London Luton Airport Operations Limited

Financial statements

for the year ended 31 December 2023

Registered number: 03491213

London Luton Airport Operations Limited

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London Luton Airport Operations Limited

Company information

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London Luton Airport Operations Limited

Strategic report

The Strategic Report has been prepared by the Directors to provide additional information to users of the financial statements in respect of the Group's strategy and business objectives.

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

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

The business model

The ultimate parent undertaking and controlling party is Entidad Pública Empresarial Enaire ('Aena').

The principal activities of the Group during the year were the operation and management of London Luton Airport. The key economic driver of the business is passenger volumes. There are two customer groups influencing this key economic driver: airlines and their passengers. The Group's operating company, London Luton Airport Operations Limited ("LLAOL") earns revenue from the airlines, primarily through a charge per passenger (Aeronautical Income) and from passengers by way of spend-related rental arrangements with retailers, caterers and other service providers (e.g. transport), as well as car park income and income from properties on the airport estate (Non-Aeronautical Income).

The Group's vision is to be the simplest and friendliest major airport, focused on sustainable growth. Underpinning this vision, the Company's main objectives are to: improve the experience of its passengers; to operate in a safe and environmentally sustainable manner; and to grow the business for the benefit of all stakeholders. The Company recognises the importance of its position in the community: it generates valuable socio-economic benefits for the Luton region and its people, while at the same time the Group works to mitigate adverse impacts of aviation (e.g. noise, traffic).

LLAOL is a leader in sustainable aviation having been awarded the highest rating in GRESB, a global sustainability benchmark with a five star rating in all areas. Our bold strategy to be carbon neutral by 2040 is making substantial progress through a number of exciting initiatives including plans to construct a new solar farm, with the aim to begin construction in 2024.

Passenger experience is at forefront of what we do. Our exciting plans for 2024 include the [opening] of a new mezzanine in the departures lounge, and the completion of the rollout of NextGeneration security equipment to minimise queue times. The continued enhancement of the airport has led to further growth in passengers year on year. The Company is pleased to report that the airport obtained planning permission to increase its passenger cap from 18 million passengers per annum to 19 million passengers per annum, providing a platform for future sustainable growth.

October 2023 saw a major fire break out in Terminal Car Park 2 ("TCP2"), the airport's largest short stay car park and closest drop off zone to the terminal. Due to the professionalism and swift response of the emergency services, no one was seriously injured and the fire was contained to the one car park. The fire resulted in the destruction of the car park and the loss of the majority of cars. The structure is currently being demolished, and a new car park is expected to be completed in 2025. The Group has sought to minimise the disruption to passengers where possible, including increasing the number of spaces available in other locations, more frequent transfers from our interim drop off zone to the terminal, and increased staffing to manage passenger flow.

Financial performance and key performance indicators

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

Passengers volumes in 2023 have increased by 23% versus prior year (2022: 186%) with passenger volumes of 16.2m in 2023 (2022: 13.1m).

Total revenue for the year ended 31 December 2023 was £296,584k (2022: £227,343k); see note 3 to the financial statements for further analysis. Traffic income in 2023 represented an average of £8.49 per passenger (2022: £7.85).

The Operating Profit for the year was £82,681k (2022: £63,815k). The Directors believe that EBITDA is the performance measure most relevant to the readers of the statutory accounts. EBITDA (See note 4) was £120,345k for the year (2022: £92,566k) an increase of 30% versus prior year (2022: increase 225%). The increase was a result of additional passenger numbers.

London Luton Airport Operations Limited

Strategic report

Future developments

Luton Rising is proposing an expansion of the airport up to 32 million passengers per annum. The planning permission application (in the form of a Development Consent Order or "DCO") was accepted for detailed examination by the Planning Inspectorate on 27 February 2023 following a public consultation in 2022. The examination concluded in February 2024, and a recommendation will be made to the Secretary of State. A final decision is expected in 2024. If the expansion project proceeds it will provide new jobs and additional economic activity to Luton and the surrounding areas, with an expected increase of up to around 12,000 jobs.

Principal risks and uncertainties

The principal corporate risks as identified by the Board of Directors are as follows:

Macroeconomic environment

High inflation and increases to the cost of living remain a risk to future growth. However, over the mid-term, demand for air travel coupled with the shortage of airport capacity in the London region should enable the airport to grow beyond pre pandemic levels.

The Group's fixed rate facilities and interest rate hedging significantly mitigate interest rate risk in the Group. Volatility in FX is not a key risk for the business.

Safety and security risks

The Group mitigates safety and security risks by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in security technology. Security risks include both the risk to physical security and cyber security risk. LLAOL works closely with government agencies and the police to match security measures to a level commensurate with the current threat level.

LLAOL has ISO 45001 Occupational Health & Safety Management certification. The Company is committed to promoting a proactive safety culture and to achieving safety excellence.

The ongoing assessment of risk is managed through our risk governance process.

Governance, Social and Environmental Issues

The Group's Responsible Business Strategy (RBS) sets out a 2020-2025 plan on environmental, social and governance issues. The RBS outlines our current performance and aims to make London Luton Airport a champion in sustainable aviation.

For the second year in a row, LLAOL achieved the highest rating in GRESB, a global sustainability benchmark (environmental, social and governance) that provides actionable and transparent sustainability data. LLAOL achieved a maximum score of 100 and a five-star rating across all aspects of the internationally recognised sustainability framework that benchmarks the environmental, social and governance (ESG) management and performance of major infrastructure assets worldwide.

The Sustainability Board Committee, created in 2021, continued to work on sustainability issues, alongside engagement with shareholders and Luton Rising as airport owners. In 2022, the Group developed its roadmap to achieve net zero for LLAOL's greenhouse gas emissions by 2040. The flagship projects to deliver this was the development of an enabling study to generate renewable energy on site and a plan to switch to low-carbon vehicles. Alongside this, the Group furthered work on better understanding and addressing the risks and opportunities associated with climate change as well as developing an Air Quality strategy to assess and minimise the LLAOL's contribution to local air quality.

The Group continued to contribute to the national economy, generated both directly and through its partners and suppliers. LLAOL is one of the biggest employers in the region, and local businesses and suppliers accounted for over 50% of its supply chain expenditure in 2023. To engage the supply chain in the LLAOL's sustainability journey, it worked with suppliers to develop sustainable supply chain opportunities.

To further invest in the local community and align with our sustainability plans, LLAOL continued with its £100,000 pilot Greener Future Fund partly funded by our existing Community Trust grant funding process. The fund aims to attract funding applications from charities and community groups to help tackle biodiversity and carbon reduction through innovation and education programmes and initiatives.

Principal risks and uncertainties (continued)

Noise management

LLAOL continues to make improvements to the way in which aircraft noise is managed, actively engaging with the local community to minimise disturbance. This includes measures that respond to the planning conditions placed on the airport. A number of voluntary measures have also been agreed and implemented based on best practice and in consultation with the airport's Consultative Committee, made up of local representatives. These are detailed in full in the airport's Noise Action Plan, available on its website;

https://www.london-luton.co.uk/corporate/community/noise/noise-action-plan

We are also working with our airline partners to encourage deployment of latest generation aircraft which are quieter and more fuel efficient through fleet modernisation.

Passenger cap

The airport's planning conditions limit the airport to a maximum capacity of 18m commercial passengers per year, with permission to increase to 19 million commercial passengers. The prior cap of 18 million was reached in 2019. The cap could present a risk to future growth. Luton Rising has an ongoing planning application to expand the capacity of the airport to 32 million passengers. The result of this application is expected in Q4 2024.

Capital projects

Failure to control major capital project costs and delivery timeframes can be economically damaging. The Group mitigates this risk through adherence to a rigorous project process, and by systems of project reviews before approval, during construction and after project completion.

Industrial relations

Industrial action by key groups of employees that affects critical services or curtails operations could have potentially adverse financial and/or reputational impacts on the Group. LLAOL recognises the trade union Unite and seeks to resolve any issues through discussion and negotiation. There is the potential for adverse financial impacts if industrial action is taken within suppliers of key services (e.g. air traffic controllers) or by employees of key clients (e.g. airlines) and their suppliers. The Group monitors this closely.

Financial risk management objectives and policies

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

The Directors monitor the appropriateness of the Group's debt facilities should the Group's operations change in size or nature. To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance.

Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Group's Finance Department.

The following table shows the principal financial risks the Group is exposed to and the Group's approach to mitigating the risk.

Risk	Impact on Company	Assessment of change in risk year-on-year	Mitigation of risk
Liquidity risk	The Company's ability to maintain sufficient cash to pay its obligations as they fall due.	Passenger numbers continue to increase as does the YoY spend per passenger. Approval of our increase in passenger cap further reduces this risk. The majority of additional costs incurred as a result of the TCP2 fire are covered through insurance.	The Group has a RCF facility of £80m, which was undrawn at the end of December 2023
Insurance risk	The Group has the relevant insurance in place to respond to the lost profit, increased costs of working and rebuilding of TCP2. However, there is a risk that insurance receipts do not cover 100% of costs incurred.	This risk is new for 2023 as a result of the TCP2 fire in October 2023.	LLAOL's process for preparing its insurance claim is robust and well evidenced. Experts in large scale insurance claims are being consulted throughout this process.

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Strategic report

Financial risk management objectives and policies (continued)

Risk	Impact on Company	Assessment of change in risk year-on-year	Mitigation of risk
Interest rate risk	The Company's ability to fund interest payments, on external and related party loans.	The Company has either fixed interest rates or 100% interest rate hedging (2023: 100%) in place on all debt except for its £80m revolving credit facility, which has a variable interest rate. This facility is fully repaid at the end of the year	The fixed rate facilities and interest rate hedging significantly mitigate interest rate risk in the Company.
Retirement benefit obligations	The Company's ability to support the defined benefit pension scheme.	The retirement benefit obligations which represent the net liability to the defined benefit pension scheme (on a technical provisions basis) are nil (2022:nil) as a result of better asset performance and deficit repair contributions in 2022.	The next triennial valuation is currently being prepared and should be completed in 2024.
Noise management risk	LLAOL has noise contours conditions as part of its planning permission.	The risk has not materially changed year in year. There were no noise breaches in 2023 (2022:nil)	The Company adopts a package of measures to mitigate noise impacts and remain compliant with planning requirements. In addition, aircraft fleet modernisation provides a natural reduction in noise levels due to quieter more modern aircraft, which mitigates the impact of airport expansion.

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Strategic report

Financial risk management objectives and policies (continued)

Risk	Impact on Company	Assessment of change in risk year-on-year	Mitigation of risk
Passenger cap risk	The airport has a current passenger cap of 18m passengers, with permission to increase to 19m, which could limit future growth.	The number of passengers remains under the 18m cap. The DCO application, if approved, will increase the cap to 32m, further mitigating this risk.	The Company monitors passengers on a daily basis in order to manage the number of passengers against the cap.

Statement by the Directors in Performance of their Statutory Duties in Accordance with s172(1) Companies Act 2006

Throughout these financial statements, we provide examples of how we take into account the likely consequences of long term decisions; build relationships with stakeholders; understand the importance of engaging our employees; understand the impact of our operations on the communities in the regions in which our airports operate and the environment we depend upon; and attribute importance to behaving as a responsible business.

The Board of Directors are aware of and consider they have acted in accordance with their statutory duties under s172(1) of the Companies Act 2006. Consistent with these duties, the directors have acted in good faith, seeking to promote the long-term success of the Company for the benefit of shareholders and in so doing have had regard to their duties to:

- the likely consequences of any decisions in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment.
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as shareholders of the Company.

London Luton Airport Operations Limited

Strategic report

Statement by the Directors in Performance of their Statutory Duties in Accordance with s172(1) Companies Act 2006 (continued)

The following paragraphs summarise how they fulfil those duties, with references, where appropriate, to the other parts of the financial statements where further information is available.

Stakeholder Group	Form of engagement	How this stakeholder Group influenced Board decision making
Passengers With more than 145 destinations served from the airport, we provide the vital connections to allow people to travel for business, leisure and visiting family and friends. Providing the right services and destinations for passengers is critical to our success and continued growth strategy.	Feedback from passengers is carefully reviewed and reported to management on a weekly basis.	Passenger satisfaction surveys are monitored and interventions made to improve satisfaction.
Local communities When the airport prospers, it also brings benefits to the local communities, including employment, supporting local groups, education and skills. Impacts from the airport and aircraft operations, including noise, emissions and congestion can negatively affect communities near our airports and need careful management.	Regular and long-term engagement with local communities.	Community views are important to the Company and have been a key factor in noise and passenger planning cap applications. There has also been several public consultations that sought views from the community on Luton Rising's DCO.

Statement by the Directors in Performance of their Statutory Duties in Accordance with s172(1) Companies Act 2006 (continued)

Stakeholder Group	Form of engagement	How this stakeholder Group influenced Board decision making
Employees Employees are fundamental to the Group's success. We aim to be a fair and responsible employer in our approach to the pay and benefits our employees receive; we seek to provide an environment where our colleagues can fulfil their potential and safeguard their health, safety and well-being.	The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, online tools and through email communication. In addition to an annual engagement survey, employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee profit share scheme has been running successfully and is open to all qualifying employees.	Through all forms of engagement, the Group has sought to listen to employees to ensure the Group continues to be a great place to work. Retaining top talent is a key priority and opportunities to train and develop employees are proactively sought. The results of the annual employee engagement survey and actions taken in response to the survey are reviewed by the Board.
Pensions Trustees The defined benefit scheme was created in 1988 under trust and is governed by the Scheme's Deed of Variation dated 18 April 2008, as amended. The trustees are responsible for the operation and governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy in consultation with the LLAOL.	LLAOL has regular meetings with the pensions trustees including routinely providing business updates to the wider trustee group and being actively involved in the Investment Sub-Committee.	LLAOL has had regular contact with the trustees and their advisors. The scheme is fully funded, and the company is working closely with the Trustees in the ongoing triennial evaluation.

London Luton Airport Operations Limited

Strategic report

Statement by the Directors in Performance of their Statutory Duties in Accordance with s172(1) Companies Act 2006 (continued)

Stakeholder Group	Form of engagement	How this stakeholder Group influenced Board decision making
Customers, partners and suppliers Establishing, developing and maintaining strong business relationships with our customers, business partners and suppliers is fundamental to the long-term stability and success of our business. We always seek to conduct business in a professional and collaborative manner.	LLAOL holds collaborative forums and with all our business partners – including airlines, retailers, tenants and aviation service partners. Our Airport Consultative Committees bring these customer groups together with passenger and community representatives. Our approach to procurement is accredited to the Corporate Certification Standard of the Chartered Institute of Procurement and Supply. This incorporates practices to make responsible procurement decisions which treat suppliers fairly, mitigate modern slavery, and ensure prompt payment.	The Board continually engages with these stakeholders. Collaborative working ensures that issues can be dealt with proactively.
Industry, regulatory bodies, government and government agencies We help national and regional government to formulate and deliver their policies. We actively contribute to industry associations and promote the legitimate interests of our industry.	LLAOL regularly meets with national government and elected representatives including Government officials across a wide range of departments, members of both the House of Commons and the House of Lords, ministers and shadow ministerial teams, scrutiny committees like the Transport Select Committee and policy making bodies. LLAOL also holds relationships with regulators (the CAA) and is a member of several trade associations linked to its interests including the CBI and AOA. At a more local level, Corporate Affairs teams hold local MP relationships, as well as with councillors, LEPs and local government agencies.	The Board receives regular updates on the work of the Group with local government and agencies working with the airport to support long term growth and to bring economic benefits to the local area.

London Luton Airport Operations Limited

Strategic report

Statement by the Directors in Performance of their Statutory Duties in Accordance with s172(1) Companies Act 2006 (continued)

Stakeholder Group	Form of engagement	How this stakeholder Group influenced Board decision making
Shareholders Our shareholders invest in the Company as a long-term strategic asset. By taking a long term view they underpin the sustainable growth of the business.	LLAOL holds at least eight Board meetings each year and the Board is supported by sub-committees in strategically important areas including Audit and Risk, Remuneration and Sustainability.	Shareholder representatives meet regularly with the Executive team to ensure they are closely briefed, and they are supported by a team of experienced non-executive directors.

Taking a long-term view of risks and opportunities

The Group operates a systematic process to identify risks and opportunities. Key risks include whether or not the airport can continue to grow sustainably, the need to maintain a safe and secure operation, manage the Group within a highly regulated sector, manage the changes in passenger levels and the need to attract and retain talented people. Our assessment of risk is regularly reported to the Board through Audit and Risk Committee meetings held at least 2 times a year, to allow the long-term consequences of decisions to be assessed.

Maintaining a reputation for high standards of business conduct

It is important that the Group operates to high standards of business conduct and appropriate policies, including the prevention of bribery and corruption have been implemented, with supporting training for those colleagues whose work is most likely to expose them to relevant risks. All colleagues have access to an anonymous whistleblowing service to report any instances where high standards of business conduct have not been adhered to and this is available on the corporate website for external parties.

Corporate Governance

The Company is committed to maintaining the highest standards of corporate governance. LLAOL, the Group's main trading entity, adopted the Wates Principles in 2022. Other companies within the Group reviewed the principles with the aim of strengthening corporate governance to the extent appropriate to that entity. As part of the Company's corporate governance framework, an external board effectiveness review was undertaken in 2023.

Corporate and social responsibility

A Community Engagement Approach is embedded within the Responsible Business Strategy which outlines the airport's community programme focus on supporting the overall strategy of the airport around Healthy Today, Skilled Tomorrow, Alleviating Poverty. The Group's operations are intrinsically linked to the community. Its proximity to residential areas means that impacts such as noise (produced by aircraft and airport operations) has the potential to adversely impact the life of people living nearby and under its flight paths. Whilst schemes exist to mitigate operational impacts such as noise, they cannot be completely eliminated. Our new Community Engagement approach and programmes therefore aim to ensure those living close by also see the greatest benefits.

Colleagues have volunteered with local community organisations and surplus food has been donated to homeless charities.

Events after the balance sheet date

There have been no identified events after the balance sheet date.

London Luton Airport Operations Limited

Strategic report

Approval

Approved by the Board and signed on its behalf by:

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Keith Ludeman
Chairman
16 April 2024

London Luton Airport Operations Limited

Directors' report

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2023.

Future developments and events after the balance sheet date

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

Going concern

The Directors have prepared the financial statements on a going concern basis.

Forecasts have been prepared for the period at least 12 months from the date of approval these financial statements. These forecasts incorporate prudent assumptions including a moderate increase in passenger numbers, increased costs in line with passenger numbers and inflation, and CPI/RPI increases in line with ONS forecasts. Severe but plausible downside scenarios assume flat passenger numbers and no growth in other income streams. In all scenarios modelled, there are no indicators that the Company and Group will not remain a going concern. The Group has an £80m RCF facility which was undrawn as at 31 December 2023 which reduces to £40m in August 2024, providing sufficient headroom in all modelled scenarios.

Those forecasts are dependent on trade and cash generated from the trading subsidiary, London Luton Airport Operations Limited ("LLAOL"). The Company has control to direct the funds from LLAOL, to meet any liabilities that fall due in the going concern period.

There are no indicators that the Company and Group will not remain a going concern.

Financial risk management objectives and policies

The Group's operations expose it to a variety of financial risks that include the effect of credit risk, liquidity risk and interest rate risk. Further details can be found in the Strategic Report.

Dividends

£65,300,000 dividends were paid in the year. (2022: £nil).

Directors

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

J Leo Vizcaíno

R Marabini Ruiz

R M McCord

M De Los Reyes Escrig Teigeiro

A Martin

K Ludeman

B Landínez González-Valcárcel

M Andrés Hermán

G Ferguson

J P Symonds

D Rees

M Nunez

E Barahona Panes

Directors include executive, non-executive and alternate directors. Alternate directors have been appointed by certain directors to attend in their place when they are absent, in accordance with article 77 of the articles of association of the company. The directors, who served throughout the year except as noted, were as follows:

Executive directors

A Martin

London Luton Airport Operations Limited

Directors' report

Non-executive directors

J Leo Vizcaíno

R Marabini Ruiz

M De Los Reyes Escrig Teigeiro

K Ludeman

B Landínez González-Valcárcel

G Ferguson

J P Symonds

D Rees

Alternate Directors

R M McCord
(alternate to A Martin)

M Nunez
(alternate to J Leo Vizcaíno)

M Andrés Hermán
(alternate to B Landínez González-Valcárcel)

Disabled employees

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

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings. Annual employee engagement surveys are conducted and actions are taken in response to the surveys. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee profit share scheme has been running successfully and is open to all qualifying employees.

Political contributions

The Company did not make any political donations or incur any political expenditure during the year (2022: £nil).

Energy use and the associated greenhouse gas emissions

		2023	2022
Energy use	Electricity (kWh)	19,006,873	20,919,743
	Gas (kWh)	7,199,807	7,161,135
	Fuel (litres)	399,212	369,205
Associated GHG emissions (tCO2e)	Electricity	3,936	4,200
	Gas	1,317	1,307
	Fuel	959	1,043
Total Carbon		6,243	5,788
Passengers		16,195,502	13,136,927
Intensity Ratio	kgCO2e/pax	0.39	0.49
Methodology used	GHG Protocol and ISO 14064-1		

Energy management

Energy management continues to be a core focus for LLAOL in line with working towards Net Zero in Scope 1 & 2 emissions by 2040.

LLAOL continues to operate on a 100% green electricity REGO (Renewable Energy Guarantees of Origin) contract, which ensures supply from national renewable sources including solar, wind and hydro-electric. This also applies to any electricity supplied by LLAOL to third parties, concessions and tenants on our premises. LLAOL has been using this renewable electricity certification since April 2021 whilst the transition to on-site renewable energy generation takes place.

In 2023, LLAOL continued with key electrical infrastructure improvements with the aim of reducing electricity consumption and in turn carbon emissions. This focused on LED upgrade across the site.

LLAOL manages it energy and environmental impacts, risks and opportunities through its energy and environment management system (EEnMS), which is certified to ISO 50001 and ISO 14001. This validation was maintained in 2023, with zero non-conformities raised throughout the audit process. LLAOL also achieved GRESB sector leader position for a second year, achieving full marks (100%) in the annual Energy, Social and Governance (ESG) benchmarking assessment and obtained Airport Carbon Accreditation Level 4, an industry recognised certification demonstrating LLAOL's performance and action being taken in respect of Carbon reduction, environmental and energy management and social impact.

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s487 of the Companies Act 2006.

KPMG LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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Keith Ludeman
Chairman
Percival House 134 Percival Way,
Luton,
LU2 9NU
16 April 2024

London Luton Airport Operations Limited

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

London Luton Airport Operations Limited

Independent auditor's report

For the year ended 31 December 2023

Opinion

We have audited the financial statements of London Luton Airport Operations Limited ("the Company") for the year ended 31 December 2023 which comprise the Profit and Loss account, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

London Luton Airport Operations Limited

Independent auditor's report
For the year ended 31 December 2023

Fraud and breaches of laws and regulations – ability to detect (continued)

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is earned based on the number of passengers, number of cars, or from contractually agreed terms, hence the complexity is low and there is limited opportunity to manipulate revenue recognition.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, postings of unusual revenue combinations, unusual cash combinations, and unusual borrowings combinations.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, industry-specific financial reporting rules and governmental legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery and corruption, employment law, regulatory capital and liquidity, environmental protection regulations and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 17, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

London Luton Airport Operations Limited

Independent auditor's report
For the year ended 31 December 2023

The purpose of our audit work and to whom we owe our responsibilities

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

David Arnold

David Arnold (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

16 April 2024

London Luton Airport Operations Limited
Profit and loss account
For the year ended 31 December 2023

	Note	Year ended 2023 £'000	Year ended 2022 £'000
Revenue	3	296,584	227,343
Administrative expenses		(213,903)	(163,528)
Operating profit		82,681	63,815
Finance income	7	871	314
Finance costs	8	(2,284)	(3,306)
Profit before tax		81,268	60,823
Tax	9	(13,489)	(9,432)
Profit for the financial year attributable to owners of the Company	4	67,779	51,391

All results relate to continuing activities.

The accompanying notes form part of the financial statements.

London Luton Airport Operations Limited
Statement of other comprehensive income
For the year ended 31 December 2023

	Year ended 2023 £'000	Year ended 2022 £'000
Profit for the year	67,779	51,391
Items that will not be reclassified subsequently to profit or loss:		
Actuarial profit on defined benefit plan	312	286
Deferred tax on actuarial movement	(78)	(71)
Other comprehensive income for the year net of tax	234	215
Total comprehensive income for the year attributable to the owners of the Company	68,013	51,606

The accompanying notes form part of the financial statements.

London Luton Airport Operations Limited
Balance sheet
As at 31 December 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Property, plant and equipment	11	179,315	172,588
Deferred tax assets	17	6,399	5,478
		185,714	178,066
Current assets			
Inventories	12	725	680
Trade and other receivables	13	45,656	47,070
Cash and bank balances		12,470	21,845
		58,850	69,595
Total assets		**244,565**	**247,661**
Current liabilities			
Trade and other payables	14	(89,840)	(90,595)
Borrowings	15	(3,248)	(5,161)
Provisions	18	(92)	(91)
		(93,180)	(95,847)
Net current liabilities		**(34,329)**	**(26,252)**
Non-current liabilities			
Borrowings	15	(25,262)	(28,312)
Defined benefit pension scheme liability	21	-	-
Provisions	18	(575)	(667)
		(25,837)	(28,979)
Total liabilities		**(119,017)**	**(124,826)**
Net assets		**125,548**	**122,835**
Equity			
Share capital	19	5,274	5,274
Retained earnings	20	120,274	117,561
Equity attributable to owners of the Company		**125,548**	**122,835**

The accompanying notes form part of the financial statements.

The financial statements of London Luton Airport Operations Limited, registered number 03491213, were approved by the board of directors and authorised for issue on 16 April 2024. They were signed on its behalf by:

DocuSigned by:

47FFF20865B44F9...

Keith Ludeman

Chairman

London Luton Airport Operations Limited
Statement of changes in equity
For the year ended 31 December 2023

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022	**5,274**	**65,955**	**71,229**
Profit for the year	-	51,391	51,391
Other comprehensive income for the year	-	215	215
Total comprehensive income for the year	**-**	**51,606**	**51,606**
Dividends	-	-	-
Balance at 31 December 2022	**5,274**	**117,561**	**122,835**
Profit for the year	-	67,779	67,779
Other comprehensive income for the year	-	234	234
Total comprehensive income for the year	-	**68,013**	68,013
Dividends	-	(65,300)	(65,300)
Balance at 31 December 2023	**5,274**	**120,274**	**125,548**

The accompanying notes form part of the financial statements.

1. Accounting policies

General information

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

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is included in the group accounts of London Luton Airport Holdings I Limited. The group accounts of London Luton Airport Holdings I Limited are available to the public and can be obtained as set out in note 25.

Adoption of new and revised Standards

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has prepared its financial statements in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

In the financial statements, the Company has applied the exemptions available under IFRS 101 in respect of the following disclosures: cash flow statement and related notes; comparative period reconciliations for share capital; disclosures in respect of transactions with wholly owned subsidiaries; disclosures in respect of capital management; the effects of new but not yet effective IFRSs; disclosures in respect of the compensation of Key Management Personnel.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements because it is included in the group accounts of London Luton Airport Holdings I Limited. The group accounts of London Luton Airport Holding I Limited are available to the public and can be obtained as set out in note 25.

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

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

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

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

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

1. Accounting policies (continued)

Going concern

The directors have prepared the financial statements on a going concern basis.

Group borrowings and liabilities

The directors acknowledge the Group balance sheet at 31 December 2023 has net current liabilities of £41m (2022: £22m) and net liabilities of £140m (2022: £156m) as at 31 December 2023. The Group made a profit for the year of £28m (2022 profit £11m) and £114m (2022: £110m) of net cash inflows from operating activities.

The Group has total third party loans of £390m, consisting of private placement facilities of £230m which mature between 2027 and 2029, bank term loans A, B and C of £30m, £10m and £40m respectively which mature between 2025 and 2029 and a committed revolving credit facility of £80m which was fully undrawn at 31 December 2023. In August 2024, the revolving credit facility reduces to £40m. The RCF and Facility A mature on 17 August 2025. Additionally, there are loan notes from the shareholder amounting to £94.6m (2022: £141.8m). All of the debt, other than the shareholder loan notes, are subject to covenants which are assessed at 31 December and 30 June but reported to the lenders in the form of compliance certificates by 30 June and 30 September, respectively.

The Group met all current covenants test and is forecasted to meet all future covenants tests as prescribed in the financing agreements.

Conclusion

Based on the above indications, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. Forecasts have been prepared for the period at least 12 months from the date of approval these financial statements. These forecasts incorporate prudent assumptions including a moderate increase in passenger numbers, increased costs in line with passenger numbers and inflation, and CPI/RPI increases in line with ONS forecasts, and the amendment to the RCF disclosed above. Severe but plausible downside scenarios assume flat passenger numbers and no growth in other income streams. In all scenarios modelled, there are no indicators that the Company and Group will not remain a going concern.

Those forecasts are dependent on trade and cash generated from the trading subsidiary, London Luton Airport Operations Limited. The company has control to direct the funds from the trading subsidiary, to meet any liabilities that fall due in the going concern period.

Property, plant and equipment

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

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

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

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

Inventories

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and any adjustment to tax payable in respect of previous years. The tax currently payable is based on taxable profit for the year.

Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

1. Accounting policies (continued)

Taxation (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Current tax and deferred tax for the year

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

Provisions

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

The amount recognised is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, it's carrying amount is the present value of those cash flows (when the effect of the time value on money is material).

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

1. Accounting policies (continued)

Revenue

For Traffic income and Commercial income, the Company applies the five-step model established by IFRS 15 to the accounting for revenue from contracts with customers:

- Stage 1: Identify the contract (or contracts) with the customer
- Stage 2: Identify performance obligations in the contract
- Stage 3: Determine the price of the transaction
- Stage 4: Assign the price of the transaction between the performance obligations of the contract
- Stage 5: Recognise revenue from ordinary activities when (or as) the entity satisfies a performance obligation

Traffic income and Commercial income are earned from movements of aircraft and people, and revenue is recognised as the Company satisfies the related performance obligations in line with these movements. The transaction price is constrained where appropriate in order that revenue recognised reflect the most likely amount of consideration to which the entity expects to be entitled in exchange for satisfying the performance obligations related to those goods or services. This is recognised net of any actual or expected trade discounts. Any differences between the amount invoiced and the most likely amount is recognised as a contract liability in Contract Liabilities – IFRS 15.

Tenant income is earned based on contractually agreed terms which is normally on a straight-line basis over the contract period in line with lessor accounting as established by IFRS 16.

Where specific services are invoiced after the performance obligation has been satisfied turnover will be accrued as accrued income and recognised as the performance obligation is satisfied. Where specific services are invoiced in advance of the performance obligation is satisfied turnover is deferred as deferred income and recognised when the performance obligation is satisfied.

All revenue is stated net of VAT

Retirement benefit costs

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

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

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

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

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

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

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

1. Accounting policies (continued)

Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

Classification

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets.

Investments in subsidiaries are carried at cost less impairment in accordance with IFRS 9.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied – see below), the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged expected future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Hedges directly affected by interest rate benchmark reform

As a result of adopting the Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform, the following temporary exceptions have been applied retrospectively to hedging relationships that existed at 1 January or were designated thereafter and that are directly affected by interest rate benchmark reform.

For the purpose of hedge accounting, it has been assumed that:

- the benchmark interest rate is not altered as a result of interest rate benchmark reform; and
- the interest rate benchmark cash flows designed as a hedge will not be altered as a result of interest rate benchmark reform in relation to assessing whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur.

The Company will cease to apply these temporary exceptions prospectively to a specific hedged item or hedging instrument when:

- the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows; or

1. Accounting policies (continued)

Financial instruments (continued)

- the hedging relationship is discontinued (applies for hedging instruments only). The Company has adopted the Phase 2 amendments and retrospectively applied them from 1 January. When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Company amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:
- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

If changes are made in addition to those changes required by IBOR reform described above, then the Company first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Company amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

1. Accounting policies (continued)

Financial instruments (continued)

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Company remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

1. Accounting policies (continued)

Leases (continued)

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company as lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

Borrowing costs

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 internal use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their internal use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment of tangible assets

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

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

1. Accounting policies (continued)

Impairment of tangible assets (continued)

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

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

Grants

Government grants are included within deferred government grants in the balance sheet and credited to the profit and loss account on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

2. Critical accounting judgements and key sources of estimation uncertainty

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

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

Key estimate

The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. With respect to the rate of inflation, this is also considered to be sensitive to the valuation of the defined benefit obligation. See also note 21.

3. Revenue

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

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

	Year ended 2023 £'000	Year ended 2022 £'000
Traffic income	137,542	103,159
Commercial income	132,905	104,272
Tenant income	26,137	19,912
	296,584	**227,343**

Included within Commercial income is £8.4m of other income. £4.1m of this relates to lost revenue from the fire that destroyed the Drop off Zone and Terminal Car Park 2 which is expected to be recovered as part of our insurance claim. £4.3m relates to cash received to cover elements of business interruption and the additional costs of working incurred since October 2023.

Timing and transfer of goods or services

	Year ended 2023 £'000	Year ended 2022 £'000
Products and services transferred at a point in time	137,542	103,159
Services transferred over time	159,042	124,184
	296,584	**227,343**

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2023 £'000	2022 £'000
Receivables (Note 13)	30,993	36,864
Contract asset (Note 13)	9,713	5,334
Contract liabilities (Note 14)	(42,597)	(25,262)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on all revenue streams. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for all revenue streams.

The amount of revenue recognised in in current period from performance obligations satisfied (or partially satisfied) in previous periods was £434k (2022:£nil).

The amount of revenue recognised in current period that was included in the contract liability balance at the beginning of the period was £9,764k (2022: £5,994).

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4. Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 2023 £'000	Year ended 2022 £'000
Depreciation of tangible fixed assets:		
- Owned assets	24,923	27,279
- Held under leases	1,475	1,475
(Profit)/Loss on disposal of tangible fixed assets	(17)	18
Impairment charges in respect of property, plant and equipment (see note 11)	11,283	-
Staff costs (see note 6)	49,256	34,501

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

	Year ended 2023 £'000	Year ended 2022 £'000
Operating profit	82,681	63,815
Add: Depreciation of property, plant and equipment – owned and leased assets	26,398	28,754
EBITDA	109,079	92,569

5. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Year ended 2023 £'000	Year ended 2022 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	112	113
Total audit fees	112	113
- Other assurance services	-	-
Total non-audit fees	-	-
Total fees	112	113

No services were provided pursuant to contingent fee arrangements.

6. Staff costs

The average monthly number of employees was:

	2023 Number	2022 Number
Operations	629	541
Management and support services	62	54
Technical services	78	71
	769	666

Their aggregate remuneration comprised:

	Year ended 2023 £'000	Year ended 2022 £'000
Wages and salaries	36,234	28,214
Social security costs	3,545	2,899
Other staff costs	5,494	-
Other pension costs (note 21)	3,983	3,388
	49,256	34,501

7. Finance income

	Year ended 2023 £'000	Year ended 2022 £'000
Other loans and receivables	871	314

8. Finance costs

	Year ended 2023 £'000	Year ended 2022 £'000
Interest payable on bank overdrafts and loans	654	1,619
Interest payable to group undertakings	33	100
Other finance costs arising on defined benefit pension (note 21)	-	78
Interest on obligations under leases	1,597	1,509
Total interest payable	2,284	3,306

9. Tax

	Year ended 2023 £'000	Year ended 2022 £'000
Corporation tax		
Current year	15,794	7,958
Prior period adjustments	(1,305)	(450)
	14,489	7,508
Deferred tax (note 17)	(1,000)	1,924
	13,489	9,432

Corporation tax is calculated at hybrid rate of 23.5% (due to an increase in the UK corporation tax rate from 19% to 25% effective 1 April 2023) (2022: 19%) of the estimated taxable profit for the period.

The increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. Deferred tax balances have been calculated based on these rates.

The charge for the year can be reconciled to the profit/(loss) in the income statement as follows:

	Year ended 2023 £'000	Year ended 2022 £'000
Profit before tax on continuing operations	81,268	60,823
Tax at the UK corporation tax rate of 23.5%/19%	19,098	11,556
Effects of:		
Group relief received for nil payment	(7,860)	(4,067)
Effects of changes in statutory tax rates	(314)	267
Adjustments to tax charge in respect of previous periods	8	(277)
Non-deductible expenditure	2,557	1,953
Tax charge for the year	13,489	9,432

9. Tax (continued)

In addition to the amount credited to the profit and loss account, the following amounts relating to tax have been credited in other comprehensive income:

	Year ended 2023 £'000	Year ended 2022 £'000
Deferred tax:		
Arising on income and expenses recognised in other comprehensive income:		
Actuarial and other movements on post-employment benefits	(78)	(71)

10. Dividends

	Year ended 2023 £'000	Year ended 2022 £'000
Amounts recognised as distributions to equity holders in the period:		
Dividend for the year ended 31 December 2023 (£12.38 per share), (2022: £00.00 per share)	65,300	-

Total dividends paid in the year were £65.3m (2022: £nil). No final dividend has been proposed.

11. Property, plant and equipment

	Land and buildings £'000	Runways, taxiways and other similar structures £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2022	159,743	125,844	86,891	6,385	378,863
Additions	1,116	2,439	2,531	18,066	24,152
Disposals	-	(158)	(3,101)	-	(3,259)
Transfers	366	266	868	(1,500)	-
At 31 December 2022	161,225	128,391	87,189	22,951	399,756
Additions	1,188	10,339	2,073	30,808	44,408
Disposals	-	-	(1,056)	(152)	(1,208)
Impairment	(8,492)	(11,254)	(2,872)	-	(22,618)
Transfers	2,879	6,979	2,614	(12,472)	-
At 31 December 2023	156,800	134,456	87,948	41,134	420,338
Accumulated depreciation					
At 1 January 2022	68,644	72,376	60,634	-	201,654
Charge for the year	10,315	7,414	11,025	-	28,754
Eliminated on disposal	-	(157)	(3,083)	-	(3,240)
Transfers	-	-	-	-	-
At 31 December 2022	78,959	79,633	68,576	-	227,168
Charge for the year	10,562	7,023	8,814	-	26,399
Eliminated on disposal	-	-	(1,051)	-	(1,051)
Eliminated on impairment	(3,678)	(5,248)	(2,567)		(11,493)
Transfers	-	-	-	-	-
At 31 December 2023	85,842	81,409	73,772	-	241,023
Carrying amount					
At 31 December 2023	70,958	53,047	14,176	41,134	179,315
At 31 December 2022	82,266	48,758	18,613	22,951	172,588

11. Property, plant and equipment (continued)

Following the fire in Terminal Car Park 2, management performed an impairment assessment of the asset in line with the Group's accounting policies. Due to the significant damage caused by the fire, impairment was recognized of £11.1m. The airport is covered for property damage (demolition and rebuilding) in respect of the Terminal Car Park 2, and any increased costs of working associated with the claim. The car park will be fully demolished to foundation level, which is expected to take in the region of 15 weeks. Planning for the rebuild of the car park is underway and is expected to replace the facility to pre-incident status, subject to any necessary approvals.

Under the terms of the Concession Agreement which is in place until March 2031, Luton Borough Council and Luton Rising ("LR") granted the Company the exclusive right to carry on the airport business in accordance with the terms of the Concession Agreement for the whole of the concession period. The Company pays a fee to LR based on the throughput of passengers and cargo. The minimum value of the lease payments of £27.4m was recognised as a right of use asset, presented as land and buildings within property, plant and equipment. In March 2020 the Company instigated the Special Force Majeure (SFM) clause in the existing concession agreement and the lease payments were reassessed as a result which decreased the right of use assets for land and buildings by £15.7m in 2020 with a corresponding decrease in the lease liability. In December 2021 a final agreement was reached on the SFM, as part of this agreement the concession length was extended from 31 March 2031 to 15 August 2032. To account for this lease modification the right of use asset was therefore adjusted in 2021 to reflect this concession extension resulting in an increase in the right of use asset of £3.9m.

The Company held a lease for coaches until August 2021. This lease ended in 2021, however the leased assets have been retained on a monthly rolling lease pending replacement or renewal of the lease. As a result the right of use asset is included within Plant and Equipment though it is fully depreciated.

Included within the cost of fixed assets is capitalised interest of £3,641k (2022: £3,641k). As at 31 December 2023 this is fully depreciated. As at 31 December 2023 there were £41,135k (2022: £22,951k) of assets in the course of construction. The assets under construction have not been depreciated. As at 31 December 2023 there were runways, taxiways and other similar structure assets with a net book value of £1,291k held under a finance lease arrangement (2022: £1,470k).

Capital expenditure contracted at the end of the reporting period but not recognised as liabilities, in relation to the expansion of the airport is £nil (2022: £nil).

12. Inventories

	2023 £'000	2022 £'000
Consumables	725	680

13. Trade and other receivables

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Amounts receivable for the sale of services	30,993	36,864
Other receivables	702	903
Prepayments and accrued income	13,961	9,303
	45,656	47,070

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. The average credit period taken is 30 days on the provision of services. No interest is charged on the receivables for the first 30 days from the date of the invoice. The Group has recognised an allowance for doubtful debts against the majority of receivables over 90 days because historical experience has been that receivables that are past due beyond 90 days are not recoverable. Allowances against doubtful debts are recognised against trade receivables between

13. Trade and other receivables (continued)

30 days and 90 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

New customers are sometimes required to pay a deposit towards their credit limit or to pay on a proforma basis to mitigate credit risk.

Of the trade receivables balance at the end of the period, £7.3m (2022: £7.0m) is due from Wizz Air UK Limited and Wizz Air Hungary Limited, £4.0m (2022: £2.8m) is due from EasyJet Airline Company Limited. There are two other customers who represent more than 5 per cent of the total balance of trade receivables totalling £4.7m (2022: £7.1m).

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Company has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired receivables (see note 18)	2023 £'000	2022 £'000
Up to 30 days	10,440	3,792
31-60 days	7,313	654
61-90 days	5,532	5,579
91+ days	(11,070)	5,857
Total	12,215	15,882

Movement in the allowance for expected credit losses	2023 £'000	2022 £'000
Balance at the beginning of the period	(787)	(382)
Released in the period	701	141
Recognised in the period	(65)	(546)
Balance at the end of the period	(151)	(787)

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Ageing of impaired trade receivables	2023 £'000	2022 £'000
Current	-	-
1-30 days	-	-
31-60 days	-	1
61-90 days	-	281
90+ days	151	505
Total	151	787

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

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14. Trade and other payables

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade payables	40,961	39,737
Corporation tax	(841)	248
Other taxation and social security	(948)	2,480
Other creditors	6,719	4,245
Accruals, deferred income and contract liability – IFRS 15	44,264	36,026
Amounts due to group undertakings	(315)	7,859
	89,840	90,595

15. Borrowings

	2023 £'000	2022 £'000
Borrowings falling due within one year:		
Secured borrowing at amortised cost		
Bank loans	117	22
Lease liabilities (note 16)	3,131	3,006
	3,248	3,028
Unsecured borrowing at amortised cost		
Loan notes	-	2,133
	3,248	5,161
Borrowings falling due after more than one year:		
Secured borrowing at amortised cost		
Lease liabilities (note 16)	25,262	28,312
	25,262	28,312
Total borrowings	**28,510**	**33,473**

	2023 £'000	2022 £'000
Amount due for settlement within 12 months	3,248	5,161
Amount due for settlement between 1 and 5 years	14,321	28,312
Amount due for settlement after 5 years	10,941	-
TOTAL	28,510	33,473

Borrowings consist of a revolving credit facility of £80m with a syndicate comprising Royal Bank of Scotland, Barclays Bank, Mediobanca International and Royal Bank of Canada. Interest is charged at a rate of 3 month compounded SONIA plus an original margin of 2.40%. In August 2024, the revolving credit facility reduces to £40m.

16. Leases

Leases as a lessee (IFRS 16)

Under the terms of the Concession Agreement which is in place until March 2031, Luton Borough Council and Luton Rising ("LR") granted the Group the exclusive right to carry on the airport business in accordance with the terms of the Concession Agreement for the whole of the concession period. The Group pays a fee to LR based on the throughput of passengers and cargo. Previously, this was recognised as an operating lease under IAS 17. As of 1 January 2019 the minimum value of the lease payments of £27.4m was recognised as a right of use asset, presented as land and buildings within property, plant and equipment. In March the Group instigated the Special Force Majeure (SFM) clause in the existing concession agreement and the lease payments were reassessed as a result which decreased the right of use assets for land and buildings by £15.7m in 2020 with a corresponding decrease in the lease liability. In December 2021 a final agreement was reached on the SFM, as part of this agreement the concession length was extended from 31 March 2031 to 15 August 2032. To account for this lease modification the right of use asset was therefore adjusted in 2021 to reflect this concession extension resulting in an increase in the right of use asset of £3.9m. A lease reassessment was also recorded to account for the reinstatement of the minimum lease payments following agreement that COVID-19 would no longer be considered a SFM event. The lease liability was therefore increased by £15m.

The Group leases other equipment with contract terms of one to three years. These leases are short term and/or leases of low value items. The Group has elected not to recognise right of use assets and lease liabilities for these leases.

Information about leases for which the Company is a lessee is presented below.

i. Right of use assets

Right of use assets relate to leased properties and equipment and are presented as property, plant and equipment.

	Land and Buildings £'000	Runways taxiways and other similar structures £'000	Plant and machinery £'000	Total £'000
Balance at 1 January 2022	13,403	1,648	-	15,051
Depreciation charge for the year	(1,297)	(178)	-	(1,475)
Balance at 31 December 2022	**12,106**	**1,470**	**-**	**13,576**
Lease modification	-	-	-	-
Depreciation charge for the year	(1,297)	(178)	-	(1,475)
Balance at 31 December 2023	**10,809**	**1,292**	**-**	**12,101**

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16. Leases (continued)

ii. Lease liability

The lease liability relating to the leased properties and equipment and are presented as property, plant and equipment.

	Lease liability/ (asset) (current) £'000	Lease liability (non-current) £'000	Total £'000
Balance at 1 January 2022	**2,785**	**31,319**	**34,104**
Classification	-	-	-
Lease reassessment	-	-	-
Cash paid less interest expense	221	(3,007)	(2,786)
Balance at 31 December 2022	**3,006**	**28,312**	**31,318**
Classification	3,132	(3,132)	-
Lease reassessment	-	82	82
Cash paid less interest expense	(3,007)	-	(3,007)
Balance at 31 December 2023	**3,131**	**25,262**	**28,393**

iii. Amounts recognised in profit or loss

	2023 £'000	2022 £'000
Leases under IFRS 16		
Interest on lease liabilities	1,597	1,509

It is the Group's policy to lease certain of its fixtures and equipment under finance leases, that are recognised as right-of-use assets with corresponding lease liabilities. The average lease term is 26 years. For the year ended 31 December 2023, the average effective borrowing rate was 6.33% (2022: 4.08%).

Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling.

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

The Company's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 11.

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17. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Company and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Total £'000
At 1 January 2022	1,666	5,807	7,473
Charge to income statement	1,413	(3,337)	(1,924)
Charge to other comprehensive income	-	(71)	(71)
At 31 December 2022	**3,079**	**2,399**	**5,478**
Change to income statement	2,183	(1,183)	1,000
Charge to other comprehensive income	-	(78)	(78)
At 31 December 2023	**5,262**	**1,137**	**6,399**

18. Provisions

	2023 £'000	2022 £'000
Provisions falling due within one year	92	91
Provisions falling due after more than one year	575	667
Total	667	758

Movements in provisions during the financial year are set out below;

	2023 £'000	2022 £'000
Balance at the beginning of the year	758	1,028
Released in the year	(91)	(270)
Recognised in the year	-	-
Balance at the end of the year	667	758

A noise insulation provision has been recognised of £667k (2022: 758k). This represents the discounted future cash flows relating to a commitment to provide noise insulation equipment to eligible residential and non-residential properties. The commitment is a condition of the planning consent granted in 2014 by Luton Borough Council (LBC) and is in place for the length of the concession period ending August 2032. The cost of this has been recognised through the profit and loss.

19. Share capital

	2023 £'000	2022 £'000
Authorised, issued and fully paid:		
100,000 ordinary shares of £1 each	100	100
5,174,000 redeemable shares of £1 each	5,174	5,174
	5,274	5,274

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

20. Retained earnings

	£'000
Balance at 1 January 2022	65,955
Dividends paid	-
Total comprehensive income/(expense) for the year	51,606
Balance at 31 December 2022	**117,561**
Dividends paid	(65,300)
Total comprehensive income/(expense) for the year	68,013
Balance at 31 December 2023	**120,274**

21. Retirement benefit schemes

Defined benefit schemes

The London Luton Airport Pension Scheme ('LLAPS') closed to future accrual with effect from 31 January 2017. As of this date, all remaining active members became deferred members of the LLAPS. The benefits for active members in the LLAPS increase in the same way as they would when the member leaves the scheme and becomes deferred (increasing in-line with RPI inflation).

The LLAPS is a funded defined benefit scheme and its assets are held in separate trustee-administered funds. Under the scheme, the employees accrue retirement benefits of 1/80th of their average salary for each year served on attainment of the latter of a retirement age of 60 or 25 years service.

The most recent completed actuarial valuation of the scheme was at 31 March 2020. The valuation used the projected unit method and was carried out by Willis Towers Watson Limited, professionally qualified actuaries. The latest triennial valuation as at 31 March 2023 is under progress, and it will be completed before its due date as at 30 June 2024. The preliminary results of the 2023 actuarial valuation revealed a funding surplus, no further contributions are expected to be made from the Company. The contributions paid by the Company are reviewed every 3 years as part of each formal actuarial valuation.

In addition, the Company is expected to pay contributions of £40,000 per month in respect of administration expenses. The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members approximately over the next 60 to 70 years.

The average duration of the liabilities is approximately 17 years.

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21. Retirement benefit schemes (continued)

Defined benefit schemes (continued)

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

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

	2023 %	2022 %
Key assumptions used:		
Discount rate	4.55%	4.75%
Expected rate of future pension increases	3.10%	3.05%
Rate of increase of pensions in deferment	3.00%	3.05%
Inflation	3.00%	3.15%
Average longevity at retirement age for current pensioners (65 years)*	Years	Years
Male	21.1	21.6
Female	23.7	24.1
Average longevity at retirement age for current employees (future pensioners) (currently aged 45 years)*		
Male	22.3	22.9
Female	25.1	25.6

* Based on SAPS "S2PA" mortality table with modifications to reflect expected changes in mortality.

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

	2023 £'000	2022 £'000
Service cost:		
Interest expense	4,743	2,970
Interest income	(5,031)	(3,142)
Interest income on the asset ceiling	288	250
Components of defined benefit expenses recognised in profit or loss	-	78

Also included as a defined benefit expenses under administration expenses recognised in the profit or loss are service costs amounting to £798k (2022: £823k).

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21. Retirement benefit schemes (continued)

Defined benefit schemes (continued)

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

	2023 £'000	2022 £'000
The return on plan assets greater than the discount rate	456	72,183
Actuarial (loss)/gain arising from changes in demographic assumptions	(1,725)	(103)
Actuarial loss arising from changes in financial assumptions	2,369	(70,677)
Actuarial (loss)/gain arising from experience adjustments	(1,005)	6,625
Changes in the effect of the asset ceiling excluding interest income	(407)	(8,319)
Remeasurement of the net defined benefit liability	(312)	(291)

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

	2023 £'000	2022 £'000
Present value of defined benefit obligations	(102,935)	(101,885)
Fair value of plan assets	108,652	107,721
Surplus	5,717	5,836
Adjustment in respect of asset ceiling and minimum funding requirement	(5,717)	(5,836)
Deficit	-	-
Deferred tax asset (note 17)	1,139	2,399
Net Asset	1,139	2,399

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

	2023 £'000	2022 £'000
Opening defined benefit obligation	**101,885**	**167,706**
Interest cost	4,743	2,970
Service costs	798	823
	5,541	**3,793**
Actuarial (gain)/loss	**(361)**	**(64,155)**
Benefits paid	(4,130)	(5,459)
Closing defined benefit obligation	**102,935**	**101,885**

21. Retirement benefit schemes (continued)

Defined benefit schemes (continued)

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

	2023 £'000	2022 £'000
Opening fair value of plan assets	**107,721**	**172,335**
Interest income	5,031	3,142
	5,031	**3,142**
Remeasurement loss:		
The return on plan assets (excluding interest income)	(456)	(72,183)
	(456)	**(72,183)**
Contributions from employers	480	9,880
Benefits paid	(3,326)	(4,630)
Expenses paid	(798)	(823)
	(3,644)	**4,427**
Closing fair value of plan assets	**108,652**	**107,721**

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

	2023 £'000	2022 £'000
Equity instruments	-	-
Debt securities	-	-
Other	108,652	107,721
Total	**108,652**	**107,721**

The following sets out the assets by asset class:

	2023 £'000	2022 £'000
Derivatives	41,731	40,914
Cash equivalent	866	9,086
Debt	45,579	33,311
Investment Funds – Diversified Growth Fund	10,602	13,805
Asset backed securities	9,874	10,605
Total	**108,652**	**107,721**

21. Retirement benefit schemes (continued)

Defined benefit schemes (continued)

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

If the discount rate is 0.5% higher the defined benefit obligation would decrease by £8.0m (2022: £7.9m). If the discount rate is 0.5% lower the defined benefit obligation would increase by £8.7m (2022: £8.6m).

If the inflation rate is 0.5% higher the defined benefit obligation would increase by £8.3m (2022: £8.5m). If the inflation rate is 0.5% lower the defined benefit obligation would decrease by £7.8m (2022: £7.9m).

On 20 November 2020, the High Court handed down a further judgment on the Guaranteed Minimum Pension (GMP) equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgment confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The scheme has experienced significant historical transfers out which will be subject to adjustment as a result of this second ruling. At this stage the trustees are not yet in a position to obtain a reliable estimate of the impact of the backdated benefits and related interest A provision of 0.5% of liabilities has been included within these disclosures and an allowance of £38k has been made in respect of the equalisation of historic transfers which is consistent across previous years.

The Scheme should have sufficient and appropriate assets to cover its technical provisions. The Company will continue to pay monthly contributions to the Scheme of at least £40k as an allowance for administrative expenses.

Defined contribution schemes

From 1 February 2017, following the closure of the defined benefit pension scheme to future accrual, the group have operated a defined contribution retirement scheme for all qualifying employees. The defined contribution pension scheme is run by a third party supplier who was selected after undergoing a full procurement process. The assets of the schemes are held separately from those of the group in individual savings funds. Employees pay contributions into an individual savings fund up to a maximum 6% of their basic salary. Employees can decide how much they choose to contribute to the pension fund and how to invest it. The group matches employee contributions by 2:1, up to a maximum 12% of their basic pay.

The total cost charged to income of £798k (2022: £823k) represents contributions payable to the scheme by the group at rates specified in the rules of the scheme. As at 31 December 2023, contributions of £nil (2022: £nil) due in respect of the current reporting period had not been paid over to the scheme.

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. The Group has no further payment obligations once the contributions have been paid.

Plan regulations

The plans are administered according to local laws and regulations in each country. Responsibility for the governance of the plan's rests with the relevant trustee boards (or equivalent). The UK pensions market is regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website, www.thepensionsregulator.gov.uk

Capita data breach

On or around 22 March 2023, Capita Pension Solutions Limited encountered a cyber incident before being interrupted by Capita on 31 March 2023. As a result of their investigation, data from less than 0.1% of Capita's server estate was significantly impact by the cyber incident. The majority of Capita's client services were not impacted by the incident and remained in operation. Capita has restored all client services that were impacted. There were no litigations filed against London Luton Airport Operations Limited or the Group in relation to the incident.

22. Events after the balance sheet date

There have been no identified events after the balance sheet date.

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23. Related party transactions

Trading transactions

The Company is exempt under the terms of FRS 101 "Related party transactions" from disclosing related party transactions with subsidiaries within the same group, provided that both subsidiaries are wholly-owned by a member of that group.

24. Directors Remuneration

	Year ended 2023 £'000	Year ended 2022 £'000
Directors' remuneration		
Emoluments	986	962
Termination benefits	-	-
Company contributions to defined contribution pension schemes	38	33
	1,024	995

	Year ended 2023 £'000	Year ended 2022 £'000
Remuneration of the highest paid director:		
Emoluments	550	503
Company contributions to money purchase schemes	10	8

The Executive Directors of London Luton Airport Operations Limited are remunerated through London Luton Airport Holdings I Limited, which has a master services agreement with London Luton Airport Operations Limited to recharge costs and services on a quarterly basis. Non-executive directors are remunerated by Aena Desarrollo Internacional, InfraBridge, or London Luton Airport Holdings III. London Luton Airport Holdings III Limited Group does not have access to the details of such amounts paid by Aena Desarrollo Internacional to these non-executive directors.

Directors' transactions
There are no transactions with directors in the year to 31 December 2023 (2022: £nil).

25. Controlling party

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

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Entidad Pública Empresarial Enaire ('Aena'). The largest group in which the results of the Company are consolidated is Entidad Pública Empresarial Enaire ('Aena'). Copies of these financial statements can be obtained from Peonías, 12. 28042, Madrid, Spain.