

easyJet Airline Company Limited
Annual Report and Accounts
For the year ended 30 September 2022
Registered Number 03034606

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easyJet Airline Company Limited

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easyJet Airline Company Limited

Reports of the Directors for the year ended 30 September 2022

Strategic Report

Review of the business

easyJet Airline Company Limited (the "Company") is incorporated in the United Kingdom and is the principal airline operating subsidiary of easyJet plc. The Company is an airline transport provider operating principally in Europe, providing airline services directly to consumers, as well as providing flights to easyJet holidays Limited who package together with accommodation and other services to offer package holidays to customers.

The full strategic report of easyJet plc and all of its subsidiaries (the "Group") may be found on pages 1 to 71 of the Group's Annual Report and Accounts for the year ended 30 September 2022.

The Company uses its cost advantage, operational efficiencies and leading positions in primary airports to deliver low-cost flights from these airports, making great value travel easy and accessible for everyone. The Company focuses on cost efficiency, achieved through long-term strategic partnerships with key airports and ground-handling operators, and providing services which our customers value. The Company holds leading positions at slot-constrained airports with high customer demand, which will be a key factor in the Company's return to profitable growth and resilient returns over the long term. The Company carried 69.7 million passengers in the 2022 financial year (2021: 20.4 million) on 988 routes (2021: over 927 routes) across 34 countries (2021: 34 countries).

For the financial year ended 30 September 2022, trading in the first half of the year was impacted by the emergence of the Omicron variant of Covid-19. The Company's trading had been relatively strong in October and early November but with the emergence of Omicron travel restrictions were re-imposed across Europe from mid-November, and remained in place until starting to be relaxed in February-April 2022, the timing and degree of relaxation varying from country to country.

Additionally, during the first half of the year the Russian invasion of Ukraine took place in February 2022. Whilst this did not impact the Company's network directly as we do not fly to or over Ukraine, the event has had an indirect effect through the increase in oil prices and therefore jet fuel prices which has occurred since the invasion.

Trading in the third quarter started to recover as the Omicron-related travel restrictions fell away across Europe and consumer confidence to travel returned. The unprecedented ramp up of flights across the aviation industry, coupled with a tight labour market, resulted in widespread operational challenges culminating in high levels of cancellations in the third quarter and consequently higher disruption expenses were incurred. The industry's challenges were reflected in the flight caps announced at two significant airports, London Gatwick and Amsterdam. In addition to responding to these capacity caps, the Company took swift action to reduce capacity and build resilience into the fourth quarter.

As a result of the relaxation of travel restrictions in the second half, flying volumes increased and higher yields were achieved, which drove the Company's passenger and ancillary revenue for the full year to increase by 278% to £5,397 million (2021: £1,425 million), and Airline revenue per seat for the year to increase by 31% to £66.18 (2021: £50.54), and by 33% at constant currency. Other revenue of £990 million (2021: £919 million) comprises intercompany aircraft lease income and management recharges. Additionally, within revenue there was a £22 million credit (2021: £10 million) arising from the release of aged contract liabilities within other payables, split £19 million against passenger revenue and £3 million against ancillary revenue.

The Company's operating costs for the full year increased by 97% to £6,412 million (2021: £3,256 million), mainly as a result of the increased flying.

During the year the Company incurred a number of items which were material non-recurring items or items which do not reflect the trading performance of the business. These include a £9 million gain as a result of the sale and leaseback of 10 aircraft in the period (2021: gain of £73 million from 33 aircraft and 2 engines), a £10 million loss on disposal of landing rights surrendered as a consequence of the reduction in our operations at Berlin and a £1 million net fair value adjustment credit for hedge discontinuation (2021: £18 million charge). Restructuring charges were net £nil million (2021: £65 million credit) as the £10 million provision arising from the announcement of the downsizing of our operations at the Berlin base was offset by the release of separate provisions relating to previous years' restructuring programmes which are now largely concluded, with final costs being lower than expected at previous year-end.

The Company's total loss before tax of £287 million for the year ended 30 September 2022 was a significant reduction on the loss of £1,038 million for the year ended 30 September 2021. This improvement was driven by increased capacity and yields as customer confidence to travel returned as Covid-19 related restrictions were lifted across Europe, along with enhanced contribution from our ancillary product offering. The Company had a net tax credit for the full year of £29 million (2021: £152 million) which represented an effective tax rate of 10% (2021: 15%).

easyJet Airline Company Limited

Reports of the Directors for the year ended 30 September 2022

Strategic Report (continued)

The Company's net cash as at 30 September 2022 was £1,602 million (30 September 2021: net cash £1,539 million) and comprised cash and money market deposits of £3,582 million (30 September 2021: £3,472 million), debt of £841 million (30 September 2021: £764 million) and lease liabilities of £1,139 million (30 September 2021: £1,169 million).

Key performance indicators

The Group uses a range of both financial and non-financial key performance indicators, as described on pages 22 to 23 of the Group's Annual Report and Accounts for the year ended 30 September 2022. Given that the Company is the main subsidiary contributing to the Group results, the key performance indicators for the Company are those monitored at Group level, rather than on an individual entity basis.

The Group Chief Financial Officer, who is also a Director of the Company, provides regular updates on progress against key performance indicators to the Airline Management Board, whose members include the Company's Directors, and the Group Board.

Principal risks and uncertainties

The Group is affected by a number of principal risks and uncertainties as described on pages 59 to 69 of the Group's Annual Report and Accounts for the year ended 30 September 2022. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Group and are not managed separately.

Results and dividends

The Company's loss after tax for the year was £258 million (2021: £886 million loss) which has been transferred to reserves. Net assets decreased from £28 million at 30 September 2021 to a net liability position of £208 million at 30 September 2022. During the year the Company did not pay or declare a dividend (2021: nil).

Section 172 Statement

Under Section 172(1) of the Companies Act 2006 ('Section 172') the Directors are required to act in a way that they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, taking into account, amongst other matters:

- The likely consequences of any decision 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 the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

Details of how the Directors of the Company have had regard to their duties under Section 172 can be found below.

Many of the decisions taken by the Directors during the year relate to supporting the strategic initiatives of easyJet plc and its subsidiaries (the 'Group') including the approval of sale and leaseback transactions and the refresh of the Euro Medium Term Note (EMTN) Programme.

Stakeholder Engagement

Given that the Company is the principal operating subsidiary of easyJet plc and part of the easyJet Group, to ensure an efficient and more effective approach, much of the Company's stakeholder engagement takes place at a Group level. A summary is provided below, and further information on who the Group's key stakeholders are, how we engage with them, and related outcomes are set out on pages 26 to 29 of the Group's Annual Report and Accounts for the year ended 30 September 2022, which are incorporated by reference into this statement.

The Directors continually strive to maintain a high standard of business conduct, culture, values, ethics and reputation, and take their responsibilities seriously to ensure their obligations to stakeholders and shareholders are met. In line with the business model, the Company's primary stakeholders are employees, customers, suppliers and regulators.

Employees

Our people are a critical part of the Company's business and their famous 'Orange Spirit' a key part of our success. We want to create an inclusive culture where people can be their best and feel that they truly belong and live the 'Orange Spirit'.

easyJet Airline Company Limited

Reports of the Directors for the year ended 30 September 2022

Strategic Report (continued)

The lasting impact of the pandemic, unprecedented ramp up of the airline industry over the summer and the related disruption presented our people with major challenges as the industry navigated its recovery. We focused on building readiness and operational resilience by appointing additional cabin crew across the network, as a result of which we were able to achieve roster stability to help our people focus on serving our customers.

With inflation rising across Europe, we made changes to our reward and recognition package across the network to reflect the challenges facing the business and our people which included one-off payments to cabin crew, reintroduction of a bonus and launch of an easyJet holidays credit for all employees across the network.

We continue to measure how our employees feel about the inclusive environment we are striving to create at the Company and in the year relaunched our anonymous employment survey, 'Your Voice Matters'. The overall engagement score on this survey was 7.1 out of 10.

Another key focus has been to make sure employees have felt connected to the business and ensuring they feel supported. Our central hub for all conversations and support, known as "You Matter", sets a structured approach for conversation on diversity, inclusion and wellbeing.

Additionally, as part of the increasing employee engagement around our sustainability plans, our employees were invited to participate in the launch of our ambitious Science Based Target initiative (SBTi) aligned net zero roadmap. More information can be found on pages 12 to 13 of the Group's Annual Report and Accounts for the year ended 30 September 2022.

Customers

A key part of our strategy is a focus on the customer, both to win our customers' loyalty, and to achieve our purpose of making low-cost travel easy. Our understanding of who our current and future customers are, what products they need, and how they perceive the Company enables us to prioritise our efforts in driving a positive customer experience and therefore loyalty.

Given the unprecedented ramp-up during summer, the aviation industry across Europe experienced significant operational issues in the second half of the financial year which resulted in significant delays and cancellations for customers. We proactively consolidated flights across affected airports and revised the flying schedule in order to build additional resilience and reduce the number of on-the-day cancellations. We were able to rebook the majority of customers on alternative flights, with many travelling on the same day as originally booked.

To deliver ease and reliability for our customers, we will continue to build on our areas of strength, in particular the digital booking and on-the-day experience and exceptional onboard service. The Company has a leading customer app which improves the overall experience from booking to check-in to reaching the aircraft, often without the need for human interaction, and this year we launched Twilight Baggage Drop, which operates on a self-service basis and gives customers the option to drop off their baggage the evening before the flight. More information on our customer strategy and our operational performance can be found on pages 6 to 17 of the Group's Annual Report and Accounts for the year ended 30 September 2022.

Suppliers

The Company's suppliers have an important role in delivering our ambition, and we strive to ensure that they have aligned views on corporate responsibility and compliance. We partner with key suppliers to deliver many of our operational and commercial activities. Our partners are carefully selected, and significant emphasis is placed on managing these relationships, with the aim of encouraging incremental innovation and performance.

With the ramp up of flying we performed a supplier readiness check to ensure safe and responsible delivery of our operation. In response to staff shortages and delays in recruitment, we worked closely with our suppliers to identify solutions to improve resilience and performance.

During the year, the Board of easyJet plc considered the medium-term fleet plan and secured agreement on delivery slots with our key supplier Airbus and the related engine orders with CFM. More details can be found on page 85 of the Group's Annual Report and Accounts for the year ended 30 September 2022.

Regulators

Regulators and governments take decisions which directly impact our operations. We engage with them to understand their strategic drivers, the impact of regulatory changes on the Company and our customers and ensure that policymakers have an understanding of our business and the social and economic benefits it delivers. Note 21 and 25 describe current investigations being undertaken by regulators with whom the Company is cooperating in support of those investigations.

easyJet Airline Company Limited

Reports of the Directors for the year ended 30 September 2022

Strategic Report (continued)

We engaged extensively with governments across all markets on lifting travel restrictions and testing requirements. One of the Directors of the Company participated in a BEIS Select Committee to provide insight on the challenges the industry was facing and explain the Company's response, and we continue to engage with policymakers across Europe on how public policy can help airlines to address their carbon emissions and stimulate the technological innovation that will be needed for zero emission aviation.

Shareholders

The Company's shareholder is easyJet plc and the Company ensures there is ongoing communication and engagement with the plc Board. Two of the Company's Directors, Johan Lundgren and Kenton Jarvis, are also members of the easyJet plc Board, and the remaining Directors attend the easyJet plc Board meetings by invitation.

Net Zero commitment

The Company aims to be a responsible and sustainable business. We recognise the need to transition to a low-carbon economy and will continue to work towards ensuring aviation plays its part. In November 2021, the Group made an important commitment by joining Race to Zero, a UN-backed global campaign to achieve net zero carbon emissions by 2050. This was closely followed by setting a carbon emissions intensity reduction target of 35% by 2035 and in September 2022 we were the first low-cost airline worldwide to announce an interim target validated by the SBTi. Later in September we published our SBTi-aligned roadmap to achieving net zero carbon emissions by 2050. See pages 12 to 13 and 30 to 42 of the Group's Annual Report and Accounts for the year ended 30 September 2022 for further details.

Corporate Governance Arrangements

In accordance with the provisions of The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles (the 'Principles') for Large Private Companies in relation to the year ended 30 September 2022. Our compliance with the key areas of the Principles is summarised below, together with cross references, where applicable.

Purpose and Leadership

Our Purpose and Strategy

During the year the Board of easyJet plc articulated the refreshed purpose statement, 'Making low-cost travel easy'. Our refreshed purpose explains why we exist and guides our decision making. We want to make low-cost travel a positive and hassle-free experience and aim to provide simple, convenient travel at a competitive price.

We seek to deliver this purpose through our strategy, by leveraging the low-cost airline business model and combining this with network and service differentiation, as well as introducing strategic objectives that help us achieve our destination, which is to be 'Europe's most loved airline – winning for our customers, shareholders and our people'. Further information is set out on pages 20 to 21 of the Group's Annual Report and Accounts for the year ended 30 September 2022.

The Board of the Company is collectively responsible to promote the purpose and ensure its values, strategy and culture align with that purpose.

Our Values and Culture

The Company's culture is open, positive, and collaborative, and is embodied as the 'Orange Spirit'. The Board monitors culture regularly through employee engagement surveys including engagement with trade unions and compliance with policies and procedures to ensure they remain effective. The Board also recognises the importance of identifying its key stakeholders and understanding their perspectives. More information can be found on pages 26 to 29 of the Group's Annual Report and Accounts for the year ended 30 September 2022.

Our culture is also underpinned by the values and behaviours we call 'Our Promise'. Further information can be found on page 88 of the Group's Annual Report and Accounts for the year ended 30 September 2022.

Board composition

The Company has an effective and diverse Board with an appropriate balance of skills, backgrounds, experience, and knowledge to constructively challenge and achieve effective decision making.

easyJet Airline Company Limited

Reports of the Directors for the year ended 30 September 2022

Strategic Report (continued)

During the year Peter Bellew stepped down as a Director of the Company and as Chief Operating Officer of the Group. On 19 December 2022 David Morgan was appointed as a Director of the Company and as the Chief Operating Officer of the Group, a position which he had held on an interim basis since the beginning of July 2022.

For further details on the Directors who held office during the year please refer to page 6. For further details of the Directors who are on the Group's management team, please refer to pages 79 to 81 of the Group's Annual Report and Accounts for the year ended 30 September 2022.

Director responsibilities

The Board consistently strives to deliver long-term value to its stakeholders. To support effective decision-making, corporate governance practices and policies are put in place to ensure systems and controls are operating effectively and that the quality and integrity of information provided can be relied upon to make informed decisions. For further information about our policies and processes, please see pages 48 to 49 of the Group's Annual Report and Accounts for the year ended 30 September 2022.

Opportunity and risk

Driving the long-term sustainable success of the Company, whilst generating value to stakeholders, is at the forefront of the Board's decision-making. The Company has taken the opportunity to focus on delivering a strategy that aligns with the Group's purpose of making low-cost travel easy. The Board continues to assess the Company's business model and effective risk management to provide accountability to stakeholders. Further information about our business model is set out on pages 8 and 9 of the Group's Annual Report and Accounts for the year ended 30 September 2022. The principal risks and uncertainties faced by the Group can be found on pages 59 to 69 of the Group's Annual Report and Accounts for the year ended 30 September 2022.

Remuneration

Remuneration is overseen by the Remuneration Committee of the parent company, easyJet plc, which is responsible for agreeing the remuneration of the management team which includes the Directors of the Company. For further information on the Remuneration Committee, see pages 106 to 121 within the Group's Annual Report and Accounts for the year ended 30 September 2022.

Stakeholder relationships and engagement

The Board understands the importance of having effective relationships with its stakeholders and actively engaging with them to understand their views when making decisions. Please refer to pages 26 to 29 of the Group's Annual Report and Accounts for the year ended 30 September 2022 for further details on our stakeholder engagement.

On behalf of the board



Kenton Jarvis
Director

27 January 2023

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easyJet Airline Company Limited

Reports of the Directors for the year ended 30 September 2022

Directors' report

The Directors present the Strategic report on pages 1-5, the Directors' report on pages 6-8, the Statement of Directors' responsibilities on page 9 and the audited accounts for the year ended 30 September 2022. Further details of the Company can be found in note 1 to the financial statements.

Results and dividends

The Company's loss after tax for the year was £258 million (2021: £886 million loss) which has been transferred to reserves. During the year the Company did not pay or propose a dividend (2021: nil).

Given a reported loss, the Board is not recommending the payment of a dividend in respect of the year ended 30 September 2022. The Board is mindful of the importance of capital returns to shareholders and will reassess the potential for, and structure of, future shareholder cash returns when the market conditions and financial performance of the Company allows. Details of any important events affecting the Company since the year end can be found in note 24.

Future developments

Details of future developments in the business of the Company can be found on pages 20-21 of the Group's Annual Report and Accounts for the year ended 30 September 2022.

Directors

The Directors who held office during the year and up to the date of this report are as follows:

Alistair Kenton Jarvis
Johan Lundgren
Peter Bellew (resigned 1 July 2022)
Ann-Sophie Everest
David Morgan (appointed 19 December 2022)

Employees

The Company is an equal opportunities employer. It ensures that employees and applicants do not receive less favourable treatment on the basis of their age, colour, creed, disability, full or part time status, gender, marital status, nationality or ethnic origin, race, or sexual orientation.

The Company treats applicants with disabilities equally and supports current employees who become disabled. This includes offering flexibility and making reasonable adjustments to the workplace to ensure they can achieve their full potential. For easyJet's two largest communities, pilots and cabin crew, there are a range of regulatory requirements on health and physical ability which all applicants and current employees must comply with.

It is understood that good communication within the business is vital, especially one that has such an extensive staff base. The Company ensures that key issues and matters are discussed with employees so that it can react quickly and ensure that everyone remains engaged. The Company works with employee representatives and recognises a number of trade unions.

The Company encourages the involvement of employees in its performance through the use of employee share schemes, settled in the shares of the Company's parent undertaking, easyJet plc.

Further details are contained in the Group's Annual Report and Accounts for the year ended 30 September 2022.

Political donations and expenditure

The Company works constructively with all levels of government across its network, regardless of political affiliation. easyJet believes in the rights of individuals to engage in the democratic process, however it is the Company's policy not to make political donations.

There were no political donations made or political expenditure incurred during the 2022 financial year (2021: £nil).

Principal subsidiaries and overseas branches

The Company operates two Spanish branches (one performing self-handling and the other dealing with employment matters) and a Portuguese branch, an Italian branch, a Dutch branch, and a French branch (all dealing with employment matters).

easyJet Airline Company Limited

Reports of the Directors for the year ended 30 September 2022

Directors' report (continued)

Directors' indemnities

Details of Directors' indemnities can be found on page 122 of the Group's Annual Report and Accounts for the year ended 30 September 2022.

Financial risk management

The easyJet plc Board is responsible for setting financial risk and capital management policy and objectives across the whole easyJet Group, which are implemented by the Treasury function on a day-to-day basis. The policy outlines the approach to risk management and also states the instruments and time periods which the Treasury function is authorised to use in managing financial risks. The policy is regularly reviewed to ensure best practice.

The Company is exposed to the same financial risks as the easyJet Group and follows the Group's financial risk and capital management objectives and policies, which are disclosed on pages 170-175 of the Group's Annual Report and Accounts for year ended 30 September 2022.

Going concern

The financial statements have been prepared on a going concern basis. In adopting the going concern basis for preparing these financial statements, the Directors have considered the Company's business activities, together with factors likely to affect its future development and performance, as well as the Company's principal risks and uncertainties through to June 2024. The Company's directors have considered the Group's ability and commitment to provide ongoing support for the Company due to the amounts owed to group undertakings, the net liability position of the Company, and the overall reliance on group-wide funding facilities.

As at 31 December 2022, easyJet Group has a net debt position of £1.1 billion including cash and cash equivalents and money market deposits of £3.0 billion, with unrestricted access to £4.0 billion of liquidity and has retained ownership of 56% of the total fleet with 41% being unencumbered.

The Group Directors have reviewed the Group's financial forecasts and funding requirements with consideration given to the potential impact of severe but plausible downside risks, and the Group has modelled a base case representing management's best estimation of how the business plans to perform over the period to June 2024. The future impact of climate change on the business has been incorporated into strategic plans, including the estimated financial impact within the base case cash flow projections of the future estimated price of Emissions Trading System (ETS) permits, the phasing out of the free ETS permits from 2024, the expected price and quantity required of Sustainable Aviation Fuel (SAF) usage and fleet renewals.

The business is exposed to fluctuations in fuel prices and foreign exchange rates. As at 20 January 2023 easyJet was c.78% hedged for fuel in H1 of FY23 at c.US\$819 per metric tonne and c.58% hedged for H2 FY23 at c.US\$900.

In modelling the impact of severe but plausible downside risks on the Group's future performance, the Group's Directors have considered demand suppression leading to a reduction in ticket yield of 5% and reduced capacity of 5% as well as sensitivities on fuel price (increase of \$100 per metric tonne), operational costs (additional inflation assumed on all costs), reoccurrence of additional disruption costs (at year ended 30 September 2022 levels) and delays in the delivery of strategic revenue initiatives. These impacts have been modelled across the whole going concern period. In addition, this downside model also includes a grounding of 25% of the fleet for one month in the peak trading month of August to cover the range of severe but plausible risks that could result in significant operational disruption. This downside scenario resulted in a significant reduction in liquidity but still maintained sufficient headroom on external liquidity requirements.

After reviewing the Group's current liquidity position, committed funding facilities, the base case and severe but plausible downside financial forecasts incorporating the uncertainties described above, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the foreseeable future. In turn this will enable the Group to provide ongoing support to the Company as required. For these reasons the Directors continue to adopt the going concern basis of accounting in preparing the Company's financial statements.

The use of critical accounting estimates and management judgement is required in applying the accounting policies to the Company's financial statements. Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are highlighted in note 1b.

easyJet Airline Company Limited

Reports of the Directors for the year ended 30 September 2022

Directors' report (continued)

Statement of disclosure of information to auditors

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

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

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office.

On behalf of the Board



Kenton Jarvis
Director

27 January 2023

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Registered Number 03034606

easyJet Airline Company Limited

Reports of the Directors for the year ended 30 September 2022

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors are also 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.



Kenton Jarvis
Director

Independent auditors' report to the members of easyJet Airline Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, easyJet Airline Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: Statement of financial position as at 30 September 2022; Income statement, Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 3, we have provided no non-audit services to the company in the period under audit.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- An assessment of whether the Directors have a reasonable expectation that the Company has access to adequate resources, including support from its parent if necessary. In doing so this included review of the easyJet plc Group ("Group") base case and severe but plausible downside scenarios. This included consideration of the Group cash flows against current industry forecasts, the liquidity position of the Group and the Group's available financing facilities. It also included consideration of the timing of any contractual debt repayments and committed capital expenditure and the relevant liquidity requirements that exist as part of the Group's contractual arrangements with current card acquirers. We also considered the operational cash utilisation which has been evidenced during the previous financial year to assess the potential impact on the overall liquidity available to the Group to support the Company should a repeat scenario arise.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

easyJet Airline Company Limited

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 September 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory compliance to ensure Air Operator's Certificates (held in the UK, Switzerland, Austria and the Netherlands) and travel provider licences held by intercompany parties remain valid and fully operational, consumer protection legislation, adherence to data protection requirements in the jurisdictions in which easyJet operates and holds data, regulatory compliance requirements to and non-compliance with employment regulations in the UK and other jurisdictions in which the

easyJet Airline Company Limited

Company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the requirements of emissions trading schemes and customer claims regulation, UK and overseas tax legislation and Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries in the underlying books and records and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the easyJet legal team, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud. This included an assessment of matters identified with larger potential exposures to ensure that the provisions held were supportable and that appropriate disclosure had been included within the financial statements in instances where the Company is currently unable to reliably assess the likely outcome or quantum of the financial exposure related to such matters
- Challenging assumptions and judgements made by management in its significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We focused on the valuation of the maintenance provision, the assessment of impairment of intangible assets and the recoverability of deferred tax assets. We also specifically assessed the provisions held in respect of actual and potential litigation matters, provisions held for customer compensation, the assessment of the loss on disposal of landing rights and breakage on contract liabilities held with customer
- Consideration of recent correspondence with easyJet's legal advisors to ensure that it aligned with the conclusions drawn on obligations recognised and contingent liabilities disclosed in respect of uncertain legal matters
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Owen Mackney (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Watford

27 January 2023

easyJet Airline Company Limited

Income statement

For the year ended 30 September 2022

	Note	2022 £ million	2021 £ million
Passenger revenue		3,816	1,000
Ancillary revenue		1,581	425
Other revenue		990	919
Total revenue	7	6,387	2,344
Fuel		(1,279)	(371)
Airports and ground handling		(1,443)	(423)
Crew		(675)	(443)
Navigation		(339)	(102)
Maintenance		(90)	(76)
Selling and marketing		(153)	(55)
Other costs		(1,910)	(1,400)
Other income		20	81
EBITDAR		518	(445)
Aircraft dry leasing		(3)	(6)
Depreciation	9	(519)	(444)
Amortisation of intangible assets	8	(21)	(17)
Operating loss		(25)	(912)
Interest receivable and other financing income*		26	92
Interest payable and other financing charges		(185)	(240)
Foreign exchange (loss)/gain*		(103)	22
Net finance charges	2	(262)	(126)
Loss before tax	3	(287)	(1,038)
Tax credit	5	29	152
Loss for the year		(258)	(886)

* Interest receivable and other financing income, and foreign exchange (loss)/gain recognised in the prior year has been re-presented. See note 1 for detail.

easyJet Airline Company Limited

Statement of comprehensive income

For the year ended 30 September 2022

	Note	2022 £ million	2021 £ million
Loss for the year		(258)	(886)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to the income statement:</i>			
Cash flow hedges			
Fair value gains in the year		729	414
(Gains)/losses transferred to income statement		(710)	32
Hedge discontinuation (gains)/losses transferred to income statement		(5)	25
Related tax charge	5	(5)	(91)
Cost of hedging		3	2
Related tax charge	5	(1)	-
<i>Items that will not be reclassified to the income statement:</i>			
Fair value gains/(losses) on equity investment		1	(3)
		12	379
Total comprehensive loss for the year		(246)	(507)

Fair valuation gains in the year are primarily due to increases in the market price of jet fuel, along with movements in foreign exchange rates used when valuing derivatives held in the hedging reserve.

For capital expenditure cash flow hedges, the accumulated gains and losses recognised in other comprehensive income will be transferred to the initial carrying amount of the asset acquired, within property, plant and equipment.

(Gains)/losses on cash flow hedges reclassified from other comprehensive income to the income statement by income statement captions are as follows:

	2022 £ million	2021 £ million
Revenue	(9)	(8)
Fuel	(663)	41
Maintenance	(7)	-
Intercompany bond transfer (within foreign exchange (loss)/gain)	(10)	-
Other costs	(21)	(1)
	(710)	32

easyJet Airline Company Limited

Statement of financial position

As at 30 September 2022

	Note	2022 £ million	2021 £ million
Non-current assets			
Goodwill	8	367	367
Other intangible assets	8	212	209
Property, plant and equipment	9	4,563	4,596
Equity investment	20	31	30
Derivative financial instruments	20	127	86
Derivatives with group undertakings	20	-	33
Restricted cash	12	3	1
Other non-current assets	10	91	135
Deferred tax assets	5	78	55
		5,472	5,512
Current assets			
Trade and other receivables	11	439	250
Intangible assets	8	495	140
Derivative financial instruments	20	423	185
Restricted cash	12	4	4
Money market deposits	12	126	-
Current tax assets	5	-	7
Cash and cash equivalents	12	3,456	3,472
		4,943	4,058
Current liabilities			
Trade and other payables	13	(6,653)	(5,967)
Unearned revenue	14	(1,038)	(874)
Lease liabilities	19	(257)	(216)
Derivative financial instruments	20	(86)	(31)
Derivative financial instruments with group undertakings	20	(60)	-
Current tax payable	5	(2)	-
Provisions for liabilities and charges	16	(172)	(183)
		(8,268)	(7,271)
Net current liabilities		(3,325)	(3,213)
Non-current liabilities			
Borrowings	15	(841)	(764)
Unearned revenue	14	(3)	(3)
Lease liabilities	19	(882)	(953)
Amounts owed to group undertakings	13	(1)	(37)
Derivative financial instruments	20	(22)	(37)
Derivative financial instruments with group undertakings	20	(14)	(53)
Non-current deferred income		(3)	(4)
Provisions for liabilities and charges	16	(589)	(420)
		(2,355)	(2,271)
Net (liabilities)/assets		(208)	28
Shareholders' equity			
Share capital	17	765	765
Hedging reserve		155	160
Cost of hedging reserve		2	-
Translation reserve		1	1
Accumulated losses		(1,131)	(898)
Total equity		(208)	28

easyJet Airline Company Limited

The financial statements on pages 13 to 49 were approved by the Board of Directors and authorised for issue on 27 January 2023 and signed on behalf of the Board.



Kenton Jarvis
Director

easyJet Airline Company Limited

Statement of changes in equity

For the year ended 30 September 2022

	Share capital	Hedging reserve	Cost of hedging reserve	Translation reserve	Accumulated losses	Total equity
	£ million	£ million	£ million	£ million	£ million	£ million
At 1 October 2021	765	160	-	1	(898)	28
Loss for the year	-	-	-	-	(258)	(258)
Other comprehensive income	-	9	2	-	1	12
Total comprehensive income/(loss)	-	9	2	-	(257)	(246)
Transferred to property, plant and equipment	-	(14)	-	-	-	(14)
Employee share scheme - value of employee services	-	-	-	-	25	25
At 30 September 2022	765	155	2	1	(1,130)	(207)

	Share capital	Hedging reserve	Cost of hedging reserve	Translation reserve	Accumulated losses	Total equity
	£ million	£ million	£ million	£ million	£ million	£ million
At 1 October 2020	765	(220)	(2)	1	(27)	517
Loss for the year	-	-	-	-	(886)	(886)
Other comprehensive income/(loss)	-	380	2	-	(3)	379
Total comprehensive income/(loss)	-	380	2	-	(889)	(507)
Employee share scheme - value of employee services	-	-	-	-	16	16
Related tax (note 5)	-	-	-	-	2	2
At 30 September 2021	765	160	-	1	(898)	28

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments relating to highly probable transactions that are forecast to occur after the year end.

easyJet Airline Company Limited

Notes to the accounts

1. Accounting policies, judgements and estimates

Statement of compliance

easyJet Airline Company Limited (the 'Company'), a private company limited by shares, is a low-cost airline carrier operating principally in Europe and is incorporated and domiciled in the United Kingdom. The address of its registered office is Hangar 89, London Luton Airport, Luton, Bedfordshire LU2 9PF, England. The Company is a wholly owned subsidiary of easyJet plc (the 'Group'), a public limited company whose shares are listed on the London Stock Exchange under the ticker symbol EZJ.

These financial statements of easyJet Airline Company Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the applicable legal requirements of the Companies Act 2006.

The Company transitioned from preparing the financial statements under international accounting standard to FRS 101 as at 1 October 2021. There is no material impact to the financial statements and all the disclosure exemptions adopted have been applied for all periods presented. In transitioning from IFRS, there are no significant changes to previous policies because, in accordance with FRS 100, IFRS 1 has not been re-applied.

Basis of preparation

The financial statements are prepared based on the historical cost convention except for certain financial assets and liabilities, including derivative financial instruments, financial guarantees, equity investments and certain contingent liabilities and commitments, which are measured at fair value.

easyJet's business activities, together with factors likely to affect its future development and performance, are described in the Strategic Report on pages 2 to 71 of the Group's Annual Report and Accounts for the year ended 30 September 2022. Note 26 to the Group's Annual Report and Accounts for year ended 30 September 2022 sets out the Company's objectives, policies and procedures for managing its capital and gives details of the risks related to financial instruments held by the Company.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis for preparing these financial statements, the Directors have considered the Company's business activities, together with factors likely to affect its future development and performance, as well as the Company's principal risks and uncertainties through to June 2024. The Company's directors have considered the Group's ability and commitment to provide ongoing support for the Company due to the amounts owed to group undertakings, the net liability position of the Company, and the overall reliance on group-wide funding facilities.

As at 31 December 2022, easyJet Group has a net debt position of £1.1 billion including cash and cash equivalents and money market deposits of £3.0 billion, with unrestricted access to £4.0 billion of liquidity and has retained ownership of 56% of the total fleet with 41% being unencumbered.

The Group Directors have reviewed the Group's financial forecasts and funding requirements with consideration given to the potential impact of severe but plausible downside risks, and the Group has modelled a base case representing management's best estimation of how the business plans to perform over the period to June 2024. The future impact of climate change on the business has been incorporated into strategic plans, including the estimated financial impact within the base case cash flow projections of the future estimated price of Emissions Trading System (ETS) permits, the phasing out of the free ETS permits from 2024, the expected price and quantity required of Sustainable Aviation Fuel (SAF) usage and fleet renewals.

The business is exposed to fluctuations in fuel prices and foreign exchange rates. As at 20 January 2023 easyJet was c.78% hedged for fuel in H1 of FY23 at c.US\$819 per metric tonne and c.58% hedged for H2 FY23 at c.US\$900.

In modelling the impact of severe but plausible downside risks on the Group's future performance, the Group's Directors have considered demand suppression leading to a reduction in ticket yield of 5% and reduced capacity of 5% as well as sensitivities on fuel price (increase of \$100 per metric tonne), operational costs (additional inflation assumed on all costs), reoccurrence of additional disruption costs (at year ended 30 September 2022 levels) and delays in the delivery of strategic revenue initiatives. These impacts have been modelled across the whole going concern period. In addition, this downside model also includes a grounding of 25% of the fleet for one month in the peak trading month of August to cover the range of severe but plausible risks that could result in significant operational disruption. This downside scenario resulted in a significant reduction in liquidity but still maintained sufficient headroom on external liquidity requirements.

After reviewing the Group's current liquidity position, committed funding facilities, the base case and severe but plausible downside financial forecasts incorporating the uncertainties described above, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the foreseeable future. In turn this will enable the Group to provide ongoing support to the Company as required. For these reasons the Directors continue to adopt the going concern basis of accounting in preparing the Company's financial statements.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

The use of critical accounting estimates and management judgement is required in applying the accounting policies to the Company's financial statements. Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are highlighted in note 1b.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - the requirements of paragraphs 10(f), 40A, 40B, 40C, 40D, of IAS 1 Presentation of Financial Statements;
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (statement of cash flows information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

Climate change

In preparing the financial statements, the Directors have considered the impact of climate change, particularly in the context of the climate change risks identified in the Sustainability section of the Strategic Report of the Group's Annual Report and Accounts for year ended 30 September 2022 and the Group's stated target of net zero carbon emissions by 2050 and our commitment to reducing our carbon emissions by 35% by 2035. These targets and risks have been considered in relation to the financial reporting judgements and estimates in the current year and these have not materially impacted the results. This is consistent with the conclusion that climate change is not expected to have a significant impact on the Group's or Company's short-term cash flows including those considered in the going concern and viability assessment. It is expected that in the short-term there will not be any impact on demand or significant regulatory changes impacting cost as a result of climate change. It is noted that it is expected that free ETS permits will be phased out by 2027, progressively reducing year on year from 2024, and this increase in cost has been factored into the future cash flows in the short and longer term. In preparing the financial statements, the directors have considered the medium and longer term cash flow impacts of climate change on the Airline including the future estimated price of ETS permits, the phasing out of the free ETS permits from 2024, the expected price and quantity required of Sustainable Aviation Fuel usage and fleet renewals on a number of key estimates within the financial statements, including:

- the estimates of future cash flows used in impairment assessments of the carrying value of non-current assets;
- the estimates of future profitability used in our assessment of the recoverability of deferred tax assets in the UK; and
- the useful economic lives and related residual values for our less fuel-efficient aircraft.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

1a. Significant accounting policies

The significant accounting policies applied in the preparation of the financial statements are summarised below. Unless otherwise stated they have been applied consistently to both years presented. The explanations of these policies focus on areas where judgement is applied or which are particularly significant in the financial statements.

Foreign currencies

The financial statements of the Company are presented in sterling, rounded to the nearest £ million, which is the Company's functional currency. The Company's functional currency has been determined by reference to the primary economic environment in which it operates.

Transactions arising in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the rate of exchange ruling at the end of a reporting period and (except where the asset or liability is designated as a cash flow hedge) the gains or losses on translation are included in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated into sterling at foreign exchange rates ruling at the dates the transactions were affected.

Change in presentation

Net foreign exchange gains and losses

Net foreign exchange gains and losses arising from the revaluation of monetary assets and liabilities have historically been included within either 'interest receivable and other financing income' or 'interest payable and other financing charges' on the face of the income statement. During the year it was concluded that it would be clearer for users of the financial statements if net foreign exchange gains and losses were a separate financial statement line item. The prior year has been presented on a consistent basis, which has resulted in the re-presentation of the consolidated income statement as below.

	2021 Reported £ million	2021 Re-presented £ million
Interest receivable and other financing income	114	92
Interest payable and other financing charges	(240)	(240)
Foreign exchange gain	0	22
Net finance charges	(126)	(126)

Revenue

The Company categorises total revenue earned on the face of the income statement between passenger, ancillary and other revenue. Passenger revenue arises from the sale of flight seats and is measured as the price paid by the customer. Passenger revenue is recognised when the performance obligation has been completed. This is when the flight takes place. Amounts paid by 'no-show' customers are recognised as passenger revenue when the booked service is provided, that is when the flight takes place, as such customers are not generally entitled to change flights or seek refunds once a flight has departed.

Ancillary revenue includes revenue from the provision of checked baggage, allocated seating and change fees and revenue arising from commissions earned from services sold on behalf of partners and inflight sales. It is measured as the price paid by the customer for the service booked or commission earned (for partner and inflight sales). Ancillary revenue is recognised when the performance obligation is complete, which is generally when the related flight takes place, with the following exceptions:

- cancellation fees which are recognised when the cancellation requested by the customer is processed; and
- in the case of commission earned from travel insurance, revenue is recognised at the time of booking as easyJet acts solely as appointed representative of the insurance company.

Partner revenue and revenue from inflight sales is recognised at the value of the commission earned as easyJet is deemed to be the agent and does not control the related services or goods. The key considerations to reach this conclusion are that it is deemed the partner is responsible for inventory risk and fulfilment of the goods and services.

Flights are paid for at the point of booking. Unearned revenue from flights not yet flown is held in the statement of financial position until it is realised in the income statement when the performance obligation is complete and until then represents a contractual liability. Vouchers issued by easyJet in lieu of refunds are held in the statement of financial position in other payables as a contractual liability until they are redeemed against a new booking, at which point they are recognised as unearned revenue, or they expire, at which point they will be recognised as revenue.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

If easyJet cancels a flight, unless a customer immediately re-books on an alternative flight, at the point of the cancellation the amount paid for the flight is derecognised from unearned revenue and a contract liability is recognised within trade and other payables to refund the customer or provide a voucher or flight transfer if requested. Where customers do not request either a voucher, refund or flight transfer the liability continues to be recognised in other payables and breakage has been applied on low value balances aged over 24 months on the basis that the likelihood of the customer exercising their remaining rights to be repaid these amounts is a remote probability.

Compensation payments made to customers (in respect of flight delays) are offset against revenues recognised up to the amount of the flight, with the excess compensation being recorded within expenses.

Revenue from easyJet plus cards is recognised evenly over time. Revenue from easyJet plus cards for the current financial year totalled £15 million (2021: £14 million).

Other revenue represents intercompany aircraft lease revenue and management recharges received from other Group companies. Intercompany revenue is recognised when the performance obligation has been completed which is when the leased assets have been provided or the management services have been provided.

Goodwill and other intangible assets

Goodwill arising on acquisition has been recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over easyJet's interest in the net fair value of the identifiable assets acquired and the liabilities assumed. Goodwill is stated at cost less any accumulated impairment losses. It has an indefinite expected useful life and is tested for impairment at least annually as part of the Airline cost generating unit (CGU) or where there is any indication of impairment.

Landing rights are stated at cost less any accumulated impairment losses. They are considered to have an indefinite useful life as they will remain available for use for the foreseeable future provided minimum utilisation requirements are observed. Landing rights form part of the Airline CGU and are therefore tested for impairment at least annually or where there is any indication of impairment. Landing rights with a carrying value that have no further value in use and have been surrendered for nil value are de-recognised and a loss on disposal is recognised in the income statement.

When assessing for impairment or reassessing useful economic lives, easyJet considers significant future changes including in relation to market, technological, economic and legal developments. The potential future impacts of climate change have been incorporated by including the estimated financial impact within cash flow projections of the increased cost of carbon offsetting, the future estimated price of ETS permits, and the expected price and quantity required of Sustainable Aviation Fuel usage. Additional risks associated with climate change have also been stress tested, including sensitivities of SAF usage and ETS costs, additional legal and technology costs, reduced demand and increased cost of maintenance and replacement aircraft.

Computer software is stated at cost less accumulated amortisation, which is calculated to write off their cost, on a straight-line basis over their expected useful lives. Expected useful lives are reviewed annually.

Expected useful life

Computer software	3-7 years
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Annual license agreements to use Cloud software are expensed and treated as a service agreement. Perpetual licenses to use Cloud software are capitalised if easyJet has both a contractual right to the software and the ability to run the software independently of the host vendor. Customisation and configuration costs related to the implementation of Cloud based applications is expensed unless it creates an asset that is separate and identifiable from the software.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

Property, plant and equipment

Property, plant and equipment (PPE) is stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost, less estimated residual value, of assets on a straight-line basis over their expected useful lives. Expected useful lives (UELs) and residual values are reviewed annually.

	Expected useful life
Aircraft*	18-23 years**
Aircraft spares***	18 years
Aircraft – prepaid maintenance	7-10 years
Leasehold improvements	5-10 years or the length of lease if shorter
Freehold land	Not depreciated
Fixtures, fittings and equipment****	3 years or length of lease of property where equipment is used if shorter
Computer hardware****	3-5 years

* Aircraft held as right of use assets are depreciated over the lease term; see leases section. Contractual capital maintenance associated with leased aircraft is charged as depreciation to the income statement as the usage that defines the maintenance event occurs.

** easyJet operate a fleet of Airbus CEO and NEO aircraft. The newer NEO aircraft have a UEL of 23 years. Aligning to the longer-term plan for CEO aircraft, and the ambition to replace these over time with the more fuel efficient NEO aircraft as part of easyJet's net zero commitment, CEO aircraft have a shorter UEL of 18 years. This change to 18 years was applied prospectively from 1 July 2021.

*** In the year, the expected useful economic life estimate for aircraft spares was revised from 14 years to 18 years in line with expected usage and the useful economic life estimate of the majority of easyJet's owned aircraft. This change was applied prospectively from 1 October 2021 and had an immaterial impact.

**** 'Other' assets within note 9.

Residual values are reviewed annually against prevailing market rates at the end of the reporting period for equivalently aged assets and depreciation rates are adjusted accordingly on a prospective basis. The carrying value is reviewed for impairment at least annually or where there is any indication of impairment within the cash generating unit of which the asset is part. For aircraft, easyJet is dependent on Airbus as its sole supplier. This gives rise to an increased valuation risk which crystallises when aircraft exit the fleet, where easyJet is reliant on the future demand for second-hand aircraft and specifically Airbus aircraft. Future developments, such as the impact of climate change on the technological, market, economic or legal environment, are considered when assessing residual values, useful economic lives, and impairment.

An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance, reflecting the 'full-life' maintenance status of key components of the aircraft at the point of transition of ownership. This cost is depreciated over a period of between seven to ten years from the date of manufacture, in accordance with the maintenance schedule for the aircraft. Subsequent costs incurred which lend enhancement to future periods, such as long-term scheduled maintenance and major overhaul of aircraft and engines, are capitalised at the time of the event and depreciated over the length of the period benefitting from these enhancements. All other maintenance costs for owned aircraft are charged to the income statement as incurred.

Pre-delivery payments made in respect of aircraft are recorded in property, plant, and equipment at cost. These amounts are not depreciated. Interest attributed to pre-delivery and option payments made in respect of aircraft and other qualifying assets under construction are capitalised and added to the cost of the asset concerned.

Gains and losses on disposals (other than aircraft-related sale and leaseback transactions) are determined by comparing the net proceeds with the carrying amount of the asset and are recognised in the income statement.

Freehold land is recorded at cost and not depreciated as it is considered to have an indefinite useful life.

Leases

When a contractual arrangement contains a lease, easyJet recognises a lease liability and a corresponding right of use asset at the commencement of the lease.

At the commencement date the lease liability is measured at the present value of the future lease payments, discounted using the Company's incremental borrowing rate where the interest rate in the lease is not readily determined. Subsequently, the lease liability is adjusted by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease term is determined from the commencement date of the lease and the duration of the non-cancellable term. If easyJet has an extension option, which it considers it is reasonably certain to exercise, then the lease term will be considered to extend beyond that non-cancellable period to the end of the extension period available. If easyJet has a termination option, which it considers it is reasonably certain to exercise, then the lease term will be considered to be until the point the termination option will take effect.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

At the commencement date the right of use asset is measured at an amount equal to the lease liability plus any lease payments made before the commencement date and any initial direct costs, less any lease incentive payments. An estimate of costs to be incurred in restoring an asset before return to the lessor, in accordance with the terms of the lease, is also included in the right of use asset at initial recognition. Subsequently, the right of use asset attracts maintenance work in accordance with the lease contractual obligations; a provision for the maintenance work is built up as the aircraft is flown, with the offset being against the right of use asset. This asset is immediately depreciated as the liability is incurred as the aircraft is flown. Adjustment is also made to the right of use asset to reflect any remeasurement of the corresponding lease liability. The right of use assets form part of the Airline CGU and are therefore subject to review for impairment annually or when there is an indication of impairment within the Airline CGU.

Short-term leases less than 12 months in length and low-value leases are not recognised as lease liabilities and right of use assets but are recognised as an expense on a straight-line basis over the lease term.

The Company periodically enters into sale and leaseback transactions whereby it sells either new or mid-life aircraft or engines to a third party and immediately leases them back. Where the transaction is judged to reflect the aircraft's fair value, any gain or loss arising on disposal is recognised in the income statement, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. If sale proceeds received were determined to not be at the aircraft's fair value, any below market terms would be recognised as a prepayment of lease payments, and above market terms recognised as additional financing provided by the lessor. Gains on sale and leaseback transactions are recognised in other income, with losses on sale and leaseback transactions recognised in other costs.

Other non-current assets

Non-current assets include both general lease deposits, as stipulated in lease agreements, as well as lessor receivables for maintenance obligations incurred on mid-life aircraft before easyJet acquired the aircraft. The payments and receivables are recorded within current and non-current assets as applicable, pending reimbursement or receipt in accordance with contract specific terms. Management assesses the recoverability of these assets annually, and any payment or receivable that is not expected to be reimbursed by the lessor or received when contract terms are met, is recognised immediately within operating expenses in the consolidated income statement.

Impairment of non-financial assets

The Company has identified a single CGU, being the Company's airline route network. All goodwill, landing rights, current intangible assets, associated working capital balances, aircraft and spares belong to the CGU which is tested annually for impairment or where there is an indication of impairment. A single value in use ("VIU") calculation is performed in order to assess the recoverability of the assets.

An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's or cash generating unit's fair value less cost to sell and its value in use. Impairment losses recognised on goodwill are not reversed. Impairment losses recognised on assets other than goodwill are only reversed where changes in the estimates used result in an increase in the recoverable amount.

A further description of the calculation of the value in use and current year outcome and sensitivities for the CGU is given in note 7.

Financial guarantees

Financial guarantees are initially measured at fair value and subsequently at the higher of the initial fair value or the amount of the loss allowance determined by an expected credit loss calculation.

A loss allowance is calculated where the Company is jointly and severally liable for financial guarantee contracts. This is calculated based on the probability-weighted estimate of cash shortfalls to reimburse the holder for a credit loss that it incurs and based on the agreements which may exist between any co-guarantors.

Tax

Tax expense in the income statement consists of current and deferred tax. Tax is recognised in the income statement except when it relates to items credited or charged directly to other comprehensive income or shareholders' equity, in which case it is recognised in other comprehensive income or shareholders' equity. The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible, using tax rates that are applicable to the taxable income.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

Deferred tax is provided in full on temporary differences relating to the carrying amount of assets and liabilities, where it is probable that the recovery or settlement will result in an obligation to pay more, or a right to pay less, tax in the future, with the following exceptions:

- where the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting profit; and
- deferred tax arising on investments in subsidiaries is not recognised where easyJet is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which recovery of assets and settlement of liabilities are expected to take place, based on tax rates or laws enacted or substantively enacted at the date of the statement of financial position.

Deferred tax assets represent amounts considered recoverable in future periods in respect of deductible temporary differences, losses and tax credits carried forward. Deferred tax assets are recognised to the extent that these are estimated to be fully recoverable against the unwind of taxable temporary differences and future taxable income.

Deferred tax liabilities represent the amount of income taxes payable in future periods in respect of taxable temporary differences.

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 it is the intention to settle these on a net basis.

Provisions

Provisions are recognised when a present legal or constructive obligation arises as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Amounts provided for represent the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account all related risks and uncertainties.

Restructuring

Provisions for restructuring arise principally in relation to network optimisation and head office reviews. Provisions for restructuring programmes are made when easyJet has a demonstrable commitment to a restructuring programme, for example through an announcement made to the impacted employees.

Restructuring provisions are measured based on the expected outcome of consultations with impacted employees. Where specific individuals at risk have not been identified, estimations are based on information available such as average payroll data, employee age and length of service.

Customer claims

Provisions for customer claims comprise amounts payable to customers who make claims in respect of flight delays and cancellations and refunds of air passenger duty or similar charges, where the provision is measured based on known eligible events, passengers impacted and the best estimate of claim rates which is in part informed by historical claim rates.

Maintenance

The Company incurs liabilities for maintenance and restoration costs in respect of externally leased aircraft during the term of the lease. These arise from legal and constructive contractual obligations relating to the condition of the aircraft when it is returned to the lessor or when heavy maintenance events occur during the period of the lease. Contractual maintenance obligations arising from the ongoing use of the aircraft are provided for over the term of the lease based on the estimated future costs of the maintenance events, discounted to present value. The provision is built as the aircraft are flown, and recognised against the right of use asset, where it is immediately depreciated as the flying hours that determine the provision have taken place. The restoration cost obligation is described in the lease section.

Other

Other provisions include amounts in respect of potential liabilities for employee related matters and litigation which arise in the normal course of business.

Employee benefits

The Company contributes to defined contribution pension schemes for the benefit of employees. easyJet has no further payment obligations once the contributions have been paid. The assets of the schemes are held separately from those of the Company in independently administered funds. The Company's contributions are charged to the income statement in the year in which they are incurred.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

Due to the service agreement between the Company and a fellow easyJet group company in Switzerland, the ultimate cost of settling any pension liability for the Swiss pension plan as described in note 20 of the Group's Annual Report and Accounts for year ended 30 September 2022 lies with the Company. As such an amount equal to the net deficit of the Swiss pension plan is recognised as an intercompany pension obligation on the statement of financial position within amounts owed to group undertakings.

The expected cost of compensated annual leave and other employee benefits is recognised at the time that the related employees' services are provided.

Share capital and dividend distribution

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Final dividend distributions to the Company's shareholders are recognised as a liability in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Share-based payments

The Company participates in a number of equity-settled easyJet Group share incentive schemes. The fair value of share options granted under the Save As You Earn scheme is measured at the date of grant using the Binomial Lattice option pricing model. The fair value of grants under the Long Term Incentive Plan is measured at the date of grant using the Black-Scholes model for awards based on Return on Capital Employed (ROCE) performance targets, and the Stochastic model (also known as the Monte Carlo model) for awards based on Total Shareholder Return (TSR) performance targets. The fair value of all other awards is the share price at the date of grant.

The fair value of the estimated number of options and awards that are expected to vest is expensed to the income statement on a straight-line basis over the period that employees' services are rendered, with a corresponding increase in shareholders' equity. Where non-market performance criteria (such as ROCE) attached to the share options and awards are not met, any cumulative expense previously recognised is reversed. For awards with market-related performance criteria (such as TSR), an expense is recognised irrespective of whether the market condition is satisfied.

The scheme is managed by the easyJet Group with the scheme charges passed to the Company as a capital contribution from easyJet plc. The social security obligations payable in connection with the grant of the share options are an integral part of the grant itself and the charge is treated as a cash-settled transaction. A deferred tax balance is recognised based on the intrinsic value of the outstanding options.

Segmental disclosures

The Company has one operating segment, being its route network, based on management information provided to the Airline Management Board, which is the Chief Operating Decision Maker ('CODM'). Resource allocation decisions are made for the benefit of the route network as a whole, rather than for individual routes within the network. Performance of the network is assessed based on the consolidated income statement before tax for the year.

Revenue is allocated to geographic segments on the following bases:

- revenue earned from passengers is allocated according to the location of the first departure airport on each booking;
- commission revenue earned from partners is allocated according to the domicile of each partner; and
- intercompany revenue is allocated based on the country the intercompany partner is registered to.

Financial Instruments

Financial instruments are recognised when easyJet becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Financial assets are also derecognised (written-off) when the Group has no reasonable expectation of recovering the financial asset.

With the exception of trade receivables that do not contain a significant financing component, financial instruments are initially measured at fair value plus or minus (in the case of a financial asset or financial liability not at fair value through the income statement) directly attributable transactions costs. Trade receivables that do not contain a significant financing component are initially measured at the transaction price.

Where market values are not available, the fair value of financial instruments is calculated by discounting expected cash flows at prevailing interest rates and by applying period end exchange rates.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

The equity investment in The Airline Group Limited is measured at fair value. Movements in fair value are assessed at each reporting period and recorded in other comprehensive income. The fair value is measured using a dividend income model in line with IFRS 13 requirements.

Non-derivative financial assets

Non-derivative financial assets are classified and measured according to easyJet's business model for managing a specified group of financial assets, and the nature of the contractual cash flows arising from that group of financial assets.

Financial assets measured at amortised cost

Subsequent to initial recognition, this classification of financial asset is measured at amortised cost using the effective interest rate method.

Financial assets are measured at amortised cost when both of the following criteria are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

Financial assets measured at amortised cost include refundable lease deposits and other refundable lease contributions, restricted cash, trade and other receivables, money market deposits and cash and cash equivalents (excluding money market funds).

Restricted cash comprises cash deposits which have restrictions governing their use and is classified as a current or non-current asset based on the estimated remaining length of the restriction.

Cash and cash equivalents comprise cash held in bank accounts with no access restrictions, money market funds, and bank term deposits and tri-party repos repayable on demand or maturing within three months of inception.

Money market deposits comprise of term deposits and tri-party repos maturing more than three months from inception.

Financial assets measured at fair value through other comprehensive income

On initial recognition, equity investments, excluding interests in associates, are irrevocably designated as measured at fair value through other comprehensive income. Subsequently they are measured at fair value with changes recognised in other comprehensive income with no recycling of these gains and losses.

Financial assets measured at fair value through the income statement

Financial assets are measured at fair value through the income statement when they do not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income.

Subsequent to initial recognition, this classification of financial asset is measured at fair value through the income statement.

Financial assets measured at fair value through income statement comprise solely of money market funds at 30 September 2022.

Impairment of financial assets measured at amortised cost

At each reporting date easyJet recognises a loss allowance for expected credit losses on financial assets measured at amortised cost.

In establishing the appropriate amount of loss allowance to be recognised, easyJet applies either the general approach or the simplified approach, depending on the nature of the underlying group of financial assets.

General approach – impairment assessment

The general approach is applied to the impairment assessment of refundable lease deposits and other refundable lease contributions, restricted cash, money market deposits and cash and cash equivalents.

Under the general approach easyJet recognises a loss allowance for a financial asset at an amount equal to the 12-month expected credit losses, unless the credit risk on the financial asset has increased significantly since initial recognition, in which case a loss allowance is recognised at an amount equal to the lifetime expected credit losses.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

Simplified approach – impairment assessment

The simplified approach is applied to the impairment assessment of trade and other receivables.

Under the simplified approach easyJet always recognises a loss allowance for a financial asset at an amount equal to the lifetime expected credit losses using a historical loss probability method.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost, and include trade and other payables and borrowings. Interest expense on borrowings is recognised using the effective interest method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting period date.

Financial liabilities measured at amortised cost

Subsequent to initial recognition, this classification of financial liability is measured at amortised cost.

Financial liabilities measured at amortised cost include trade and other payables, lease liabilities and borrowings.

Derivative financial instruments with group undertakings

The Company uses cross-currency interest rate swaps with Group undertakings to hedge currency and interest rate risk on borrowings.

Derivative financial instruments and hedging activities

Derivative financial instruments are measured at fair value through the income statement, with the exception of derivative financial instruments that are designated as a hedging instrument in a cash flow for hedge relationship.

The Company uses foreign currency forward exchange contracts to hedge foreign currency risks on transactions denominated in US dollars, euros and Swiss francs. These transactions primarily affect revenue, fuel, lease costs and pre delivery payments, and the carrying value of owned aircraft. The Company also uses cross-currency interest rate swaps to hedge currency and interest rate risk on certain borrowings, and jet fuel forward swap and option contracts to hedge fuel price risks. The Company has a small number of euro-denominated lease contracts which result in a committed schedule of euro lease rental payments; these are matched against forecasted euro revenue cash flows to provide a cash flow hedge against the sterling / euro exchange rate. Hedge accounting is applied to those financial instruments that are designated as cash flow hedges or fair value hedges.

Fair value hedges

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair values of the hedged assets or liabilities that are attributable to the hedged risk. Any difference between the hedge item and hedge instrument fair valuation is recorded as hedge ineffectiveness within the income statement.

Fair value changes in the derivative instrument attributable to currency basis are not designated as part of the hedged instrument. Such fair value changes are recognised through other comprehensive income as a cost of hedging and are recycled to the income statement on a rational basis, according to the nature of the underlying hedged item.

Cash flow hedges

Gains and losses arising from changes in the fair value of foreign exchange forwards, jet fuel forward swaps, jet fuel options and cross-currency interest rate swap contracts designated as cash flow hedges are recognised in other comprehensive income and deferred in the hedging reserve to the extent that the hedges are determined to be effective.

All foreign exchange contracts in a cash flow hedge relationship are designated on a forward basis with the full fair value as the hedge instrument. Jet fuel option contracts in a cash flow hedge relationship are designated using the intrinsic value of the derivative as the hedge instrument only. The time value element of the full fair value for these derivatives is recognised through other comprehensive income as a cost of hedging and recycled to the income statement at the same time as the hedge item also impacts the income statement.

Fair value changes in foreign currency derivative instruments attributable to currency basis are not designated as part of the hedged instrument. Such fair value changes are recognised through other comprehensive income as a cost of hedging, and are

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

recycled to the income statement on a rational basis, according to the nature of the underlying hedged item. All other changes in fair value are recognised immediately in the income statement.

When the hedged forecast transaction relates to an item of property, plant and equipment, the relevant accumulated gains and losses are transferred from the hedging reserve and included in the initial carrying amount of that purchased asset. Otherwise they are recognised in the income statement in the same period in which the hedged transaction affects the income statement and against the same line item.

In the event that a hedged forecast transaction is no longer expected to occur, any related gains and losses are immediately transferred from the hedging reserve and recognised in the income statement. Derivative instruments that have been derecognised from hedge relationships are classified as fair value through the income statement thereafter, with subsequent fair valuation movements impacting the income statement.

Hedge accounting is discontinued when a hedging instrument is derecognised (e.g. through expiry, disposal or termination of a derivative), or no longer qualifies for hedge accounting. Where the hedged item continues to be expected to occur, the related gains and losses remain deferred in the hedging reserve until the transaction takes place.

Hedge Relationship

The Company determines that the criteria for each hedge accounting relationship are met when:

- All relationships demonstrate a strong economic correlation;
- The effects of credit do not dominate the change in value of the associated hedged risk; and
- All Company hedge relationships have a hedge ratio of one to one, aligning to the Company's risk management strategy.

EU ETS, CH ETS and UK ETS carbon allowances

The Company participates in the EU ETS, CH (Swiss) ETS and UK ETS schemes. Participants are required to purchase and surrender ETS carbon allowances (allowances) to cover their annual carbon emissions from flying. The surrendering process takes place ahead of the compliance deadline of 30 April each year in respect of the preceding calendar year. A proportion of allowances are issued for free and are recognised at fair value, being the market value on the date they are received, with a corresponding liability recognised simultaneously. Purchased allowances are recognised at the purchase price. Both free and purchased carbon allowances are held as current intangible assets and are not subsequently revalued as they are held for own use.

As part of the annual surrender process free allowances will be surrendered first with purchased allowances then surrendered on a first in, first out (FIFO) basis. The income statement expense, recognised throughout the year as the liability is incurred through flying, is based on a weighted average cost of the free and purchased allowances estimated to be surrendered (on the FIFO basis described above) as part of the annual surrender process. A corresponding liability of the same value is also recognised. As such, for any financial year, three months of the related expense will be known having already been surrendered, with nine months of the expense subject to a degree of estimation. Where insufficient allowances are held in the Company's registry at the financial year end, when compared with the expected calendar year surrender that will be required, the remainder of the income statement expense is estimated using the market price of allowances as at the financial year end date. Both the related asset and liability are extinguished only at the point that the allowances are surrendered.

These current intangible assets form part of the Airline CGU and are reviewed for impairment annually or when there is an indication of impairment within the Airline cash generating unit.

Carbon offsetting and Verified Emission Reductions

During the financial year easyJet operated a voluntary policy to offset every tonne of carbon and carbon equivalents (collectively 'carbon') emitted from fuel used for all its flights, by investing in projects which will mean there is one tonne less in the atmosphere, whether by reducing carbon by physically removing it from the air, or by avoiding the release of additional carbon.

The Company purchased Verified Emission Reductions (VERs) arising from Gold Standard or Verified Carbon Standard (VCS) accredited projects to offset the carbon emitted from flights. The cost of purchasing VERs was recognised in the income statement when the flight occurs with a corresponding carbon offsetting liability. This is measured using the purchase price of VERs on a FIFO basis, then a weighted average of expected future purchases where all purchased VERs have been allocated. VERs are recorded as a current intangible asset at historical cost when delivery into the Company's registry account has taken place. At regular intervals the VERs are retired to settle the obligation, at which point the VER asset and carbon offsetting liability are derecognised.

It is of note that this scheme ceased for flights booked after 31 December 2022. The majority of the VER assets held at 30 September 2022 were utilised by bookings up to 31 December 2022, with the residual balance being immaterial.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

Amounts due to/from other easyJet Group companies

Amounts due to / from other Group entities within the easyJet Group are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method.

At each reporting date the Company recognises a loss allowance for expected credit losses on amounts due from other easyJet Group entities using the simplified approach. Under the simplified approach the Company recognises a loss allowance at an amount equal to the lifetime expected credit losses.

Operational costs and income

Costs and income are presented in the income statement based on the nature of the cost/income as this is most relevant to enable users of the financial statements to understand easyJet's financial performance. Separate financial statement line items are shown for material income and expenses; other income and costs include items not reported elsewhere. Other income includes insurance receipts, supplier compensation payments, rental income and gains on sale and leaseback transactions. Other costs are expensed as incurred and includes disruption costs, IT costs, cost of third-party providers, some employee costs, wet lease costs and insurance.

Finance charge/income

Interest payable/receivable and other financing charges/income includes interest expense/income on bank and borrowings which is recognised using the effective interest method, interest on lease liabilities which is recognised using the interest rate implicit in the lease, and fair value movements of derivative financial instruments that are not designated hedging instruments in a cash flow hedge arrangement.

Net exchange gains/losses on monetary assets are presented as a separate financial statement line item.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Loans provided and/or guaranteed by governments that represent market rates of interest are recorded at the amount of the proceeds received and recognised within borrowings. All existing loans are considered to be at market value. Grants that compensate the Company for expenses incurred are recognised in the income statement in the relevant financial statement line on a systematic basis in the periods in which the expenses are recognised to present the net expense to the Company.

New and revised standards and interpretations

A number of amended standards became applicable during the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. The amendments that became applicable for annual reporting periods commencing on or after 1 January 2021, and did not have a material impact were:

- IFRS 3 Reference to the conceptual framework
- IAS 37 *Onerous contracts* - Cost of fulfilling a contract
- IAS 16 PPE Proceeds before intended use amendments
- IFRS 1, IFRS 9 and IFRS 16 Annual improvements to IFRS standards
- IFRS 9, IAS 39, IFRS 7, IFRS 4, IAS 16 Interest rate benchmark reform - Phase 2

During the current reporting period, the Company has adopted the Interest Rate Benchmark Reform Phase 2 amendments to IFRS 9, and IFRS 7 and has applied this to the specific hedging relationship identified. Three cross-currency interest rate swaps are used to convert the entire €500 million fixed rate Eurobond maturing in February 2023 to a sterling floating rate exposure. All three swaps originally were based on three-month LIBOR. Following the cessation of GBP LIBOR, the floating interest transitioned to the ISDA Fallback Rate for fixings from January 2022.

The Company has elected to apply the phase 2 reliefs and has amended its hedge designation and documentation to reflect these changes which are required by IBOR reform. Such amendments did not give rise to the hedge relationship being discontinued.

The LIBOR transition working group which was formed in the prior year continues to consider the wider impacts on the business of these changes. No other material impacts have emerged during the period.

There are no standards that are issued but not yet effective that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

1b. Critical accounting judgements and estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make judgements as to the application of accounting standards to the recognition and presentation of material transactions, assets and liabilities within the Company, and the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Estimations are based on management's best evaluation of a range of assumptions; however events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. The estimates and the underlying assumptions are reviewed regularly.

1b.(i) Critical accounting judgements

The following critical accounting estimates involve a higher degree of judgement or complexity and are the major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year.

Vouchers issued

It is currently the Company's policy in the event of flight cancellations to offer customers the option to accept vouchers in lieu of cash refunds. The liability for these vouchers is classified as other payables until the voucher is redeemed against a future booking when it is reclassified to unearned revenue.

To date no vouchers have expired as expiry dates have been extended to ensure customers have the maximum opportunity to utilise their vouchers. Additionally, no breakage has been recognised for airline vouchers as it is judged that customer behaviour, and therefore redemption levels, have not yet normalised post pandemic given the flight disruption seen as the industry starts to return to pre-pandemic levels of flying. For vouchers issued to customers in countries where regulations stipulate unused vouchers should be refunded to the customer before the expiry of the statutory period, the required refunds have been made.

Applying breakage to the balance of the airline flight vouchers at 30 September 2022 at a rate of 10% would result in a reduction in the liability of c.£11 million.

Sale and leaseback transactions

Judgement is required when determining if sale and leaseback proceeds and lease rentals are at fair value. The sale and leaseback transactions completed in the year have been assessed with reference to external valuations specific to the easyJet fleet and assessed to be at fair value. The accounting treatment would have been different if the transactions had not been at fair value (see leases accounting policy).

Contingent liability recognition

On 19 May 2020, easyJet announced that it had been the target of a cyber-attack from a highly sophisticated source. The email addresses and travel details of approximately nine million customers were accessed and for a very small subset of customers (2,208), credit card details were accessed.

The cyber-attack continues to be under investigation by the Information Commissioner's Office (ICO). As the cyber-attack took place before the United Kingdom left the European Union, the Company expects the ICO to be investigating on behalf of all EU data protection authorities as lead supervisory authority under the General Data Protection Regulation (GDPR). Any penalty or enforcement action will need to be reviewed and approved by the other EU data protection authorities under the GDPR's cooperation process. In addition, in May 2020, a class action claim was filed in the UK High Court by a law firm representing a class of affected customers and claims have also been commenced or threatened in other courts and jurisdictions.

Judgement has been applied in assessing the merit, likely outcome and potential impact on the Company of the continued investigation by the ICO, group action and other claims. These are still subject to a number of significant uncertainties and therefore the Company is unable to assess the likely outcome or quantum of the claims as at the date of these financial statements, and no provision has been made.

1b.(ii) Critical accounting estimates

The following critical accounting estimates involve a higher degree of judgement or complexity, or are areas where assumptions are significant to the financial statements. The critical accounting estimates concerned are the major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

Aircraft maintenance provisions - £636 million (2021: £550 million) (note 16)

The Company incurs liabilities for maintenance costs arising during the lease term of externally leased aircraft. These costs arise from legal and constructive contractual obligations relating to the condition of the aircraft when it is returned to the lessor. To discharge these obligations, it is usual for easyJet to carry out at least one heavy maintenance check on each of the engines and the airframe of the aircraft during the lease term. A material provision representing the estimated cost of this obligation is built up over the course of the lease.

The estimates and assumptions used in the calculation of the provision are reviewed at least annually, and when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased aircraft utilisation, or changes in the cost of heavy maintenance services and expected uplift in future prices. Given the uncertainty in forecasting future maintenance requirements, and the associated judgemental nature of the assumptions applied in determining the maintenance provision, management believe that a reasonable combination of changes to these estimates could result in a material movement to the carrying value of the provision. The most critical estimates in the calculation of the provision are considered to be the future utilisation of the aircraft and the expected increase in the uncontracted cost of the heavy maintenance checks. Should inflation rates be c.2% higher than the currently estimated rates in all periods for which they are not yet contractually fixed or currently under negotiation, this would increase the provision by c.£6 million.

The rates used to discount the provision to arrive at a present value are based on observable market rates and are therefore at less risk of management estimation.

Goodwill and landing rights - £525 million (2021: £535 million) (note 8)

The recoverable amount of goodwill and landing rights has been determined based on value in use calculations for the Airline route network CGU. The value in use is determined by discounting future cash flows to their present value. When applying this method, easyJet relies on a number of key estimates including the ability to meet its strategic plans, future fuel prices and exchange rates, the ability to pass on cost price increases to the customer, long-term economic growth rates for the principal countries in which it operates, and its pre-tax weighted average cost of capital. Strategic plans include estimations of the future impact of climate change on easyJet to the extent these can be forecast. This includes, for example, the future estimated price of ETS permits, the phasing out of the free ETS permits from 2024, the expected price and quantity required of Sustainable Aviation Fuel usage and fleet renewals. The impact of longer-term climate change risks has been considered as part of the stress testing scenarios.

Fuel price and exchange rates continue to be volatile in nature and the ability to pass these changes on to the customer are a key estimate. The assumptions used are sensitive to significant changes in these rates. In addition, assumptions over customer demand levels could have a significant effect on the impairment assessment performed. Any future events that would lead to extended travel restrictions or fleet grounding may impact future impairment or useful economic life assessments. The stress testing considered as part of the overall impairment assessment takes into account different assumptions for these key estimates, see note 8 for details.

Provisions for customer claims - £80 million (2021: £21 million) (note 16)

The Company incurs liabilities for amounts payable to customers who make claims in respect of flight delays and cancellations, for which claims could be made up to six years after the event. The key estimation in the provision is the passenger claim rates, in particular during periods of disrupted flying. The estimation carries a level of uncertainty as it is based on customer behaviour. The basis of all estimates included in the provision are reviewed at least annually and when information becomes available that may result in a material change to the estimate. Should customer claims for disruption events be 5% higher than estimated this would result in an addition to the year end provision of £5 million.

Owned aircraft carrying values – £3,575 million (2021: £3,422 million) (note 9)

The key estimates used in arriving at aircraft carrying values are the useful economic lives and residual values of the owned aircraft.

Aircraft are depreciated over their useful economic life to their residual values in line with the property, plant and equipment accounting policy. The useful economic life is based on easyJet's long-term fleet plan and intended utilisation of the current fleet, which include long term assumptions of market conditions and customer demands which by their nature are inherently uncertain.

Residual value estimates for aircraft are based on independent aircraft valuations. The valuations are based on an assessment of the current and future state of the global marketplace for specific aircraft assets. Should the marketplace for an asset class deteriorate unpredictably, there could be a risk that the recoverable amount for some aircraft assets would fall below their current carrying value or that residual values are subject to downward adjustment. If the market value of easyJet aircraft varied by +/- 10% this would result in an approximate +/- £6 million impact on annual depreciation rates.

Owned and leased aircraft asset recoverable amounts are included in the Airline CGU and are therefore subject to review for impairment annually or when there is an indication of impairment within the Airline CGU. Further details of the impairment testing applied are included in note 8.

easyJet Airline Company Limited

Notes to the accounts (continued)

1. Accounting policies, judgements and estimates (continued)

Recoverability of deferred tax assets – £434 million (2021: £416 million) (note 5)

The deferred tax asset balances include £434 million (2021: £416 million) arising on full recognition of the UK trading tax losses accumulated at the statement of financial position date. The Company has concluded that these deferred tax assets will be fully recoverable against the unwind of taxable temporary differences and future taxable income based on the long-term strategic plans of the Group, and therefore the Company. Where applicable the financial projections used in assessing future taxable income are consistent with those used elsewhere across the business for example in the assessment of the carrying value of goodwill. These assessments include the expected impact of climate change on easyJet and the future financial impact within cash flow projections of the increased cost of carbon-offsetting, including the future estimated price of ETS permits, the phasing out of the free ETS permits from 2024, the expected price and quantity required of Sustainable Aviation Fuel usage and fleet renewals.

The tax losses for which a deferred tax asset has been recognised are expected to be utilised within the next eight years, based on probable forecast future taxable income. Probable forecast future taxable income includes an incremental and increasing risk weighting to represent higher levels of uncertainty in future periods.

The loss utilisation has been stress tested by assessing probable future taxable income for the next three years, based on the same risk weightings to those applied above, but assuming no profit growth from the end of a three year forecast period. The resultant reduction in forecast taxable profit calculated on this basis would extend the tax loss utilisation period by one year.

The tax losses can be carried forward indefinitely and have no expiry date.

Other payables - Liability for contract with customers - £151 million (2021: £262 million) (note 14)

Other contract liabilities include amounts transferred from unearned revenue to other payables due to the cancellation of flights. This liability includes customer vouchers outstanding and amounts where customers have not yet requested a refund, voucher, or flight transfer. These liabilities are judged to be contract liabilities as they arise from performance obligations where payment has been received from the customer but the performance obligation has not been met. The judgement applied to the voucher liability is described under critical accounting judgements. For balances where customers have not yet requested a refund, voucher or flight transfer, management has judged that sufficient time has passed to assess the element of this liability where the likelihood of the contractual right being exercised is considered to be remote. This has been estimated to apply to balances aged over 24 months and of low value, and these liabilities have been taken to the consolidated income statement as revenue. A 5% increase in this breakage would result in an additional £1 million of revenue being recognised.

easyJet Airline Company Limited

Notes to the accounts (continued)

2 Net finance charges

	2022 £ million	2021 Re-presented* £ million
Interest receivable and other financing income		
External interest income	(21)	-
Hedge discontinuation	(5)	(92)
	(26)	(92)
Interest payable and other financing charges		
Hedge discontinuation	-	92
Interest payable to fellow group undertakings***	96	55
Interest payable on bank loans	43	30
Interest payable on lease liabilities	45	47
Other interest payable	1	16
	185	240
Net exchange losses/(gains) on monetary assets and liabilities**	103	(22)
Net finance charges	262	126

*2021 re-presented to separate net exchange gains on monetary assets and liabilities from interest receivable and other financing income, see note 1.

**Included within net exchange losses on monetary assets and liabilities (2021: net exchange gains on monetary assets and liabilities) is a £127 million gain (2021: £15 million loss) relating to the fair value gain on USD foreign exchange derivatives designated as fair value through the income statement.

***Of the £96 million of interest payable to fellow group undertakings above, £68 million (2021: £41 million) is owed to the parent entity.

3 Loss before tax

The following have been included in arriving at loss before tax:

	2022 £ million	2021 £ million
Depreciation of property, plant and equipment:		
Owned assets	253	209
Right of use assets	266	233
Loss on disposal of landing rights	10	-
Loss on disposal of property, plant and equipment	7	15
Release of airport accruals	(18)	(4)
Movement in trade receivables provision	4	-
Gain on sale and leaseback	(9)	(73)

Auditors' remuneration

During the year the Company obtained the following services from the Company's auditors:

	2022 £ million	2021 £ million
Company audit fee	0.6	0.5
Fees for audit of the Company's associates	0.6	0.6
	1.2	1.1

In addition, the Company incurred audit-related non-audit services fees of £0.2 million (2021: £0.1 million) from its auditors.

During the year other assurance related non-audit services fees totaling £0.3 million (2021: £0.2 million) were also incurred, primarily in relation to working capital procedures associated with a Class 1 transaction.

easyJet Airline Company Limited

Notes to the accounts (continued)

4 Employees

Average monthly number of persons employed	2022	2021
	Number	*Restated Number
Flight and ground operations	11,221	11,171
Sales, marketing and administration	1,038	881
	12,259	12,052

* Employee numbers were previously disclosed on a full-time equivalent basis. The disclosure is now reporting average headcount numbers and the prior year has been restated.

Employee costs	2022	2021
	£ million	£ million
Wages and salaries	623	446
Social security costs	91	63
Pension costs	61	52
Share-based payments	24	15
	799	576

Included in employee costs is a net impact of £nil million (2021: £65 million release) from restructuring costs. The impact of the restructuring provision created in the year in relation to the downsizing of operations in Berlin has been offset by the reduction of separate restructuring provisions from earlier years.

The amounts received under government 'Furlough' schemes are offset against employee costs in the income statement. Refer to note 23 for further details.

Directors' emoluments	2022	2021
	£ million	£ million
Remuneration	5	3
	5	3

This includes all Directors who held office during the financial year ended 30 September 2022.

As at 30 September 2022 the Company had three Directors (2021: four).

During the year three (2021: four) Directors received a taxable payment in lieu of employer pension contributions. One Director accrued retirement benefits under the easyJet Group defined contribution pension scheme.

No Directors exercised shares in the parent company during the year (2021: two) and four Directors received shares relating to long term service plans (2021: four).

The highest paid Director received remuneration totalling £1.8 million (2021: £0.9 million) including pension contributions of £45,000 (2021: £45,000). The highest paid Director exercised no shares in the parent company during the year (2021: none) and received shares relating to long term service plans.

During the year a Director of the Company received £241,000 compensation for loss of office.

easyJet Airline Company Limited

Notes to the accounts (continued)

5 Tax credit

Tax on loss on ordinary activities:

	2022 £ million	2021 £ million
Current tax		
Adjustments in respect of prior years	-	5
Adjustments in respect of prior years - Group relief surrendered not reimbursed	-	8
	-	13
Deferred tax		
Temporary differences relating to property, plant and equipment	(37)	(18)
Other temporary differences	5	(8)
Trading loss	-	(169)
Adjustments in respect of prior years	(1)	9
Remeasurement of opening balances due to change in tax rates	4	21
	(29)	(165)
Total tax credit	(29)	(152)
Effective tax rate	10%	15%

Reconciliation of the total tax credit

The tax for the year is lower (2021: lower) than the standard rate of corporation tax in the UK as set out below:

	2022 £ million	2021 £ million
Loss before tax	(287)	(1,038)
Tax credit at 19.0% (2021: 19.0%)	(54)	(197)
Expenses not deductible for tax purposes	4	4
Adjustments in respect of prior years - current tax	-	5
Adjustments in respect of prior years - Group relief	-	8
Adjustments in respect of prior years - deferred tax	(1)	9
Movement on uncertain Tax Provision	(1)	(1)
Remeasurement of opening balances due to change in tax rate	4	21
Difference in applicable rates for current and deferred tax	(7)	(46)
IFRS 16 restricted gain	-	28
Share-based payments	2	2
Loss relief to/from Group companies	24	15
Total tax credit	(29)	(152)

Current tax payable at 30 September 2022 amounted to £2.4 million (2021 £1 million recoverable). The company has recognised a payable of £3.5 million in relation to an amendment to the tax return for the year ended 30 September 2019, this is offset by tax receivables in both the UK and other tax jurisdictions.

During the year ended 30 September 2022, net cash tax received amounted to £nil (2021: £10 million net tax received).

The Finance Act 2021 confirmed an increase of UK corporation tax rate from 19% to 25% with effect from 1 April 2023 and this was substantively enacted by the statement of financial position date and therefore included in these financial statements. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

Tax on items recognised directly in other comprehensive income/(loss) or shareholders' equity:

	2022 £ million	2021 £ million
Credit to other comprehensive income/(loss)		
Deferred tax on change in fair value of cash flow hedges	(6)	(91)

easyJet Airline Company Limited

Notes to accounts (continued)

Deferred tax

The net deferred tax asset in the statement of financial position is as follows:

	Accelerated capital allowances	Short-term timing differences	Fair value gains	Share-based payments	Intercompany pension obligation	Trading loss	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
At 1 October 2021	358	(38)	53	(2)	(10)	(416)	(55)
Charged/(credited) to income statement	(19)	4	4	1	(1)	(18)	(29)
Charged to other comprehensive income	-	-	6	-	-	-	6
At 30 September 2022	339	(34)	63	(1)	(11)	(434)	(78)

	Accelerated capital allowances	Short-term timing differences	Fair value gains/(losses)	Share-based payments	Intercompany pension obligation	Trading loss	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
At 1 October 2020	357	(22)	(38)	(1)	(7)	(270)	19
Charged/(credited) to income statement	1	(16)	-	(1)	(3)	(146)	(165)
Charged to other comprehensive income	-	-	91	-	-	-	91
At 30 September 2021	358	(38)	53	(2)	(10)	(416)	(55)

It is estimated that deferred tax assets of approximately £47 million (2021: deferred tax assets of £4 million) will reverse during the next financial year.

It is estimated that deferred tax liabilities of approximately £nil million (2021: deferred tax liabilities of £3 million) will reverse during the next financial year.

6 Dividends

During the year the Company did not declare a dividend (2021: nil).

7 Geographical revenue

	2022 £ million	2021 £ million
United Kingdom	2,975	894
Southern Europe	2,158	1,024
Northern Europe	1,163	411
Other	91	15
	6,387	2,344

Southern Europe comprises countries lying wholly or mainly south of the border between Italy and Switzerland, plus France.

easyJet Airline Company Limited

Notes to the accounts (continued)

8 Goodwill and other intangible assets

	Goodwill £ million	Other intangible assets		Total £ million
		Landing rights £ million	Computer software £ million	
Cost				
At 1 October 2021	367	168	88	256
Additions	-	-	34	34
Disposals	-	(10)	-	(10)
At 30 September 2022	367	158	122	280
Accumulated amortisation				
At 1 October 2021	-	-	47	47
Charge for the year	-	-	21	21
At 30 September 2022	-	-	68	68
Net book value				
At 30 September 2022	367	158	54	212
At 30 September 2021	367	168	41	209

Included within computer software, are internally generated intangible assets of £25 million (2021: £8 million), and work in progress of £25 million (2021: £11 million).

Value in use calculation

The recoverable amount of goodwill and other assets with indefinite expected useful lives has been determined based on value in use calculations for the airline route network cash generating unit, which holds these assets.

Pre-tax cash flow projections have been derived from the strategic plan presented to the Board for the period up to 2026, using the following key assumptions

	2022	2021
Pre-tax discount rate (derived from weighted average cost of capital, WACC)	12.2%	11.3%
Fuel price (US dollars per metric tonne)	1,010	696
Long-term economic growth rate	2.0%	2.0%
Exchange rates:		
US dollar	1.11	1.35
Euro	1.14	1.16

The discount rate has been calculated based on the capital asset pricing model using external inputs where relevant, and the current cost of debt for the Group. The change in the discount rate year on year reflects the current market conditions. Both fuel price and exchange rates are volatile in nature. Exchange rates and fuel price are based on spot rates as at 30 September 2022. The increase year on year of the fuel price shown in the table above reflects the change in underlying fuel prices, however in preparing its assessment management has assumed that fuel uplifts from a 2019 baseline can be recovered, with any increase in costs being passed on to customers. Operating margins are sensitive to significant changes in the timing and the ability of increases to be passed through to the customer.

Cash flow projections beyond the forecast period have been extrapolated using an estimated average of long-term economic growth rates for the principal countries in which easyJet operates. The future impact of climate change on the business has been incorporated into strategic plans, including the estimated financial impact within the base case cash flow projections of the future estimated price of ETS permits, the phasing out of the free ETS permits from 2024, the expected price and quantity required of Sustainable Aviation Fuel (SAF) usage and fleet renewals.

easyJet Airline Company Limited

Notes to the accounts (continued)

The headroom of the value in use calculation over the carrying value of the relevant assets has increased compared to 30 September 2021. This is primarily due to the strategic initiatives which the Company has already taken, and which are now embedded in the base case cash flow forecast.

Stress testing has been performed on key inputs to the value in use calculation, including the assumptions listed above and the strategic plan used as the base for the calculation. The impairment model is sensitive to a sustained significant adverse movement in foreign currency exchange rates (other than movements that are included in the fuel pass-through assumption) and forecast operating profits to the extent that no other compensating action is taken. It has been assumed that any significant future fuel price increase would be recovered through revenue pass through. Individual scenarios that have been deemed reasonably probable, in particular in relation to the current macro-economic environment, do not give rise to an impairment. These scenarios include +/-10% on euro and US dollar rates, +100 bps increase in WACC, reduced capacity of 5%, increased operating costs (excluding fuel) of 2% and a reduced growth rate of 1%.

Additional risks associated with climate change have also been stress tested, including sensitivities of SAF usage and ETS costs, additional legal and technology costs, reduced demand and increased cost of maintenance and replacement aircraft. These scenarios, both individually and in reasonably probable combinations, do not give rise to an impairment.

Current intangible assets

	2022 £ million	2021 £ million
Carbon offsetting VER	14	15
EU ETS, CH ETS and UK ETS carbon allowances	481	125
	495	140

ETS credits are required to offset the carbon emitted by flights. The scheme is settled on an annual basis. The credits required for annual settlement are held as current intangible assets, with the associated liability included within accruals in trade and other payables (note 13).

easyJet Airline Company Limited

Notes to the accounts (continued)

9 Property, plant and equipment

	Owned assets			Right of use assets		Total
	Aircraft and spares	Land and Buildings	Other	Aircraft and spares	Other	
	£ million	£ million	£ million	£ million	£ million	£ million
Cost						
At 1 October 2021	4,345	44	53	2,784	45	7,271
Additions	480	-	25	120	-	625
Aircraft sold and leased back	(84)	-	-	19	-	(65)
Transfer to intangibles**	-	-	(14)	-	-	(14)
Disposals	(10)	-	(1)	(258)	-	(269)
At 30 September 2022	4,731	44	63	2,665	45	7,548
Accumulated depreciation and impairment						
At 1 October 2021	923	-	20	1,704	28	2,675
Charge for the year	244	-	9	260	6	519
Aircraft sold and leased back	(7)	-	-	-	-	(7)
Disposals	(4)	-	-	(198)	-	(202)
At 30 September 2022	1,156	-	29	1,766	34	2,985
Net book value						
At 30 September 2022	3,575	44	34	899	11	4,563
At 30 September 2021	3,422	44	33	1,080	17	4,596

The net book value of aircraft includes £297 million (2021: £132 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

As at 30 September 2022, the Company was contractually committed to the acquisition of four LEAP engines (2021: 0) and 168 (2021: 101) Airbus 320 family aircraft, with a total estimated list price* of US\$ 21.9 billion (2021: US\$ 12.3 billion) before escalations and discounts for delivery in financial years 2023 (7 aircraft), 2024 (21 aircraft), 2025 (23 aircraft) and 2026 to 2029 (117 aircraft).

The 'Other' categories comprise of leasehold improvements, computer hardware, leasehold property and fixtures, fittings and equipment and work in progress in respect of tangible asset projects. The work in progress as at 30 September 2022 was £19 million (2021: £10 million).

Assets of £908 million are pledged as security for the drawn portion of the UKEF backed facility (2021: £934 million pledged as security for the Revolving Credit Facility and term loans).

* Airbus no longer publishes list prices. The estimated list price is based on the last available list price published in January 2018 and escalated by Airbus' standard escalation from January 2018 to January 2022 of 11.2% (or 2.7% CAGR).

** Transfers are from work in progress on other owned assets to computer software intangible assets, which are reflected in the additions line in note 8.

easyJet Airline Company Limited

Notes to the accounts (continued)

10 Other non-current assets

	2022 £ million	2021 £ million
Lessor maintenance contributions	64	75
Deposits held by aircraft lessors	27	60
	91	135

Lessor maintenance contribution assets arise to compensate the Company for the delivery of a mid-life aircraft, where a lessor has agreed to make a contribution to the Company's maintenance costs to reflect the cycles already flown by the aircraft at the point it is delivered to the Company. Depending on the contract terms, payment will be made either at the maintenance event date or at the lease return date. The recoverability of this asset has been assessed by management, and the asset is assessed as being fully recoverable.

11 Trade and other receivables

	2022 £ million	2021 £ million
Trade receivables	91	51
Less: provision for loss allowance	(8)	(4)
	83	47
Amounts owed by group undertakings	-	6
Prepayments*	150	119
Accrued income*	66	23
Other receivables	140	55
	439	250

*£18 million prior year transactions have been reclassified from prepayments to accrued income.

Within the provision for loss allowance, £4 million (2021: £1 million) has been charged to the income statement, with £nil million (2021: £4 million) being utilised in the 2022 financial year.

Other receivables comprise lessor contributions, prepaid maintenance costs, VAT and trade deposits.

Included within prepayments is £86m in respect of balances with intercompany counterparties.

12 Cash and money market deposits

	2022 £ million	2021 £ million
Cash and cash equivalents (original maturity less than three months)	3,456	3,472
Money market deposits (original maturity more than three months)	126	-
Current restricted cash	4	4
Non-current restricted cash	3	1
	3,589	3,477

Interest rates on money market deposits and restricted cash are re-priced based on prevailing market rates of interest.

Restricted cash comprises:

	2022 £ million	2021 £ million
Cash held as bank guarantee collateral	3	1
Amounts held in escrow for legal cases	4	4
	7	5

easyJet Airline Company Limited

Notes to the accounts (continued)

13 Trade and other payables

	2022 £ million	2021 £ million
Trade payables	330	159
Amounts owed to group undertakings - current*	5,163	4,979
Accruals	899	478
Taxes and social security	37	25
Other payables	224	326
	6,653	5,967

Included within non-current liabilities is amounts owed to group undertakings of £1 million (2021: £37 million). Also, included within accruals is £6m in respect of balances with intercompany counterparties.

* Apart from the balances associated with the issuance of the Eurobonds the outstanding balances on the amounts owed to group undertakings are placed on intercompany accounts with no specified credit period, are unsecured, and bear market rates of interest. The intercompany loan agreements associated with the issuance of the Eurobonds are on the same terms as the bonds themselves (see Note 26 in the Group's Annual Report and Accounts for year ended 30 September 2022) although they also contain a repayable on demand clause meaning that the balances are classified as current.

14 Liabilities relating to contracts with customers

Contract liabilities:

	2022		2021 Restated*	
	Unearned revenue £ million	Other £ million	Unearned revenue £ million	Other £ million
At 1 October 2021	877	262	615	386
Revenue deferred during the year	6,168	-	1,630	-
Revenue recognised during the year	(6,004)	(23)	(1,368)	-
Additional contract liability during the year	-	118	-	307
Reduction in contract liability during the year	-	(210)	-	(425)
Foreign exchange impact during the year	-	4	-	(6)
At 30 September 2022	1,041	151	877	262

*2021 restated to include non-current unearned revenue.

Included within unearned revenue is £107m in respect of balances with intercompany counterparties.

Revenue deferred and recognised during the year is inclusive of airline passenger duty (APD) and other charges.

	2022 Unearned revenue £ million	2022 Other £ million	2021 Unearned revenue £ million	2021 Other £ million
Revenue recognised that was included in the contract liability balance at the beginning of the year	805	23	239	11

Other customer contract liabilities consist of amounts transferred from unearned revenue to other payables due to the cancellation of flights. This liability includes customer vouchers outstanding and amounts where customers have not yet requested a refund, voucher or flight transfer. The movements in additional contract liability and reduction in contract liability arise as flights are cancelled and as vouchers are awarded or exercised and as customers advise on the exercise of their options following flight cancellations. The breakage applied to the contract liability in the year (for customers who had not advised on the exercise of their options) is included in revenue recognised during the year.

easyJet Airline Company Limited

Notes to the accounts (continued)

15 Borrowings

	Non-current £ million
At 30 September 2022	
Term Loan (UK Export Finance backed facility)	(841)
	(841)
At 30 September 2021	
Term Loan (UK Export Finance backed facility)	(764)
	(764)

Amounts above are shown net of issue costs or discounted amounts which are amortised at the effective interest rate over the life of the debt instruments.

In January 2021 the Company entered into a five-year term loan facility of \$1.87 billion underwritten by a syndicate of banks and supported by a partial guarantee from UK Export Finance under their Export Development Guarantee scheme. The Company drew down \$1.05 billion from the UKEF backed facility in January 2021.

16 Provisions for liabilities and charges

	Maintenance provisions £ million	Provisions for Customer claims £ million	Restructuring £ million	Other provisions £ million	Total £ million
At 1 October 2021	550	21	19	13	603
Exchange adjustments	93	3	-	-	96
Release of provisions	-	(15)	(10)	-	(25)
Additional provisions recognised	141	236	10	17	404
Related to aircraft sold and leased back	6	-	-	-	6
Updated discount rates net of unwind of discount	(71)	-	-	-	(71)
Utilised	(83)	(165)	(4)	-	(252)
At 30 September 2022	636	80	15	30	761

The maintenance provisions provide for maintenance costs arising from legal and constructive obligations relating to the condition of the aircraft when returned to the lessor. Provisions for customer claims comprise amounts payable to customers who make claims in respect of flight delays and cancellations, and refunds of air passenger duty or similar charges. Restructuring and other provisions include amounts in respect of potential liabilities for employee-related matters and litigation which arose in the normal course of business.

Provisions are analysed as follows:

	2022 £ million	2021 £ million
Current	172	183
Non-current	589	420
	761	603

The split of the current/non-current maintenance provision is based on the expected maintenance event timings. If actual aircraft usage varies from expectation the timing of the utilisation of the maintenance provision could result in a material change in the classification between current and non-current. Maintenance provisions are expected to be utilised within nine years.

Within other provisions are provisions for litigation matters. The split of these provisions between current/non-current is based on the dates of expected court judgements. Provisions for customer claims and restructuring provisions could be fully utilised within one year from 30 September 2022 and therefore are classified as current.

easyJet Airline Company Limited

Notes to the accounts (continued)

17 Share capital

	2022 million	Number 2021 million	2022 £ million	Nominal value 2021 £ million
Allotted, called up and fully paid - Ordinary shares of £1 each				
At 30 September	765	765	765	765
At 30 September	765	765	765	765

18 Share incentive schemes

The Company operates the following share incentive schemes, all of which are settled in the equity of its parent, easyJet plc. Further details are given in pages 165 to 167 in the Group's Annual Report and Accounts for the year ended 30 September 2022.

The change in the number of awards outstanding, weighted average exercise prices during the year, and the number exercisable at each year end were as follows:

Weighted average exercise prices are as follows:

	1 October 2021 £	Granted £	Forfeited/cancelled £	Exercised £	30 September 2022 £
Save As You Earn scheme	6.16	3.99	6.14	11.74	4.54

The exercise price of all awards, save those disclosed in the above table, is £nil.

The number of awards exercisable at each year end and their weighted average exercise price are as follows:

	Price (£)		Number (million)	
	2022	2021	2022	2021
Long Term Incentive Plan	-	-	0.1	0.1
Restricted Stock Unit	-	-	-	-
Restricted Share Plan	-	-	-	-
Save As You Earn scheme	6.76	11.39	1.1	0.2
			1.2	0.3

The weighted average remaining contractual life for each class of share at 30 September 2022 is as follows:

	Years	
	2022	2021
Long Term Incentive Plan	7.4	8.5
Restricted Stock Unit	8.7	9.3
Restricted Share Plan	9.4	-
Save As you Earn scheme	2.9	2.5

Long Term Incentive Plan

The plan is open, by invitation, to Executive Directors and senior management, and provides for annual awards of Performance Shares worth up to 250% of salary each year. The vesting of these shares is dependent on return on capital employed (ROCE), earnings per share (EPS) and/or total shareholder return (TSR) targets compared to FTSE-ranked companies at the start of the performance period. All awards have a three-year vesting period. Awards made in December 2020 are assessed on performance conditions measured over the three financial years ended 30 September 2023.

Restricted Stock Unit

The plan is given to Executive Directors, and both senior and middle management, and provides for annual awards of Performance Shares worth up to 75% of salary each year. All awards have a two- or three-year vesting period of which the vesting conditions are continued employment.

easyJet Airline Company Limited

Notes to the accounts (continued)

Save As You Earn scheme

The scheme is open to all employees on the UK payroll. Participants may elect to save up to £500 per month under a three-year savings contract. An option is granted by the Company to buy shares at a discount of 20% from the market price at the time of the grant, however the 2022 scheme was granted at a discount of 10% from the market price. At the end of the savings period, the option becomes exercisable for a period of six months. Employees who are not paid through the UK payroll may participate in the scheme under similar terms and conditions, albeit without the same tax benefits.

Restricted Share Plan

The plan is open, by invitation, to Executive Directors and senior and middle management, and provides for annual awards of Performance Shares worth from 20% to 125% of salary, depending on role. All awards have either a two- or three-year vesting period. For the Executive Directors a three-year performance period plus two-year post vesting holding period will apply. The vesting of these shares is dependent on continued employment and assessment against performance underpins as outlined in the Directors Remuneration Report of the Group's Annual Report and Accounts for the year ended 30 September 2022 (pages 113 to 121) measured over the vesting period.

easyJet Airline Company Limited

Notes to the accounts (continued)

19 Leases

The Company holds aircraft under leasing arrangements that are recognised as right of use assets and lease liabilities, with remaining lease terms ranging up to ten years. The Company is contractually obliged to carry out maintenance on externally leased aircraft, and the cost of this is provided based on the number of flying hours and cycles operated. Further details are given in note 1.

Information in respect of right of use assets, including the carrying amount, additions and depreciation, are set out in note 9 to these financial statements. Information in respect of the interest arising on lease liabilities is set out in note 2. A maturity analysis of lease liabilities is set out below.

The Company also enters into short term leases and low value leases which are not recognised as right of use assets and lease liabilities.

Cash payments during the year	2022 £ million	2021* £ million
Capital payments	(206)	(261)
Interest payments	(43)	(41)

*Re-stated as lease transactions with fellow Group undertakings are not settled in cash.

Lease liabilities	2022 £ million	2021 £ million
Maturity analysis - contractual undiscounted cash flows		
Less than one year	(297)	(251)
One to five years	(723)	(730)
More than five years	(258)	(317)
	(1,278)	(1,298)

Lease liabilities included in the statement of financial position	2022 £ million	2021 £ million
Current	(257)	(216)
Non-current	(882)	(953)
Total	(1,139)	(1,169)

The Company also enters into short-term leases and low-value leases which are not recognised as right of use assets and lease liabilities. The expense recognised in the year in relation to these leases is disclosed below.

Amounts recognised in the income statement	2022 £ million	2021 £ million
Interest on lease liabilities	45	47
Expenses relating to low-value leases	4	-
Expenses relating to short-term wet leases	53	(14)
Total	102	33

The £14 million credit in the prior year recognised as expenses relating to short-term wet leases relates to the release of an accrual which was no longer required.

Intercompany lease liabilities included in the statement of financial position	2022 £ million	2021 £ million
Current	(10)	(26)
Non-current	(17)	(63)
Total	(27)	(89)

Intercompany amounts recognised in the income statement	2022 £ million	2021 £ million
Interest on lease liabilities	2	5

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20 Financial instruments held at fair value

	Held at fair value		Other Financial Instruments	Fair value
	Fair value hedges	Cash flow hedges		
	£ million	£ million	£ million	£ million
30 September 2022				
Derivative financial instruments	58	264	120	442
Derivative financial instruments with group undertakings	-	-	(74)	(74)
Equity investments	-	-	31	31

	Held at fair value		Other Financial Instruments	Fair value
	Fair value hedges	Cash flow hedges		
	£ million	£ million	£ million	£ million
30 September 2021				
Derivative financial instruments	-	186	17	203
Derivative financial instruments with group undertakings	-	-	(20)	(20)
Equity investments	-	-	30	30

The equity investment of £31 million (2021: £30 million) represents a 13.2% shareholding in a non-listed entity, The Airline Group Limited. Valuation movements are designated as being fair valued through other comprehensive income due to the nature of the investment being held for strategic purposes.

Fair value of derivative financial instruments

Accumulated gains and losses resulting from the transactions relating to derivatives designated as cashflow hedges are deferred in the hedging reserve. They will be recognised in the income statement in the periods that the hedged transactions impact the income statement. Where the gain or loss is included in the initial amount recognised following the purchase of an aircraft, recognition in the income statement is in the form of depreciation of the purchased asset.

Fair valuation movements on the derivatives designated as fair value through the income statement are recognised in the income statement and offset foreign exchange movements on the corresponding notional amount of the statement of financial position monetary liabilities held in US dollars and euro.

The Company maintains cross-currency interest rate swap contracts on a proportion of fixed rate debt issuance as part of the approach to currency and interest rate risk management. The cross-currency interest rate swap contracts are designated and qualify as either fair value or cash flow hedges to minimise volatility in the income statement.

Fair value calculation methodology

Where available the fair values of financial instruments have been determined by reference to observable market prices where the instruments are traded. Where market prices are not available, the fair value has been estimated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates (excluding The Airline Group Limited equity investment).

Apart from the equity investment, the financial instruments held at fair value are classified as level 2.

The fair values of derivatives are calculated using observable market forward curves (e.g. forward foreign exchange rates, forward interest rates or forward jet fuel prices) and discounted to present value using risk free rates. The impacts of counterparty credit, cross-currency basis and market volatility are also included where appropriate as part of the fair valuation.

The equity investment is classified as level 3 due to the use of forecast dividends which are discounted to present value. Though there are other level 2 inputs to the valuation, the discounted cash flow is a significant input which is not based on observable market data. The fair value is assessed at each reporting date based on the discounted cash flows and two other valuations calculated using a market approach and level 2 inputs. The fair value of £31 million was determined on this basis by an external valuation firm as at 30 September 2022 (2021: £30 million), representing an increase of £1 million from the prior year which was recognised in other comprehensive income. If the level 3 forecast cash flows were 10% higher or lower the fair value would not increase/decrease by a significant amount.

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The fair value measurement hierarchy levels have been defined as follows:

- Level 1, fair value of financial instruments based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2, fair value of financial instruments in an active market (for example, over the counter derivatives) which are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates.
- Level 3, fair value of financial instruments that are not based on observable market data (i.e. unobservable inputs).

21 Guarantees, contingent liabilities and commitments

Contingent liabilities

The Company is involved in a number of disputes and litigation which arose in the normal course of business. The likely outcome of these disputes and litigation cannot be predicted, and in complex cases reliable estimates of any potential obligation may not be possible.

On 19 May 2020, easyJet announced that it had been the target of a cyber-attack from a highly sophisticated source. The email address and travel details of approximately 9 million customers were accessed and for a very small subset of customers (2,208), credit card details were accessed.

The cyber-attack is under investigation by the Information Commissioner's Office (ICO). As the cyber-attack took place before the United Kingdom left the European Union, the Company expects the ICO to be investigating on behalf of all EU data protection authorities as lead supervisory authority under the GDPR. Any penalty or enforcement action will need to be reviewed and approved by the other EU data protection authorities under the GDPR's cooperation process. In addition, in May 2020, a class action claim was filed in the UK High Court by a law firm representing a class of affected customers and claims have also been commenced or threatened in certain other courts and jurisdictions. The merit, likely outcome and potential impact on the Company of the investigation by the ICO, group action and other claims are subject to a number of significant uncertainties and therefore the company is unable to assess the likely outcome or quantum of the claims as at the date of these financial statements.

Additionally, there is a possibility of a claim being made by a third-party supplier, for what would be a material recovery. Management have assessed the likelihood of a case being brought, the Company's response and likelihood of a successful defence and at this stage do not consider it appropriate to provide for such a possibility.

Contingent commitments

At 30 September 2022 the Company had outstanding letters of credit and performance bonds totalling £43 million (2021: £72 million), of which £10 million (2021: £43 million) expires within one year. The fair value of these instruments at each year end was negligible.

No amount is recognised on the statement of financial position in respect of any of these financial instruments as it is not probable that there will be an outflow of resources, hence the fair value is deemed to be £nil.

As part of the commitment to voluntary carbon offsetting, the Company currently has contractual commitments to purchase Verified Emission Reductions worth £4 million (2021: £11 million) in total until December 2022.

Following approval of the resolution, at the general meeting on 21 July 2022, a firm commitment has been agreed with Airbus to substantially complete the 2013 Airbus Agreement. The commitment includes:

- The conversion of six purchase options and 50 purchase rights to a firm order of 56 A320neo family aircraft with deliveries scheduled between FY26 and Q1 FY29.
- The conversion of previous firm orders of 18 A320neo aircraft planned for delivery between FY24 and FY27 to 18 A321neo aircraft deliveries.

The purchase firms up the Company's order book with Airbus to calendar year 2028, continuing the Company's fleet refresh, as the 156 seat A319s and older A320s (180 and 186 seat) leave the business and new A320 (186 seat) and A321neo (235 seat) aircraft enter providing up-gauging, cost, and sustainability enhancements to the business. Additionally, the Company has a commitment with CFM to purchase four LEAP engines over the next two years.

On 26 September 2022, easyJet announced its pathway to net zero. This roadmap references several partnerships with other commercial companies to explore certain technologies which may assist with the overall goal to decarbonise the aviation industry. The majority of these partnerships are in fact agreements to work together on the areas identified and do not involve a financial commitment from easyJet other than the time and effort involved in the collaboration over an agreed period. Where there may be areas requiring a financial commitment from easyJet in the future, these are still subject to negotiation and there is no binding commitment on easyJet at the date of publication of these financial statements.

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Guarantees

The Company, along with the Group and easyJet FinCo B.V, guarantees all bond issuances under the €4 billion Euro Medium Term Note (EMTN) programme. As at 30th September 2022 the following notes had been issued by the Group (2016-2019) and easyJet FinCo B.V (2021):

- February 2016: Eurobonds consisting of €500 million guaranteed Notes paying 1.75% coupon and maturing in February 2023
- October 2016: Eurobonds consisting of €500 million guaranteed Notes paying 1.125% coupon and maturing in October 2023
- June 2019: Eurobonds consisting of €500 million guaranteed Notes paying 0.875% coupon and maturing in June 2025; and
- March 2021: Eurobonds consisting of €1.2 billion guaranteed Notes paying 1.875% interest and maturing in March 2028.

No amount is recognised on the statement of financial position in respect of any of these guarantees. The calculated loss allowance on these financial guarantee contracts is immaterial.

The Company has given a formal undertaking to the Civil Aviation Authority to guarantee the payment and discharge of all liabilities of easyJet UK Limited, a subsidiary of the Company. The guarantee is required for that company to maintain its operating licence under Regulation 3 of the Licensing of Air Carriers Regulations 1992.

easyJet plc has also issued guarantees in favour of the Company relating to:

- processing of credit card transactions;
- hedging transactions in derivative financial instruments;
- contractual obligations to Airbus SAS in respect of the supply of aircraft;
- repayment of borrowings;
- payment obligations for the lease of aircraft from lessors outside of the Group;
- bank letters of credit; and
- brand licence agreement with easyGroup Limited (approved by the shareholders of easyJet plc on 10 December 2010).

22 Related party transactions

During the year, the company recognised £70 million (2021: £65 million) of sales relating to the leasing of aircraft and £67 million (2021: £30 million) of sales relating to the provision of maintenance services and £1 million (2021: £1 million) of insurance charges to easyJet Switzerland SA, a group company which is 49% owned by easyJet plc. Purchases from easyJet Switzerland SA relating to the purchase of seat capacity under the intra-group commercial capacity agreement were £255 million (2021: £164 million).

At 30 September 2022, £129 million (2021: £84 million) was outstanding and included within current liabilities. The outstanding balance is unsecured.

Amounts included in the income statement for the year ended 2022 due under the Brand Licence and other agreements with easyGroup Limited and others, detailed within note 29 to the Group's Annual Report and Account for year ended 30 September 2022, amounted to £16 million (2021: £5 million). Royalty payments within this total were £14 million (2021: £4 million).

At 30 September 2022, £10.1 million (2021: £0.1 million) was included in trade and other payables in relation to the Brand Licence and other agreements.

At 30 September 2022 £nil (2020: £5.3 million) is due from related parties in relation to the Annual Royalty and is included within trade and other receivables.

23 Government Grants

During the year ended 30 September 2021 the Company continued to utilise the Coronavirus Job Retention Scheme implemented by the UK government, where those employees designated as being 'furloughed workers' were eligible to have 80 per cent of their wage costs paid up to a maximum amount of £2,500 per month. In the same period, easyJet companies utilised similar schemes provided by governments in Portugal, Germany, Netherlands, France and Italy. This continued into the year ended 30 September 2022 for Germany and France.

The total amount of such relief received by the Company amounted to £4 million (2021: £111 million) and is offset within employee costs in the income statement. There are no unfulfilled conditions or contingencies relating to these schemes.

On 8 January 2021 the Company signed a five-year term loan facility of \$1.87 billion (with easyJet plc as a Guarantor), underwritten by a syndicate of banks and supported by a partial guarantee from UK Export Finance under their Export Development Guarantee scheme. The Export Development Guarantee scheme for commercial loans is available to qualifying UK companies, does not carry preferential rates or require state aid approval, but does contain some restrictive covenants including dividend payments. However,

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Notes to the accounts (continued)

these restrictive covenants are compatible with easyJet Group's existing policies. In April 2022 the Company repaid \$100 million of this facility reducing the overall UKEF facility size from \$1.87 billion to \$1.77 billion.

24 Ultimate controlling company

The Company's immediate parent and ultimate controlling company is easyJet plc, incorporated in England and Wales, registered number 03959649.

The only group in which the results of the Company are consolidated is headed by easyJet plc, the Annual Report and Accounts of which can be obtained from easyJet plc, Hangar 89, London Luton Airport, Luton, Bedfordshire, LU2 9PF and at www.corporate.easyjet.com.

25 Subsequent events

On 25 November 2022 the plc Board approved;

- six aircraft sale & leaseback transactions to take place in the first half of the year ending 30 September 2023; and
- the acceleration of three Airbus A320neo deliveries from FY25 to FY24; this is a change to the commitments profile stated in note 9 of these financial statements.

On 22 December the Company was notified by the Italian Competition Authority that they are launching an investigation into price-fixing on Italian domestic flights between ITA Airways, easyJet, Ryanair and Wizz Air. easyJet has refuted the claims and will fully cooperate with the Authority in its investigation. The Company does not expect any financial impact to arise as a result of the investigation.