 per annum.

Notes to the financial statements for the year ended 31 March 2018 (continued)

7. Operating profit

	2018	2017
	£'000	£'000
Operating profit is stated after the following amounts have been charged:		
Operating leases - land and buildings	2,860	2,860
Charge for enhanced pension payments	52	70
Charitable donations	9,365	10,305
Auditors' remuneration:		
Audit services	45	48
Non-audit services – tax and advisory	482	281

The shareholder, Luton Borough Council, provides professional services to the company. Charges to the company for these services amounted to £1,521,773 (2017: £1,008,705) and are on commercial terms. £2,834,547 (2017: £2,834,547) of the operating lease charge for a car park on the airport premises and for the adjacent area of Wigmore Valley Park is with Luton Borough Council on commercial terms. Luton Borough Council is the company's controlling party by virtue of its majority shareholding.

The company has no employees. Services to the company are carried out by employees of Luton Borough Council and the company is charged for these as set out above. Accordingly, there is no key management personnel compensation.

8. Directors' emoluments

Directors' emoluments for the financial year amounted to £nil (2017: £nil). All of the directors are council members and therefore do not qualify for remuneration.

9. Interest receivable and similar income

	2018	2017
	£'000	£'000
Interest receivable	85	96

Notes to the financial statements for the year ended 31 March 2018 (continued)

10. Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest on debenture loans - repayable after more than 5 years (note 17)	**3,826**	3,883

The total interest paid in the year was £4,598,247, of which £772,603 in relation to the Luton DART project was capitalised.

11. Tax on profit

	2018	2017
	£'000	£'000
Current tax		
United Kingdom corporation tax on profits of the financial year	**4,893**	4,171
Adjustments in respect of prior years	**-**	17
	4,893	4,188
Deferred tax :		
Origination and reversing of timing differences	**(303)**	5,172
Change in tax rates	**32**	(3,684)
	(271)	1,488
Total tax charge on profit	**4,622**	5,676

11. Tax on profit (continued)

The tax assessed for the financial year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018	2017
	£'000	£'000
Profit on ordinary activities before tax	**31,273**	52,603
Profit on ordinary activities multiplied by standard rate in the UK of 19% (2017: 20%)	**5,942**	10,520
Effects of:		
Expenses non-deductible for tax purposes	**11**	119
Indexation on revalued properties	**(1,363)**	(1,295)
Adjustments in respect of prior years	**-**	17
Tax rate change	**32**	(3,685)
Total tax charge	**4,622**	5,676

Factors that may affect future tax rate

Changes to the UK Corporation tax rates were substantially enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and reflected in these financial statements.

12. Dividends

	2018	2017
	£'000	£'000
On ordinary equity shares		
Approved 29 March 2018: 43.5p (2017: 39.72p) per share	**19,500**	17,800

Notes to the financial statements for the year ended 31 March 2018 (continued)

13. Investment properties

	Airport £'000	Other Properties £'000	Assets in the course of construction £'000	Total £'000
Balance at 1 April 2017	532,000	20,675	6,512	559,187
Additions in the year	-	-	11,022	11,022
Fair value adjustments	4,500	195	-	4,695
Transfers to property, plant & equipment	-	-	(3,858)	(3,858)
Balance at 31 March 2018	**536,500**	**20,870**	**13,676**	**571,046**

The interest in the airport and other properties has been valued in accordance with the circumstances and principles set out in note 3.
The "Assets in the course of construction" includes £7,148,000 in respect of the commercial development sites at Bartlett Square and Century Park, and £3,874,000 in respect of the FutureLuToN project. The transfer in year refers to the reclassification of expenditure on the Luton DART project.

14. Property, plant & equipment

	Assets in the course of construction £'000
Balance at 1 April 2017	-
Additions in year	23,280
Transfers from investment properties	3,858
Balance at 31 March 2018	**27,138**

The "assets in the course of construction" includes additions of £23,280,000 and transfers of £3,858,000 in respect of the Luton DART (Direct Air Rail Transit) mass passenger transit system linking Luton Airport Parkway railway station to the central terminal area of London Luton Airport.

Notes to the financial statements for the year ended 31 March 2018 (continued)

15. Debtors

	2018	2017
	£'000	£'000
Deferred tax (note 18)	**354**	379
Prepayments and accrued income	**8,883**	6,685
	9,237	7,064

16. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Corporation tax	**2,608**	2,239
Other taxation and social security payable	**53**	578
Dividends	**19,500**	17,800
Other creditors	**8,958**	1,905
	31,119	22,522

Notes to the financial statements for the year ended 31 March 2018 (continued)

17. Creditors: amounts falling due after more than one year

	2018	2017
Debenture loans Maturity loans non-instalment	£'000	£'000
Debenture loan 1 – interest fixed at 12%	3,153	3,153
Debenture loans 2 & 3 – interest at 4% over three months LIBOR	7,216	7,216
Debenture loan 4 – interest 4% over six months LIBOR	1,788	1,788
Debenture loan 5 – interest fixed at 12.125%	3,102	3,102
Debenture loan 6 – interest at 4% over six months GBR	1,662	1,662
Debenture loan 7 – interest at 7.58% over three months LIBOR	11,000	11,000
Debenture loan 8 – interest fixed at 11.5%	12,000	12,000
Debenture loan 9 – interest fixed at 11.5%	3,000	3,000
Debenture loan 10 – interest fixed at 8%	5,000	5,000
Debenture loan 11 – interest fixed at 8%	5,000	-
Debenture loan 12 – interest fixed at 8%	5,000	-
	57,921	47,921

The debenture loans are from Luton Borough Council, the shareholder. The repayment in full in a single payment of the principal in respect of debenture loans 1 to 6 is scheduled for 28th March 2028 and of debenture loans 7 to 12 for 1st April 2031. The debentures are secured on the total assets of the company.

Luton Borough Council has provided the company with a loan facility of £281.0m, of which £15.0m has been drawn down as at 31 March 2018. The amounts drawn down are represented by debentures 10 to 12 above. The loan facility attracts a fixed interest rate of 8% and the maturity date is 1 April 2031.

Notes to the financial statements for the year ended 31 March 2018 (continued)

18. Deferred tax asset

The deferred tax asset represents the following:

	2018 £'000	2017 £'000
Deferred tax in relation to pensions liability	**354**	379
Deferred tax asset at 31 March	**354**	379
Deferred tax at 1 April	**379**	392
Deferred tax charge in the profit and loss account	**(25)**	(11)
Adjustment in respect of prior year	-	(2)
Deferred tax asset at 31 March	**354**	379

19. Provisions for liabilities

The deferred tax liability arises wholly in relation to investment properties.

	2018 £'000	2017 £'000
Balance at 1 April	**54,252**	52,806
Deferred tax in respect of fair value adjustments in year	**(468)**	5,155
Adjustment in respect of prior year	-	(2)
Deferred tax in respect of capitalised interest	**147**	-
Change in tax rate	**32**	(3,707)
Balance at 31 March	**53,963**	54,252

20. Pension commitments

Certain employees of the airport business prior to the granting of the concession contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the financial year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire Local Government Pension Scheme (LGPS) in respect of former employees' entitlement to pension augmentations arising on redundancy. The LGPS is a defined benefit statutory scheme. The cost charged to the company is based on the actual cost attributable to the former employees.

Notes to the financial statements for the year ended 31 March 2018 (continued)

a) Defined benefit scheme

An actuarial valuation of the Bedfordshire Pension Fund for the purposes of settling London Luton Airport Limited's actual contributions was carried out at 31 March 2010 using the projected unit basis, by Hymans Robertson LLP, independent consulting actuaries. The results of this valuation have been projected forward to 31 March 2018 by Hymans Robertson LLP. The major assumptions used by the actuary were:

	2018	2017
	%	%
Pension increase rate	**2.4**	2.4
Discount rate	**2.6**	2.5

The mortality assumptions used were as follows:

	2018	2017
	years	years
Longevity at age 65 for current pensioners:		
– Men	**22.4**	22.4
– Women	**24.5**	24.5

	2018	2017
	£'000	£'000
Present value of scheme liabilities	**(2,006)**	(2,153)

b) Reconciliation of present value of scheme liabilities

	2018	2017
	£'000	£'000
At 1 April	**2,153**	2,087
Interest cost	**52**	68
Unfunded benefits paid	**(150)**	(154)
Re-measurements of net defined benefit obligation	**(49)**	152
At 31 March	**2,006**	2,153

Notes to the financial statements for the year ended 31 March 2018 (continued)

21. Called up share capital

	2018 £'000	2017 £'000
60,000,000 (2017: 60,000,000)Authorised ordinary shares £1 each	**60,000**	60,000
44,837,002 (2017: 44,837,002) Allotted and fully paid	**44,837**	44,837

22. Retained earnings

	Distributable £'000	Non-distributable £'000	Total £'000
Balance at 1 April 2017	15,591	399,121	414,712
Total comprehensive income	21,634	5,058	26,692
Dividends payable	(19,500)	-	(19,500)
Balance at 31 March 2018	17,725	404,179	421,904

Included within the non-distributable total comprehensive income for the year are £4,695,000 of fair value adjustments, £49,000 of pension liability re-measurements and £314,000 of deferred tax adjustments.

23. Operating lease commitments and contingencies

At 31 March 2018 the company was committed to making the following total payments in respect of operating leases relating to land and buildings.

	2018 £'000	2017 £'000
Leases which expire after five years	**2,860**	2,860

24. Financial Instruments

	2018 £'000	2017 £'000
Financial assets		
Financial assets that are debt instruments measures at amortised cost	**8,151**	6,191
Financial liabilities		
Financial liabilities measured at amortised cost	**88,940**	70,346

Notes to the financial statements for the year ended 31 March 2018 (continued)

25. Related parties

There are no transactions with related parties not wholly owned by the group headed by Luton Borough Council. The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned by the group headed by Luton Borough Council.

26. Parent entity and ultimate controlling party

The immediate and ultimate parent undertaking and controlling party is Luton Borough Council. Luton Borough Council is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2018. The consolidated financial statements of Luton Borough Council are available from Town Hall, George Street, Luton, LU1 2BQ.

Appendix C4 – Luton Rising Accounts 2018-19

London Luton Airport Limited

Annual report and financial statements

for the year ended 31 March 2019

Registered in England & Wales No.: 2020381

London Luton Airport Limited

Contents

London Luton Airport Limited

Strategic Report
for the year ended 31 March 2019

The directors present their strategic report on the company for the year ended 31 March 2019.

Principal activities

The company's principal activities until August 1998 were the ownership, operation and management of London Luton Airport. In August 1998 the company granted a concession contract to an unrelated company, London Luton Airport Operations Limited ("LLAOL") to operate the airport on its behalf in return for a concession fee. The company continues to own the land, buildings and infrastructure at the airport.

Review of the business

LLAL's principal source of income continued to be the Concession Fee which is based on work-load units, each unit being one passenger or 100kg of freight. Growth in passenger numbers was particularly strong, reaching a number just short of 17 million in the year to March 2019, an increase of some 7% over the previous year.

During the year LLAOL continued with the development works to increase the passenger capacity up to 18 million passengers per annum, and accelerated the pace of construction to meet demand.

Principal risks and uncertainties

The key business risks and uncertainties for the company are considered to relate to fluctuations in passenger throughput, the key determinant of the concession income. Passenger numbers are subject to competition between airlines, airport operators, the selection of routes and destinations, and underlying passenger demand for air travel which can be influenced by the general economic environment and consumer confidence. There is a risk that the decision to leave the European Union may diminish passenger demand for leisure related air travel. The concessionaire is deemed to be in the best position to manage this risk by its contractual relationships with airline operators.

Assessments have been undertaken of the potential and likely impacts of the UK's decision to leave the European Union; indications are that the company's business plans remain deliverable, and no material change is expected in the company's prospects.

Review of business and future developments

At the financial year end the company's financial position was strong and its future prospects are good.

The company continues to operate profitably and will share in the future success of the airport via the concession fee receivable from LLAOL.

The company is likely to continue to diversify its property portfolio by acquiring suitable properties adjacent to or nearby the airport, where it can be shown that these not only have a long-term strategic value to the company but are also capable of making a reasonable return on investment in the short to medium-term.

Much of the company's landholdings now form part of the London Luton Airport Enterprise Zone, announced by the former Chancellor of the Exchequer, the Rt. Hon. George Osborne MP, in November 2015.

In February 2017, LLAL submitted an application for planning consent for a mass passenger transit system to provide a fast, frequent and efficient transfer from London Luton Airport Parkway station to the central terminal area. The £225m construction commenced in the first quarter of 2018, and the system is to be fully operational by the first quarter of 2021.

During the early part of 2018, LLAL submitted applications for planning consent in respect of it commercial development sites at Bartlett Square and Century Park. Bartlett Square was consented in November 2018 and Century Park in March 2019 (subject to consideration by the Secretary of State). The company intends to submit, in summer 2020, an application for a Development Consent Order to enable airport expansion.

Strategic report
for the year ended 31 March 2019 (continued)

Key performance indicators (KPI's)

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not currently necessary for an understanding of the development, performance or position of the business.

Financial risk management

The company does not have any external financial relationships with banks or finance houses. The debenture loans to the company are from Luton Borough Council, the shareholder, and are held at fair value at inception. No repayments are scheduled until the end of the concession period. It is not, therefore, exposed to any financial risks resulting from changes in debt market prices, credit risk, and liquidity risk. The company does not use finance derivatives and as such no hedge accounting is required.

Price risk

The company is not currently exposed to commodity price risk as a result of its operations.

Credit risk

The company is only exposed to credit risk in respect of London Luton Airport Operations Limited who pays a concession fee to the company on a quarterly basis in arrears. LLAOL is bound by an open book policy with the company and therefore its internal auditors have access to monitor performance and viability. An annual internal audit is undertaken to ensure that the liquidity and financial position of LLAOL is sufficient to meet its obligations under the concession agreement. The company utilises the facilities of its parent, Luton Borough Council, in ensuring minimal risk with its cash and investments.

Liquidity risk

The company receives its concession income at four agreed dates on a quarterly basis. It actively manages its short term investments and cash holdings to ensure sufficient funds are available for its activities.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a fixed rate. The company maintains it debt at a mixture of fixed and variable rates reducing exposure to fluctuating interest rates. The directors will revisit the appropriateness of this and determine a policy should the company's operations change in size or nature.

By order of the Board

[redacted]

M Turner
For the Company Secretary, Luton Borough Council

20 September 2019

London Luton Airport Limited

Directors' report
for the year ended 31 March 2019

The directors present their report and the audited financial statements for the year ended 31st March 2019.

Future developments

Future developments for the company are set out in the Strategic report.

Results and dividends

The company's profit for the financial year is £46.6m (2018: £26.7m). The members at a General Meeting held on 28th March 2019 approved a final dividend for the financial year of 40.15 pence per ordinary share (amounting to £18m). The Board of Directors had previously agreed interim dividends of 0.58 pence per share (amounting to £259,000) and 4.25 pence per share (amounting to £1.9m) at its meetings held on 30th July 2018 and 3rd December 2018 respectively, making the total dividend payable for the year 44.97 pence per share (amounting to £20.159m) (2018: 43.5p, £19.5m).

Directors

The directors who held office during the year and up to the date of signing the financial statements were:

D Agbley	(Appointed 20 August 2018; resigned 21 May 2019)
W Akbar	
D Franks	(Resigned 23 January 2019)
J Hussain	(Appointed 21 May 2019)
T Khan	(Resigned 2 May 2019)
A Malcolm	Chairman
K Malik	(Appointed 21 May 2019)
A Nicholls	(Appointed 21 May 2019)
A O'Callaghan	(Resigned 2 May 2019)
J Rowlands	(Resigned 27 July 2018)
T Saleem	(Appointed 21 May 2019)
A Skepelhorn	(Resigned 23 January 2019)
J Taylor	(Resigned 2 May 2019)
J Young	

Lord McKenzie of Luton, Dr Romano Pagliari of Cranfield University and Mr Roy Davis (with effect from 21 May 2019) attend Board meetings in an advisory capacity. They are not Directors of the company and have no voting rights.

Employees

The company has no employees (2018: nil). Services to London Luton Airport Limited are carried out by employees of Luton Borough Council and the company is charged for these as set out in note 7.

Corporate social responsibility

The year ended 31st March 2019 saw the continuation of the company's Community Funding Policy, which sets out the ways in which the company will contribute to the social, environmental and economic wellbeing of the communities surrounding London Luton Airport. Details of the Community Funding Policy are available on the company's website at llal.org.uk.

Financial risk management

This has been documented within the Strategic Report at page 2.

Directors' insurance

The company maintains insurance policies on behalf of all the directors against liabilities arising from negligence, breach of duty, and breach of trust in relation to the company.

London Luton Airport Limited

Directors' report
for the year ended 31 March 2019 (continued)

Going concern

Refer to the accounting policies (note 3) for a review of going concern.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report for the year ended 31 March 2019 (continued)

Charitable donations

The company has, through its Community Funding Programme, made donations during the financial year amounting to £9.204m (2018: £9.365m) to local charitable organisations based or operating in Luton and the surrounding area. Payments are analysed across the seven Funding Themes of the Programme as follows:

	2019 £000	2018 £000
Children, Families & Young People	1,769	1,677
Citizen Enablement	792	792
Community Involvement	880	880
Community Safety	586	611
Environment & Economy	212	220
Health & Wellbeing	694	914
Leisure & Culture	4,271	4,271
	9,204	9,365

Independent auditors

PricewaterhouseCoopers LLP have acted as auditors to the company in the financial year and will be reappointed automatically as the company passed an elective resolution to that effect at its Annual General Meeting on 10 June 2006.

By order of the Board

[redacted]

M Turner
For the Company Secretary, Luton Borough Council

20 September 2019

Independent auditors' report to the members of London Luton Airport Limited

Report on the audit of the financial statements

Opinion

In our opinion, London Luton Airport Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2019; the profit and loss account, the statement of comprehensive income, the statement of cash flows, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of London Luton Airport Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of London Luton Airport Limited (continued)

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

[redacted]

Tim Broadway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

20 September 2019

London Luton Airport Limited

Profit and loss account
for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	6	**51,044**	46,310
Administrative expenses		**(15,412)**	(15,991)
Change in fair value of investment properties		**24,955**	4,695
Operating profit	7	**60,587**	35,014
Interest receivable and similar income	9	**11**	85
Interest payable and similar expenses	10	**(4,070)**	(3,826)
Profit before taxation		**56,528**	31,273
Tax on profit	11	**(9,963)**	(4,622)
Profit for the financial year		**46,565**	26,651

The profit and loss account has been prepared on the basis that all operations are continuing operations.

London Luton Airport Limited

Statement of comprehensive income
for the year ended 31 March 2019

	Note	**2019**	2018
		£'000	£'000
Profit for the financial year		**46,565**	26,651
Re-measurements of net defined benefit obligation	20	**(16)**	49
Current tax deductions relating to net defined benefit obligation		**3**	(9)
Impact of change in tax rates		**-**	1
Total comprehensive income for the financial year		**46,552**	26,692

London Luton Airport Limited

Balance sheet
as at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investment properties	13	**615,712**	571,046
Property, plant & equipment	14	**88,041**	27,138
		703,753	598,184
Current assets			
Debtors	15	**13,866**	9,237
Cash at bank and in hand		**352**	4,329
Total current assets		**14,218**	13,566
Creditors: amounts falling due within one year	16	**(26,236)**	(31,119)
Net current liabilities		**(12,018)**	(17,553)
Total assets less current liabilities		**691,735**	580,631
Creditors: amounts falling due after more than one year	17	**(137,221)**	(57,921)
Provisions for liabilities	19	**(59,456)**	(53,963)
Pension deficit	20	**(1,924)**	(2,006)
Net assets		**493,134**	466,741
Capital and reserves			
Called up share capital	21	**44,837**	44,837
Retained earnings		**448,297**	421,904
Total shareholders' funds		**493,134**	466,741

The notes on pages 14 to 28 are an integral part of these financial statements.

The financial statements on pages 9 to 28 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

[redacted]

A Malcolm, Director
20 September 2019

Registered Number 2020381

London Luton Airport Limited

Statement of changes in equity for the year ended 31 March 2019

	Called up share capital	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 April 2017	44,837	414,712	459,549
Profit for the financial year	-	26,651	26,651
Other comprehensive income for the financial year	-	41	41
Total comprehensive income for the financial year	-	**26,692**	**26,692**
Total transactions with owners – dividends	-	(19,500)	(19,500)
Balance at 31 March 2018	44,837	421,904	466,741
Balance at 1 April 2018	44,837	421,904	466,741
Profit for the financial year	-	46,565	46,565
Other comprehensive expense	-	(13)	(13)
Total comprehensive income for the financial year	-	**46,552**	**46,552**
Total transactions with owners - dividends	-	(20,159)	(20,159)
Balance at 31 March 2019	**44,837**	**448,297**	**493,134**

London Luton Airport Limited

Statement of cash flows
for the year ended 31 March 2019

	2019	2018
	£'000	£'000
Cash flows from operating activities		
Profit for the financial year	**46,565**	26,651
Adjustments for:		
Taxation charge	**9,963**	4,622
Interest payable and similar expenses	**4,070**	3,826
Interest receivable and similar income	**(11)**	(85)
Change in fair value of investment properties	**(24,955)**	(4,695)
Increase in debtors	**(4,644)**	(1,700)
(Decrease)/Increase in creditors	**(4,883)**	1,105
Corporation tax paid	**(4,883)**	(4,526)
Net cash generated from operating activities	**21,222**	25,198
Cash flows from investing activities		
Purchase of tangible assets	**(78,797)**	(29,424)
Interest received	**11**	85
Net cash used in investing activities	**(78,786)**	(29,339)
Cash flows from financing activities		
Interest paid	**(4,054)**	(3,876)
Receipts from loan facility	**79,300**	10,000
Dividends paid	**(21,659)**	(17,800)
Net cash generated from (used in) financing activities	**53,587**	(11,676)
Net decrease in cash and cash equivalents	**(3,977)**	(15,817)
Cash and cash equivalents at the beginning of year	**4,329**	20,146
Cash and cash equivalents at the end of year	**352**	4,329

Notes to the financial statements for the year ended 31 March 2019

1. General information

London Luton Airport Limited ("the company") is the owner of London Luton Airport, together with a number of other investment properties and parcels of land. The company operates entirely in the UK. The airport is leased to London Luton Airport Operations Limited ("LLAOL") as set out in note 5.

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Hart House Business Centre, Kimpton Road, Luton, LU2 0LA.

2. Statement of compliance

The individual financial statements of London Luton Airport Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

The accounting policies have been applied consistently other than where new policies have been adopted.

Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of investment properties and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover relating to concession income is recognised in line with the concession contract, see note 5 for further details. Other property income represents amounts falling due under rental agreements.

Leased assets

As a lessee, rental costs under operating leases are charged to the profit and loss account on a straight line basis over the periods of the leases.

Notes to the financial statements for the year ended 31 March 2019 (continued)

3. Accounting Policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, and loans from banks and other third parties.

(i) Financial assets

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest, and thereafter measured at amortised cost.

These are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

3. Accounting policies (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Pension costs

Certain employees of the airport business prior to the granting of the Concession Contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the financial year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire Local Government Pension Scheme in respect of former employees' entitlement to pension augmentations arising on redundancy.

This provision has been assessed in accordance with the advice of an independent actuary using the following principal assumptions.

	% pa
Pensions increase rate	2.5
Discount rate	2.1

An actuarial valuation for the purposes of settling London Luton Airport Limited's actual contributions was carried out at 31 March 2010 by Hymans Robertson LLP on the instructions of the then administering authority, Bedfordshire County Council. The results of this valuation have been projected forward to 31 March 2019 by Barnett Waddingham LLP on the instruction of the current administering authority, Bedford Borough Council, and reflected in these financial statements. The scheme is a defined benefits scheme.

Investment properties

The company includes investment properties at their fair value at the balance sheet date on the basis of the external valuer's valuation. Any gains or losses through the change in fair value are recorded through the income statement.

Notes to the financial statements for the year ended 31 March 2019 (continued)

3. Accounting Policies (continued)

Given the rapid growth in passenger numbers at the airport over the past two years, and the acquisition by the company of a number of strategic property assets adjacent to or connected with the airport, the Board commissioned a full valuation as at 31st March 2016, and this has been reviewed and updated at 31st March 2019.

Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing cost capitalised.

Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are ready for use.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical judgements in applying the entity's accounting policies

There are no areas within the financial statements where management has been required to apply a critical judgement.

b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain former employees now employed by LLAOL. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 20 for the disclosures relating to the defined benefit pension scheme.

Notes to the financial statements for the year ended 31 March 2019 (continued)

4. Critical accounting judgements and estimation uncertainty (continued)

Fair value of investment properties

The valuation, undertaken by Deloitte LLP, took into account forecast future cash flows based primarily on passenger growth and was discounted using a discount rate of 11.5% being an estimate of the company's long term weighted average cost of capital. The DCF analysis assumes a reversionary value of the airport at the expiry of the concession on 31st March 2031 including assumptions on exit yield and income. The valuation was made in accordance with the RICS Appraisal and Valuation Manual.

5. Concession contract

On 20 August 1998 ('the concession date') the company entered into a concession contract with an unrelated entity, London Luton Airport Operations Limited ("LLAOL").

Under the terms of this contract LLAOL was granted a concession to operate the airport for a period of 30 years ('the concession period') and a lease over the company's land and buildings. In return LLAOL undertook to pay an annual concession fee to the company comprising of £3 million as a minimum fixed payment or a greater amount based on workload units (being each departing and arriving passenger and each 100 tonnes of freight) as prescribed in the concession agreement and, subject to the continuing growth of passenger numbers, fund an extensive capital investment programme. At the end of the concession period the assets, liabilities and operations of the airport revert to the ownership and use of the company.

In August 2012 a supplemental agreement to the concession contract was reached between LLAL and LLAOL. This agreement commits the operators to undertake a significant programme of development works to increase the Airport's capacity to handle throughput of up to 18 million passengers per year, in return for an extension of the Concession Period to March 31st 2031. The concession agreement was further amended in January 2014 to provide for a scheme to rebate the Concession Fee Rate payable by the airport operator in certain circumstances, in order to encourage passenger growth.

At the concession date the trading assets and liabilities of the company were transferred to LLAOL at book value. No profit or loss arose on the transfer of these assets and liabilities. The employees of the company were also transferred to LLAOL.

As the company no longer operates the airport itself, the land and buildings have become investment properties. At the instruction of the company, Deloitte LLP have valued the freehold interest in London Luton Airport as at 31 March 2016. The next valuation is due to be undertaken as at 31 March 2020; it has, however, been agreed that, given the rate at which passenger numbers are currently growing, and the other developments currently being carried out by the company, the valuation will be reviewed annually in the intervening periods to ensure the investment properties are reflected at fair value.

Notes to the financial statements for the year ended 31 March 2019 (continued)

6. Turnover

	2019	2018
	£'000	£'000
Concession income	**49,960**	45,414
Other property income	**764**	896
Other income	**320**	-
Total investment income.	**51,044**	46,310

All turnover is generated and originates in the United Kingdom. The future minimum rental amounts are £3,000,000 per annum.

7. Operating profit

	2019	2018
	£'000	£'000
Operating profit is stated after the following amounts have been charged:		
Operating leases - land and buildings	**2,910**	2,860
Charge for enhanced pension payments	**46**	52
Charitable donations	**9,204**	9,365
Auditor's remuneration:		
The audit of the company	**58**	45
Tax compliance services	**11**	12
Tax advisory services	**67**	88
Other services	**209**	382

The shareholder, Luton Borough Council, provides professional services to the company. Charges to the company for these services amounted to £1,555,026 (2018: £1,521,773) and are on commercial terms. £2,834,547 (2018: £2,834,547) of the operating lease charge for a car park on the airport premises and for the adjacent area of Wigmore Valley Park is with Luton Borough Council on commercial terms. Luton Borough Council is the company's controlling party by virtue of its majority shareholding. The company has no employees. Services to the company are carried out by employees of Luton Borough Council and the company is charged for these as set out above. Accordingly, there is no key management personnel compensation.

Notes to the financial statements for the year ended 31 March 2019 (continued)

8. Directors' emoluments

Directors' emoluments for the financial year amounted to £nil (2018: £nil). All of the directors are council members and therefore do not qualify for remuneration.

9. Interest receivable and similar income

	2019	2018
	£'000	£'000
Interest receivable	**11**	85

10. Interest payable and similar expenses

	2019	2018
	£'000	£'000
Interest on debenture loans - repayable after more than 5 years (note 17)	**4,070**	3,826

The total interest paid in the year was £7,872,113 (2018: £4,598,247), of which £3,801,806 (2018: £722,603) in relation to the company's development projects was capitalised.

11. Tax on profit

	2019	2018
	£'000	£'000
Current tax		
United Kingdom corporation tax on profits of the financial year	**4,716**	4,893
Adjustments in respect of prior years	**(260)**	-
	4,456	4,893
Deferred tax :		
Origination and reversing of timing differences	**5,894**	(303)
Adjustments in respect of prior years	**233**	-
Change in tax rates	**(620)**	32
	5,507	(271)
Total tax charge on profit	**9,963**	4,622

Notes to the financial statements
for the year ended 31 March 2019 (continued)

11. Tax on profit (continued)

The tax assessed for the financial year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£'000	£'000
Profit before tax	**56,528**	31,273
Profit before tax multiplied by standard rate in the UK of 19% (2018: 19%)	**10,740**	5,942
Effects of:		
Expenses non-deductible for tax purposes	**12**	11
Deferred tax not provided for	**(129)**	-
Indexation on revalued properties	**(13)**	(1,363)
Adjustments in respect of prior years	**(27)**	-
Tax rate change	**(620)**	32
Total tax charge	**9,963**	4,622

Factors that may affect future tax rate

Changes to the UK Corporation tax rates were substantially enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and reflected in these financial statements.

12. Dividends

	2019	2018
	£'000	£'000
On ordinary equity shares		
Approved: 44.97p (2018: 43.5p) per share	**20,159**	19,500

Notes to the financial statements for the year ended 31 March 2019 (continued)

13. Investment properties

	Airport £'000	Other Properties £'000	Assets in the course of construction £'000	Total £'000
Balance at 1 April 2018	536,500	20,870	13,676	571,046
Additions in the year	-	-	19,711	19,711
Fair value adjustments	23,500	1,455	-	24,955
Balance at 31 March 2019	**560,000**	**22,325**	**33,387**	**615,712**

The interest in the airport and other properties has been valued in accordance with the circumstances and principles set out in note 3.
The "Assets in the course of construction" includes £13,145,000 (2018: £7,148,000) in respect of the commercial development sites at Bartlett Square and Century Park, and £20,241,000 (2018: £3,874,000) in respect of the FutureLuToN project.

14. Property, plant & equipment

	Assets in the course of construction £'000
Balance at 1 April 2018	27,138
Additions in year	60,903
Balance at 31 March 2019	**88,041**

The "assets in the course of construction" relates to the Luton DART (Direct Air-Rail Transit) mass passenger transit system linking Luton Airport Parkway railway station to the central terminal area of London Luton Airport.

Notes to the financial statements for the year ended 31 March 2019 (continued)

15. Debtors

	2019 £'000	2018 £'000
Deferred tax (note 18)	**340**	354
Prepayments and accrued income	**13,526**	8,883
	13,866	9,237

16. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Corporation tax	**2,178**	2,608
Other taxation and social security	**2**	53
Dividends	**18,000**	19,500
Other creditors	**6,056**	8,958
	26,236	31,119

17. Creditors: amounts falling due after more than one year

	2019	2018
Debenture loans Maturity loans non-instalment	**£'000**	£'000
Debenture loan 1 – interest fixed at 12%	3,153	3,153
Debenture loans 2 & 3 – interest at 4% over three months LIBOR	7,216	7,216
Debenture loan 4 – interest 4% over six months LIBOR	1,788	1,788
Debenture loan 5 – interest fixed at 12.125%	3,102	3,102
Debenture loan 6 – interest at 4% over six months GBR	1,662	1,662
Debenture loan 7 – interest at 7.58% over three months LIBOR	11,000	11,000
Debenture loan 8 – interest fixed at 11.5%	12,000	12,000
Debenture loan 9 – interest fixed at 11.5%	3,000	3,000
Debenture loan 10 – interest fixed at 8%	5,000	5,000
Debenture loan 11 – interest fixed at 8%	5,000	5,000
Debenture loan 12 – interest fixed at 8%	5,000	5,000
Debenture loans 13-33 – interest fixed at 8%	79,300	-
	137,221	57,921

The debenture loans are from Luton Borough Council, the shareholder. The repayment in full in a single payment of the principal in respect of debenture loans 1 to 6 is scheduled for 28th March 2028 and of debenture loans 7 to 33 for 1st April 2031. The debentures are secured on the total assets of the company.

Luton Borough Council has provided the company with a loan facility of £281.0m (2018: £281.0m), of which £94.3m (2018: £15.0m) has been drawn down as at 31 March 2019. The amounts drawn down are represented by debentures 10 to 33 above. The loan facility attracts a fixed interest rate of 8% (2018: 8%) and the maturity date is 1 April 2031.

Notes to the financial statements for the year ended 31 March 2019 (continued)

18. Deferred tax asset

The deferred tax asset represents the following:

	2019 £'000	2018 £'000
Deferred tax in relation to pensions liability	**340**	354

Deferred tax at 1 April	**354**	379
Deferred tax charge in the profit and loss account	**(14)**	(25)
Deferred tax asset at 31 March	**340**	354

19. Provisions for liabilities

The deferred tax liability arises wholly in relation to investment properties.

	2019 £'000	2018 £'000
Balance at 1 April	**53,963**	54,252
Deferred tax in respect of fair value adjustments in year	**5,157**	(468)
Adjustment in respect of prior year	**233**	-
Deferred tax in respect of capitalised interest	**723**	147
Change in tax rate	**(620)**	32
Balance at 31 March	**59,456**	53,963

20. Pension commitments

Certain employees of the airport business prior to the granting of the concession contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the financial year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire Local Government Pension Scheme (LGPS) in respect of former employees' entitlement to pension augmentations arising on redundancy. The LGPS is a defined benefit statutory scheme. The cost charged to the company is based on the actual cost attributable to the former employees.

20. Pension commitments (continued)

a) Defined benefit scheme

An actuarial valuation of the Bedfordshire Pension Fund for the purposes of settling London Luton Airport Limited's actual contributions was carried out at 31 March 2010 using the projected unit basis, by Hymans Robertson LLP, independent consulting actuaries. The results of this valuation have been projected forward to 31 March 2019 by Barnett Waddingham LLP. The major assumptions used by the actuary were:

	2019	2018
	%	%
Pension increase rate	**2.5**	2.4
Discount rate	**2.1**	2.6

The mortality assumptions used were as follows:

	2019	2018
	years	years
Longevity at age 65 for current pensioners:		
– Men	**20.7**	22.4
– Women	**23.2**	24.5

	2019	2018
	£'000	£'000
Present value of scheme liabilities	**(1,924)**	(2,006)

b) Reconciliation of present value of scheme liabilities

	2019	2018
	£'000	£'000
At 1 April	**2,006**	2,153
Interest cost	**50**	52
Unfunded benefits paid	**(148)**	(150)
Re-measurements of net defined benefit obligation	**16**	(49)
At 31 March	**1,924**	2,006

Notes to the financial statements for the year ended 31 March 2018 (continued)

21. Called up share capital

	2019 £'000	2018 £'000
60,000,000 (2018: 60,000,000) Authorised ordinary shares £1 each	**60,000**	60,000
44,837,002 (2018: 44,837,002) Allotted and fully paid	**44,837**	44,837

22. Operating lease commitments and contingencies

At 31 March the company was committed to making the following total payments in respect of operating leases relating to land and buildings.

	2019 £'000	2018 £'000
Amounts payable in less than one year	**2,929**	2,860
Amounts payable between two and five years	**8,076**	7,800
Amounts payable in excess of five years	**14,979**	16,860

An error in the prior year disclosure has been corrected in these financial statements.

23. Financial instruments

	2019 £'000	2018 £'000
Financial assets		
Financial assets that are debt instruments measures at amortised cost	**9,934**	8,151
Financial liabilities		
Financial liabilities measured at amortised cost	**163,334**	88,940

24. Related parties

There are no transactions with related parties not wholly owned by the group headed by Luton Borough Council. The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned by the group headed by Luton Borough Council.

Notes to the financial statements for the year ended 31 March 2018 (continued)

25. Parent entity and ultimate controlling party

The immediate and ultimate parent undertaking and controlling party is Luton Borough Council. Luton Borough Council is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2019. The consolidated financial statements of Luton Borough Council are available from Town Hall, George Street, Luton, LU1 2BQ.

Appendix C5 – Luton Rising Accounts 2019-20

London Luton Airport Limited

Annual report and financial statements

for the year ended 31 March 2020

Registered in England & Wales No.: 2020381

London Luton Airport Limited

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London Luton Airport Limited

Strategic Report
for the year ended 31 March 2020

The directors present their strategic report on the company for the year ended 31 March 2020.

Principal activities

The company's principal activities until August 1998 were the ownership, operation and management of London Luton Airport. In August 1998 the company granted a concession contract to an unrelated company, London Luton Airport Operations Limited ("LLAOL") to operate the airport on its behalf in return for a concession fee. The company continues to own the land, buildings and infrastructure at the airport.

Review of the business

London Luton Airport Limited (LLAL)'s principal source of income continued to be the Concession Fee which is based on work-load units, each unit being one passenger or 100kg of freight. Growth in passenger numbers was particularly strong, reaching a number of 17.2 million in the year to March 2020, an increase of some 1.59% over the previous year. However, the impact of the Covid-19 pandemic on passenger numbers, which was felt only slightly during March 2020, was significant throughout the remainder of the year, such that, for the year ending 31st March 2021, total passenger numbers were 2.9 million, a reduction of some 84% on the previous year.

During the year LLAOL continued with the development works to increase the passenger capacity up to 18 million passengers per annum, and accelerated the pace of construction to meet demand.

Principal risks and uncertainties

The key business risks and uncertainties for the company are considered to relate to fluctuations in passenger throughput, the key determinant of the concession income. Passenger numbers are subject to competition between airlines, airport operators, the selection of routes and destinations, and underlying passenger demand for air travel which can be influenced by the general economic environment and consumer confidence. There is a risk that the decision to leave the European Union may diminish passenger demand for leisure related air travel. The concessionaire is deemed to be in the best position to manage this risk by its contractual relationships with airline operators.

Assessments have been undertaken of the potential and likely impacts of the UK's decision to leave the European Union; indications are that the company's business plans remain deliverable, and no material change is expected in the company's prospects specifically as a result of the decision.

The Covid-19 pandemic introduced an unprecedented risk into the company's activities and one which rapidly materialised in respect of passenger numbers, which were significantly reduced by measures introduced by HM Government to restrict air travel as part of its objective of controlling the spread of the virus. Given the continuing restrictions in place across Europe, this remains a significant risk for the company in the coming year. In addition, as mentioned in the following section, the pandemic introduced additional risk regarding the agreement under the concession contract with LLAOL. The ongoing negotiations expanded below are yet to be finalised and as a result there remains some uncertainty with respect to concession income in the coming year along with the concession term.

Review of business and future developments

Whilst the company ended the financial year in a strong financial position, it was clear that the impact of the Covid-19 pandemic on passenger numbers would lead to a significant reduction in income in the coming year. The company took immediate action to negotiate and agree an initial stabilisation plan with its shareholder, which the directors have concluded enables the company to maintain itself as a going concern. Nevertheless, the impact of COVID-19 continues to create considerable uncertainty for the aviation industry, which may result in the company needing to seek further support from its shareholder particularly if negotiations with LLAOL have a significant impact on future cashflows. This indicates the existence of a material uncertainty which could cast significant doubt upon the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

Restrictions have been placed on travel in an effort to contain the spread of the virus. In response to the economic and operational uncertainty LLAOL exercised its contractual position regarding the Special Force Majeure clause contained in the concession agreement. This resulted in further and ongoing negotiation during the year with LLAOL with the aim to agree a suitable compromise on compensation payable by the company. A consequence of the negotiation is that LLAL has not received any accrued concession income for the year to 31 March 2021 from LLAOL. Furthermore, this entitles the concessionaire to consider compensation met from a reduction in the Concession Fee and potentially an increase in the length of the Concession Term. This, together with the extended period over which the pandemic had an impact, compounded the problem requiring a further stabilisation plan to be discussed with the shareholder, a framework for which was agreed in January 2021.

A year-on year comparison of Civil Aviation Authority passenger number data showed that London Luton Airport experienced the strongest recovery of any UK airport during summer 2020 and that airlines are reporting a surge in bookings following the announcement of the phased release of lockdown; therefore, we continue to take the view that the company's future prospects are good.

Whilst the company faces a period of sustained operating losses, measures have been put in place to stabilise the company and to enable it to recover its former position in due course and to share in the future success of the airport via the concession fee receivable from LLAOL.

The company is likely to continue to diversify its property portfolio by acquiring suitable properties adjacent to or nearby the airport, where it can be shown that these not only have a long-term strategic value to the company but are also capable of making a reasonable return on investment in the short to medium-term.

Much of the company's landholdings now form part of the London Luton Airport Enterprise Zone, announced by the former Chancellor of the Exchequer, the Rt. Hon. George Osborne MP, in November 2015.

In February 2017, LLAL submitted an application for planning consent for a mass passenger transit system to provide a fast, frequent and efficient transfer from London Luton Airport Parkway station to the central terminal area. The £243m construction commenced in the first quarter of 2018, and the system is to be fully operational by the end of 2021.

During the early part of 2018, LLAL submitted applications for planning consent in respect of its commercial development sites at Bartlett Square and Century Park. Bartlett Square was consented in November 2018 and Century Park in March 2019.

The company intends to submit, in due course, an application for a Development Consent Order to enable airport expansion. In receiving formal planning approval of the Development Consent Order, this will provide LLAL with the option to expand the existing Terminal from a current capped capacity of 18.5 million passengers per annum to 21.5m passengers per annum and the option to consider developing a new terminal 2 to increase capacity to 32 million passengers per annum. This would be a key enabler to allow LLAL to consider a strategy for expansive growth in revenue over the long term. The company is capitalising costs on these projects that support this strategy as a result of the expectation that this is a viable applicable and more likely than not to receive approval.

To date, we have conducted two public consultations on the proposals for the DCO. The second of these was a statutory consultation which took place in autumn 2019 and sought feedback on how we proposed to deliver a second terminal and associated infrastructure to deliver growth from the airport's current permitted capacity of 18 million passengers per annum (mppa) to 32 mppa by 2041. Since then we have been considering very closely and seriously the feedback we received. We heard in particular a clear message that people want us to go even further to mitigate environmental issues, including noise, air quality and climate change. We are currently continuing to invest more time to take a fresh look at every aspect of sustainability and the impacts of running an airport. This includes developing an innovative and ground-breaking initiative to ensure that all future growth at Luton can be green growth.

The company has continued to make progress with its development projects notwithstanding the impact of the Covid-19 pandemic on the basis that, on recovery, the London aviation system will be even more competitive than it is now and London Luton Airport needs to be in a position where it can take advantage of the opportunities for future growth.

Key performance indicators (KPI's)

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not currently necessary for an understanding of the development, performance or position of the business.

Financial risk management

The company does not have any external financial relationships with banks or finance houses. The debenture loans to the company are from Luton Borough Council, the shareholder, and are held at fair value at inception. No repayments are scheduled until the end of the concession period. It is not, therefore, exposed to any financial risks resulting from changes in debt market prices, credit risk, and liquidity risk. The company does not use finance derivatives and as such no hedge accounting is required.

Price risk

The company is not currently exposed to commodity price risk as a result of its operations.

Credit risk

The company is only exposed to credit risk in respect of London Luton Airport Operations Limited who pays a concession fee to the company on a quarterly basis in arrears. LLAOL is bound by an open book policy with the company and therefore its internal auditors have access to monitor performance and viability. An annual internal audit is undertaken to ensure that the liquidity and financial position of LLAOL is sufficient to meet its obligations under the concession agreement. The company utilises the facilities of its parent, Luton Borough Council, in ensuring minimal risk with its cash and investments.

Liquidity risk

The company receives its concession income at four agreed dates on a quarterly basis. It actively manages its short term investments and cash holdings to ensure sufficient funds are available for its activities.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a fixed rate. The company maintains it debt at a mixture of fixed and variable interest rates reducing exposure to fluctuating interest rates. The directors will revisit the appropriateness of this and determine a policy should the company's operations change in size or nature.

Strategic report
for the year ended 31 March 2020 (continued)

By order of the Board

[redacted]

M Turner
For the Company Secretary, Luton Borough Council

30th July 2021

London Luton Airport Limited

Directors' report
for the year ended 31 March 2020

The directors present their report and the audited financial statements for the year ended 31st March 2020.

Future developments

Future developments for the company are set out in the Strategic report.

Results and dividends

The company's loss for the financial year is £3.3m (2019: £46.6m profit). The Board of Directors at its meeting held on 26th March 2020 agreed an interim dividend of 42.66 pence per share (amounting to £19.125m) (2019: 44.97 pence per share, £20.159m). The Board subsequently rescinded this decision due to the continuing impact of restrictions on travel in response to the pandemic on the financial position of the company.

Directors

The directors who held office during the year and up to the date of signing the financial statements were:

W Akbar	
J Hussain	Chairman (from 25th May 2021)
A Malcolm	Chairman (to 25th May 2021)
K Malik	
A Nicholls	
T Saleem	
J Young	
D Agbley	Resigned (21 May 2019)
T Khan	Resigned (2 May 2019)
A O'Callaghan	Resigned 2 May 2019)
J Taylor	Resigned (2 May 2019)

The Lord McKenzie of Luton, Dr Romano Pagliari of Cranfield University and Mr Roy Davis attend Board meetings in an advisory capacity. They are not Directors of the company and have no voting rights. The Lord McKenzie ceased to attend meetings with effect from 3rd September 2020.

Employees

The company has no employees (2019: nil). Services to London Luton Airport Limited are carried out by employees of Luton Borough Council and the company is charged for these as set out in note 7.

Corporate social responsibility

The year ended 31st March 2020 saw the continuation of the company's Community Funding Policy, which sets out the ways in which the company will contribute to the social, environmental and economic wellbeing of the communities surrounding London Luton Airport. Details of the Community Funding Policy are available on the company's website at llal.org.uk.

Financial risk management

This has been documented within the Strategic Report at page 2.

Directors' insurance

The company maintains insurance policies on behalf of all the directors against liabilities arising from negligence, breach of duty, and breach of trust in relation to the company. This is a qualifying third party indemnity (as defined in section 234 of the Company Act 2006). The Directors' insurance has been in force during the year and at the date of approval of the financial statements.

Directors' report
for the year ended 31 March 2020 (continued)

Going concern

Refer to the accounting policies (note 3) for a detailed assessment of going concern.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

London Luton Airport Limited

Directors' report
for the year ended 31 March 2020 (continued)

Charitable donations

The company has, through its Community Funding Programme, made donations during the financial year amounting to £9.175m (2019: £9.204m) to local charitable organisations based or operating in Luton and the surrounding area. Payments are analysed across the seven Funding Themes of the Programme as follows:

	2020 £000	2019 £000
Children, Families & Young People	1,725	1,769
Citizen Enablement	792	792
Community Involvement	880	880
Community Safety	586	586
Environment & Economy	212	212
Health & Wellbeing	709	694
Leisure & Culture	4,271	4,271
	9,175	9,204

Independent auditors

PricewaterhouseCoopers LLP have acted as auditors to the company in the financial year and will be reappointed automatically as the company passed an elective resolution to that effect at its Annual General Meeting on 10 June 2006.

By order of the Board

[redacted]

M Turner
For the Company Secretary, Luton Borough Council

30th July 2021

Independent auditors' report to the members of London Luton Airport Limited

Report on the audit of the financial statements

Opinion

In our opinion, London Luton Airport Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2020; the Profit and Loss account, the Statement of comprehensive income, the Statement of changes in equity and the Statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Significant estimation uncertainty in relation to the valuation of investment property

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 3 (Accounting policies), 4 (Critical accounting judgements and estimation uncertainty) and 13 (Investment properties) to the financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of investment properties of £530.5m included in the statement of financial position as at 31 March 2020. The third party valuers engaged by management have included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the company's ability to continue as a going concern. The impact of COVID-19 continues to create considerable uncertainty for the aviation industry, which may result in the company needing to seek further support from its shareholder particularly if negotiations with the airport operator LLAOL do not conclude as expected, given the significant impact on future cashflows of these negotiations. In addition, the shareholder who is providing financial support to the company is yet to provide the debenture funding to the company and is itself currently undergoing a process to source the funding to provide this financial support. Accordingly, this funding cannot be assumed with certainty. These conditions, along with the

Independent auditors' report to the members of London Luton Airport Limited

other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

Independent auditors' report to the members of London Luton Airport Limited

are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

[redacted]

Amy York (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
30th July 2021

London Luton Airport Limited

Profit and loss account
for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	6	**55,077**	51,044
Administrative expenses		**(16,104)**	(15,412)
Change in fair value of investment properties		**(30,141)**	24,955
Operating profit	7	**8,832**	60,587
Interest receivable and similar income	9	**28**	11
Interest payable and similar expenses	10	**(3,913)**	(4,070)
Profit before taxation		**4,947**	56,528
Tax on profit	11	**(8,258)**	(9,963)
Profit/(loss) for the financial year		**(3,311)**	46,565

The profit and loss account has been prepared on the basis that all operations are continuing operations.

London Luton Airport Limited

Statement of comprehensive income for the year ended 31 March 2020

	Note	**2020**	2019
		£'000	£'000
Profit/(loss) for the financial year		**(3,311)**	46,565
Re-measurements of net defined benefit obligation	20	**187**	(16)
Current tax deductions relating to net defined benefit obligation		**(40)**	3
Total comprehensive income for the financial year		**(3,164)**	46,552

London Luton Airport Limited

Balance sheet
as at 31 March 2020

	Note	**2020**	2019
		£'000	£'000
Fixed assets			
Investment properties	13	**615,099**	615,712
Property, plant & equipment	14	**191,516**	88,041
		806,615	703,753
Current assets			
Debtors	15	**12,850**	13,866
Cash at bank and in hand		**382**	352
Total current assets		**13,232**	14,218
Creditors: amounts falling due within one year	16	**(10,125)**	(26,236)
Net current liabilities		**3,107**	(12,018)
Total assets less current liabilities		**809,722**	691,735
Creditors: amounts falling due after more than one year	17	**(253,161)**	(137,221)
Provisions for liabilities	19	**(64,960)**	(59,456)
Pension deficit	20	**(1,631)**	(1,924)
Net assets		**489,970**	493,134
Capital and reserves			
Called up share capital	21	**44,837**	44,837
Retained earnings		**445,133**	448,297
Total shareholders' funds		**489,970**	493,134

The notes on pages 14 to 28 are an integral part of these financial statements.

The financial statements on pages 9 to 28 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

[redacted]

A Malcolm, Director
30th July 2021

Registered Number 2020381

Statement of changes in equity for the year ended 31 March 2020

	Called up share capital	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 April 2018	44,837	421,904	466,741
Profit for the financial year	-	46,565	46,565
Other comprehensive income for the financial year	-	(13)	(13)
Total comprehensive income for the financial year	-	46,552	46,552
Total transactions with owners – dividends	-	(20,159)	(20,159)
Balance at 31 March 2019	44,837	448,297	493,134
Balance at 1 April 2019	44,837	448,297	493,134
Profit/(loss) for the financial year	-	(3,311)	(3,311)
Other comprehensive expense	-	147	147
Total comprehensive income for the financial year	-	**(3,164)**	**(3,164)**
Total transactions with owners - dividends	-	-	-
Balance at 31 March 2020	**44,837**	**445,133**	**489,970**

London Luton Airport Limited

Statement of cash flows
for the year ended 31 March 2020

	2020	2019
	£'000	£'000
Cash flows from operating activities		
Profit for the financial year	**(3,311)**	46,565
Adjustments for:		
Taxation charge	**8,258**	9,963
Interest payable and similar expenses	**3,913**	4,070
Interest receivable and similar income	**(28)**	(11)
Change in fair value of investment properties	**30,141**	(24,955)
Decrease/(increase) in debtors	**1,000**	(4,644)
Decrease in creditors	**(4,144)**	(4,883)
Corporation tax paid	**(6,408)**	(4,883)
Net cash generated from operating activities	**29,421**	21,222
Cash flows from investing activities		
Purchase of tangible assets	**(111,561)**	(78,797)
Interest received	**28**	11
Net cash used in investing activities	**(111,533)**	(78,786)
Cash flows from financing activities		
Interest paid	**(15,798)**	(4,054)
Receipts from loan facility	**115,940**	79,300
Dividends paid	**(18,000)**	(21,659)
Net cash generated from (used in) financing activities	**82,142**	53,587
Net increase/(decrease) in cash and cash equivalents	**30**	(3,977)
Cash and cash equivalents at the beginning of year	**352**	4,329
Cash and cash equivalents at the end of year	**382**	352

Notes to the financial statements for the year ended 31 March 2020

1. General information

London Luton Airport Limited ("the company") is the owner of London Luton Airport, together with a number of other investment properties and parcels of land. The company operates entirely in the UK. The airport is leased to London Luton Airport Operations Limited ("LLAOL") as set out in note 5.

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Hart House Business Centre, Kimpton Road, Luton, LU2 0LA.

2. Statement of compliance

The individual financial statements of London Luton Airport Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

The accounting policies have been applied consistently year on year.

Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of investment properties and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below.

Going concern

The directors have negotiated a stabilisation plan with the shareholder which was approved on 28th June 2021. The plan provides for financial support to the company through the period expected to be impacted by the ongoing pandemic until such time as the company's income reaches a point at which it is sufficient on its own to cover the expenses of the business. The plan allows for fluctuations in actual passenger numbers against forecasts. The extent of the support approved by the shareholder has been based on prudent forecasts for passenger numbers in the coming years compared to current industry expectations. LLAL has therefore been prudent in determining its estimated stabilisation funding requirement and considered a range of possible market and sector passenger forecasts in response to the current challenging market conditions. LLAL has considered and included a range of scenarios to stress test funding requirements to demonstrate that it will continue as a going concern based on the support currently approved by the shareholder.

The support agreed with the shareholder is primarily expected to be provided through additional debenture loans to support ongoing capital projects, the cessation of dividends paid to the shareholder until 2026, and additional investment via issuance of preference shares of up £20m in the company to the shareholder as needed.

Having had regard to the funding approved as part of the stabilisation plan, and considering severe but plausible downside scenarios in passenger modelling and delays to or additional funding for capital projects, the Directors have concluded that there will be adequate resources available to meet the company's funding requirements for at least 12 months from the date of this Annual Report and Financial statements, and that it is accordingly appropriate to adopt a going concern basis for the preparation of the financial statements

Nevertheless, the impact of COVID-19 continues to create considerable uncertainty for the aviation industry, which may result in the company needing to seek further support from its shareholder particularly if negotiations with LLAOL do not conclude as expected, given the significant impact on future cash flows of these negotiations.

In addition, the shareholder is yet to provide the debenture funding to the company for the agreed stabilisation package which was approved by the shareholder on the 28th June and is itself currently following the established process for seeking funding from the Public Works Loan Board. The company and the shareholder expect approval for the funding requested and to receive confirmation of availability to this funding shortly. However, accordingly, this funding cannot be assumed with certainty. These factors indicate the existence of a material uncertainty which may cast significant doubt upon the company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

Turnover

Turnover relating to concession income is recognised in line with the concession contract, see note 5 for further details. Other property income represents amounts falling due under rental agreements.

Leased assets

As a lessee, rental costs under operating leases are charged to the profit and loss account on a straight line basis over the periods of the leases.

Notes to the financial statements for the year ended 31 March 2020 (continued)

3. Accounting Policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, and loans from banks and other third parties.

(i) Financial assets

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest, and thereafter measured at amortised cost.

These are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

3. Accounting policies (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Pension costs

Certain employees of the airport business prior to the granting of the Concession Contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the financial year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire Local Government Pension Scheme in respect of former employees' entitlement to pension augmentations arising on redundancy.

This provision has been assessed in accordance with the advice of an independent actuary using the following principal assumptions.

	% pa
Pensions increase rate	1.95
Discount rate	2.25

An actuarial valuation for the purposes of settling London Luton Airport Limited's actual contributions was carried out at 31 March 2010 by Hymans Robertson LLP on the instructions of the then administering authority, Bedfordshire County Council. The results of this valuation have been projected forward to 31 March 2020 by Barnett Waddingham LLP on the instruction of the current administering authority, Bedford Borough Council, and reflected in these financial statements. The scheme is a defined benefits scheme.

Investment properties

The company includes investment properties at their fair value at the balance sheet date on the basis of the external valuer's valuation. Any gains or losses through the change in fair value are recorded through the income statement. A full valuation was carried out by Deloitte LLP as at 31st March 2020.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

3. Accounting Policies (continued)

Investment properties (continued)

London Luton Airport Limited's freehold and leasehold properties were valued on 31 March 2020 by an external valuer, Deloitte LLP. The valuations were prepared in accordance with the requirements of the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards as they apply in the UK (updated and amended in 2019) and the Global Standards (updated in 2020) which incorporates the International Valuation Standards (IVS). The RICS Valuation – Professional Standards are often informally referred to as the "Red Book". In accordance with the Red Book and IFRS 13, Deloitte LLP adopted Fair Value as the basis of valuation.

The external valuers included in their report, the following statement:

"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuations under frequent review. As at the valuation date (31 March 2020) COVID-19 had resulted in widespread restrictions on travel, with travel in the UK only permitted where essential to do so with similar restrictions in place globally. These travel restrictions led to air passenger reductions of over 90% in most EMEA airports in Q2 2020 according to Fitch Ratings. Further, COVID-19 has resulted in economic contractions globally, affecting demand for air travel."

There has been no change in year on year valuation methodology. An explicit discounted cash flow methodology, including sensitivity analysis, was adopted based on assumptions regarding passenger growth and RPI forecasts informed by analysis of both historical trends and knowledge of other airports as well as prevailing circumstances and forecasts at the date of valuation. The key factor that resulted in the impairment of the airport asset was (as at the valuation date) the forecasted disruption caused to passenger numbers (and therefore income) by COVID-19 with reference made to publicly available information from IATA (International Air Transport Association) Economics and Fitch Ratings. The valuers adopted a prolonged period of reduced passenger numbers with a phased recovery over a 3 year period reflecting the disruption, restrictions and impact on demand caused by COVID-19 considered as at the date of valuation.

Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing cost capitalised.

Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are ready for use.

3. Accounting Policies (continued)

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical judgements in applying the entity's accounting policies.

Management are required to make judgements in relation to the capitalisation of costs. This relates to both when amounts may begin to be capitalised and where there may be doubt about planning consent or the ultimate completion of the asset. Judgement has been exercised in the year across all development projects including the most significant in relation to the application for a Development Consent Order (DCO) to enable the company to expand its passenger capacity from an existing 18.5 million to 21.5 million and a further option to expand to 32 million passengers per annum. £37,883,000 has been capitalised in relation to the DCO at 31 March 2020.

Accounting standards require it to be probable that future economic benefits associated with an item will flow to the entity for an item to be capitalised. Management have considered a number of factors relating to the DCO including the potential ongoing impact of COVID-19 and the impact of climate change on long term passenger demand and have currently concluded it more likely than not that the DCO will be approved. If expansion were deemed not probable at a future date, then it is expected that the asset would be impaired in full.

The estimated passenger numbers have been derived from a variety of sources, both commissioned by and independent of the company. On the basis of modelling these passenger numbers, the directors believe that there is sufficient probability that future economic benefits will flow to the company to justify the continued capitalisation of costs related to the DCO and other development projects outlined further in notes 13 and 14.

b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain former employees now employed by LLAOL. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 20 for the disclosures relating to the defined benefit pension scheme.

Fair value of investment properties

Investment properties are valued on an annual basis requiring use of a number of critical estimates. The 2020 valuation, undertaken by Deloitte LLP, considered forecast future cash flows based primarily on passenger growth and was discounted using a discount rate of 11.5% being an estimate of the company's long term weighted average cost of capital. The DCF analysis assumes a reversionary value of the airport at the expiry of the concession on 31st March 2031 including assumptions on exit yield and income. The valuation was made in accordance with the RICS Appraisal and Valuation Manual.

5. Concession contract

On 20 August 1998 ('the concession date') the company entered into a concession contract with an unrelated entity, London Luton Airport Operations Limited ("LLAOL").

Under the terms of this contract LLAOL was granted a concession to operate the airport for a period of 30 years ('the concession period') and a lease over the company's land and buildings. In return LLAOL undertook to pay an annual concession fee to the company comprising of £3 million as a minimum fixed payment or a greater amount based on workload units (being each departing and arriving passenger and each 100 tonnes of freight) as prescribed in the concession agreement and, subject to the continuing growth of passenger numbers, fund an extensive capital investment programme. At the end of the concession period the assets, liabilities and operations of the airport revert to the ownership and use of the company.

In August 2012 a supplemental agreement to the concession contract was reached between LLAL and LLAOL. This agreement commits the operators to undertake a significant programme of development works to increase the Airport's capacity to handle throughput of up to 18 million passengers per year, in return for an extension of the Concession Period to March 31st 2031. The concession agreement was further amended in January 2014 to provide for a scheme to rebate the Concession Fee Rate payable by the airport operator in certain circumstances, in order to encourage passenger growth.

At the concession date the trading assets and liabilities of the company were transferred to LLAOL at book value. No profit or loss arose on the transfer of these assets and liabilities. The employees of the company were also transferred to LLAOL.

As the company no longer operates the airport itself, the land and buildings have become investment properties. At the instruction of the company, Deloitte LLP have valued the freehold interest in London Luton Airport as at 31 March 2020.

In March 2020 LLAOL informed the company that, in their belief, as a result of the pandemic being declared a Special Force Majeure event had occurred and that the provisions of clause 10.5 of the Concession Agreement had come into effect. This necessitated an extended period of negotiation between LLAL and LLAOL to establish the terms of the agreement which culminated in a settlement being reached in May 2021. The terms of the agreement outlined that the claim be settled via a reduction in the concession fee and a possible extension in the concession term. A variable element, termed the passenger access mechanism (PAM) is included to reflect amount receivable or payable to/ from the company if actual passenger out-turns above or below an agreed passenger forecast.

As a result of these negotiations, further discussions were held between LLAL and its shareholder to agree a plan to support the company financially to enable it to continue as a going concern until such time as its income is sufficient to meet its expenses; this plan was approved on 28th June 2021.

6. Turnover

	2020	2019
	£'000	£'000
Concession income	**54,187**	49,960
Other property income	**890**	764
Other income	-	320
Total investment income	**55,077**	51,044

All turnover is generated and originates in the United Kingdom. The future minimum rental under the concession agreement receivable from LLAOL amounts to £3,000,000 per annum.

Notes to the financial statements for the year ended 31 March 2020 (continued)

7. Operating profit

	2020	2019
	£'000	£'000
Operating profit is stated after the following amounts have been charged:		
Operating leases - land and buildings	**3,086**	2,910
Charge for enhanced pension payments	**38**	46
Charitable donations	**9,175**	9,204
Auditor's remuneration:		
The audit of the company	**70**	58
Tax compliance services	**11**	11
Tax advisory services	**37**	67
Other services	**147**	209

The shareholder, Luton Borough Council, provides professional services to the company. Charges to the company for these services amounted to £1,501,836 (2019: £1,555,026) and are on commercial terms. £2,898,968 (2019: £2,834,547) of the operating lease charge for a car park on the airport premises and for the adjacent area of Wigmore Valley Park is with Luton Borough Council on commercial terms. Luton Borough Council is the company's controlling party by virtue of its majority shareholding. The company has no employees. Services to the company are carried out by employees of Luton Borough Council and the company is charged for these as set out above. Accordingly, there is no key management personnel compensation.

8. Directors' emoluments

Directors' emoluments for the financial year amounted to £nil (2019: £nil). All of the directors are council members and therefore do not qualify for remuneration.

9. Interest receivable and similar income

	2020	2019
	£'000	£'000
Interest receivable	**28**	11

Notes to the financial statements for the year ended 31 March 2020 (continued)

10. Interest payable and similar expenses

	2020	2019
	£'000	£'000
Interest on debenture loans - repayable after more than 5 years (note 17)	**3,913**	4,070

The total interest paid in the year was £15,798,307 (2019: £7,872,113), of which £11,885,268 (2019: £3,801,806) in relation to the company's development projects was capitalised.

11. Tax on profit

	2020	2019
	£'000	£'000
Current tax		
United Kingdom corporation tax on profits of the financial year	**2,904**	4,716
Adjustments in respect of prior years	**(127)**	(260)
	2,777	4,456
Deferred tax :		
Origination and reversing of timing differences	**(1,551)**	5,894
Adjustments in respect of prior years	**73**	233
Change in tax rates	**6,959**	(620)
	5,481	5,507
Total tax charge on profit	**8,258**	9,963

11. Tax on profit (continued)

The tax assessed for the financial year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
	£'000	£'000
Profit before tax	4,947	56,528
Profit before tax multiplied by standard rate in the UK of 19% (2019: 19%)	940	10,740
Effects of:		
Expenses non-deductible for tax purposes	22	12
Deferred tax not provided for	850	(129)
Indexation on revalued properties	(459)	(13)
Adjustments in respect of prior years	(54)	(27)
Tax rate change	6,959	(620)
Total tax charge	8,258	9,963

Factors that may affect future tax rate

Changes to the UK Corporation tax rates were substantially enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to 17% from 1 April 2020. This provision was rescinded on 17th March 2020 leaving the main rate at 19%. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and reflected in these financial statements.

12. Dividends

	2020	2019
	£'000	£'000
On ordinary equity shares		
Approved: nil pence (2019: 44.97p) per share	-	20,159

Notes to the financial statements for the year ended 31 March 2020 (continued)

13. Investment properties

	Airport £'000	Other Properties £'000	Assets in the course of construction £'000	Total £'000
Balance at 1 April 2019	560,000	22,325	33,387	615,712
Additions in the year	-	8,831	20,697	29,528
Fair value adjustments	(29,500)	(641)	-	(30,141)
Balance at 31 March 2019	**530,500**	**30,515**	**54,084**	**615,099**

The interest in the airport and other properties has been valued in accordance with the circumstances and principles set out in note 3.
The "Assets in the course of construction" includes £16,201,000 (2019: £13,145,000) in respect of the commercial development sites at Bartlett Square and Century Park, and £37,883,000 (2019: £20,241,000) in respect of the Future LuToN project.

14. Property, plant & equipment

	Assets in the course of construction £'000
Balance at 1 April 2019	88,041
Additions in year	103,475
Balance at 31 March 2020	**191,516**

The "assets in the course of construction" relates to the Luton DART (Direct Air-Rail Transit) mass passenger transit system linking Luton Airport Parkway railway station to the central terminal area of London Luton Airport. The company has further capital commitments for the construction of DART of £41.687m

Notes to the financial statements
for the year ended 31 March 2020 (continued)

15. Debtors

	2020	2019
	£'000	£'000
Deferred tax (note 18)	**324**	340
Prepayments and accrued income	**12,526**	13,526
	12,850	13,866

16. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Corporation tax	-	2,178
Other taxation and social security	-	2
Dividends	-	18,000
Other creditors	**10,125**	6,056
	10,125	26,236

Notes to the financial statements for the year ended 31 March 2020 (continued)

17. Creditors: amounts falling due after more than one year

	2020	2019
Debenture loans Maturity loans non-instalment	**£'000**	£'000
Debenture loan 1 – interest fixed at 12%	3,153	3,153
Debenture loans 2 & 3 – interest at 4% over three months LIBOR	7,216	7,216
Debenture loan 4 – interest 4% over six months LIBOR	1,788	1,788
Debenture loan 5 – interest fixed at 12.125%	3,102	3,102
Debenture loan 6 – interest at 4% over six months GBR	1,662	1,662
Debenture loan 7 – interest at 7.58% over three months LIBOR	11,000	11,000
Debenture loan 8 – interest fixed at 11.5%	12,000	12,000
Debenture loan 9 – interest fixed at 11.5%	3,000	3,000
Debenture loan 10 – 52 – interest fixed at 8%	210,240	94,300
	253,161	**137,221**

The debenture loans are from Luton Borough Council, the shareholder. The repayment in full in a single payment of the principal in respect of debenture loans 1 to 6 is scheduled for 28th March 2028 and of debenture loans 7 to 52 for 1st April 2031. The debentures are secured on the total assets of the company.

Luton Borough Council has provided the company with a loan facility of £285.0m (2019: £281.0m), of which £210.2m (2019: £94.3m) has been drawn down as at 31 March 2020. The amounts drawn down are represented by debentures 10 to 52 above. The current loan facility attracts a fixed interest rate of 8% (2019: 8%) and the maturity date is 1 April 2031.

18. Deferred tax asset

The deferred tax asset represents the following:

	2020 £'000	2019 £'000
Deferred tax in relation to pensions liability	**324**	340
Deferred tax at 1 April	**340**	354
Deferred tax charge in the profit and loss account	**(16)**	(14)
Deferred tax asset at 31 March	**324**	340

19. Provisions for liabilities

The deferred tax liability arises wholly in relation to investment properties.

	2020 £'000	2019 £'000
Balance at 1 April	**59,456**	53,963
Deferred tax in respect of fair value adjustments in year	**(3,830)**	5,157
Adjustment in respect of prior year	**73**	233
Deferred tax in respect of capitalised interest	**2,258**	723
Change in tax rate	**7,003**	(620)
Balance at 31 March	**64,960**	59,456

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the deferred tax liability by £20,425,167.

Notes to the financial statements for the year ended 31 March 2020 (continued)

20. Pension commitments

Certain employees of the airport business prior to the granting of the concession contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the financial year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire Local Government Pension Scheme (LGPS) in respect of former employees' entitlement to pension augmentations arising on redundancy. The LGPS is a defined benefit statutory scheme. The cost charged to the company is based on the actual cost attributable to the former employees.

a) Defined benefit scheme

An actuarial valuation of the Bedfordshire Pension Fund for the purposes of settling London Luton Airport Limited's actual contributions was carried out at 31 March 2010 using the projected unit basis, by Hymans Robertson LLP, independent consulting actuaries. The results of this valuation have been projected forward to 31 March 2020 by Barnett Waddingham LLP. The major assumptions used by the actuary were:

	2020	2019
	%	%
Pension increase rate	**1.95**	2.5
Discount rate	**2.25**	2.1

The mortality assumptions used were as follows:

	2020	2019
	years	years
Longevity at age 65 for current pensioners:		
– Men	**22.2**	20.7
– Women	**24.3**	23.2

	2020	2019
	£'000	£'000
Present value of scheme liabilities	**(1,631)**	(1,924)

Notes to the financial statements for the year ended 31 March 2020 (continued)

20. Pension commitments (continued)

b) Reconciliation of present value of scheme liabilities

	2020 £'000	2019 £'000
At 1 April	**1,924**	2,006
Interest cost	**39**	50
Unfunded benefits paid	**(145)**	(148)
Re-measurements of net defined benefit obligation	**(187)**	16
At 31 March	**1,631**	1,924

21. Called up share capital

	2020 £'000	2019 £'000
60,000,000 (2019: 60,000,000) Authorised ordinary shares £1 each	**60,000**	60,000
44,837,002 (2019: 44,837,002) Allotted and fully paid	**44,837**	44,837

22. Operating lease commitments and contingencies

At 31 March the company was committed to making the following total payments in respect of operating leases relating to land and buildings.

	2020 £'000	2019 £'000
Amounts payable in less than one year	**3,180**	2,929
Amounts payable between two and five years	**9,082**	8,076
Amounts payable in excess of five years	**14,469**	14,979

Notes to the financial statements for the year ended 31 March 2020 (continued)

23. Financial instruments

	2020 £'000	2019 £'000
Financial assets		
Cash	**382**	352
Financial assets that are debt instruments measures at amortised cost	**12,850**	9,934
Financial liabilities		
Financial liabilities measured at amortised cost	**263,160**	163,334

24. Related parties

There are no transactions with related parties not wholly owned by the group headed by Luton Borough Council. The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned by the group headed by Luton Borough Council.

25. Parent entity and ultimate controlling party

The immediate and ultimate parent undertaking and controlling party is Luton Borough Council. Luton Borough Council is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2020. The consolidated financial statements of Luton Borough Council are available from Town Hall, George Street, Luton, LU1 2BQ.

Appendix C6 – Passenger Numbers and Financial Summary (2015-16 to 2019-20)

Luton Rising passenger numbers and financial summary 2015/16 – 2019/20

Passenger numbers 2015/16 – 2019/20 (mppa)

	2015/16 mppa	2016/17 mppa	2017/18 mppa	2018/19 mppa	2019/20 mppa
Passenger numbers (mppa)	12.839	15.052	15.828	16.977	17.247

Modified Profit and Loss account 2015/16 – 2019/20 (£m) *

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Turnover	34.9	41.5	46.3	51.0	55.1
– *Concession fee*	*34.4*	*40.8*	*45.4*	*50.0*	*54.2*
– *Other income*	*0.5*	*0.7*	*0.9*	*1.1*	*0.9*
Administrative expenses	(-20.2)	(-17.3)	(-16.0)	(-15.4)	(-16.1)
– *Operating expenditure*	*(-5.4)*	*(-6.9)*	*(-6.6)*	*(-6.2)*	*(-6.9)*
– *Charitable donations*	*(-14.8)*	*(-10.3)*	*(-9.4)*	*(-9.2)*	*(-9.2)*
Operating profit	**14.7**	**24.2**	**30.3**	**35.6**	**39.0**
Interest receivable and similar income	0.1	0.1	0.1	0.0	0.0
Interest payable and similar expenses	(-3.3)	(-3.9)	(-3.8)	(-4.1)	(-3.9)
Profit before taxation	**11.5**	**20.4**	**26.6**	**31.6**	**35.1**
Current tax *	(-2.6)	(-4.2)	(-4.9)	(-4.5)	(-2.8)
Profit / (loss) for the financial year	**8.9**	**16.2**	**21.7**	**27.1**	**32.3**
Dividends	(-6.0)	(-17.8)	(-19.5)	(-20.2)	0.0
Retained earnings available for investment	2.9	(-1.6)	2.2	7.0	32.3

* The full statutory Profit & Loss accounts have entries for the change in fair value of investment properties and a total tax charge (comprising current tax and deferred/ accrued tax). The values are shown in the Table below. Fair value adjustments and deferred taxation values are both excluded from this 'Modified' Profit and Loss account as they are only book entries and do not create monies that are available for investment into the airport. For instance, deferred taxation is not an annual obligation and only becomes an obligation if the airport is ever sold.

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Change in fair value of investment properties	19.4	32.2	4.7	25.0	(-30.1)
Total tax charge on profit	(-1.2)	(-5.7)	(-4.6)	(-10.0)	(-8.3)
– *Current tax*	*(-2.6)*	*(-4.2)*	*(-4.9)*	*(-4.5)*	*(-2.8)*
– *Deferred / accrued tax*	*1.4*	*(-1.5)*	*0.3*	*(-5.5)*	*(-5.5)*