easyJet Airline Company Limited

Annual Report and Accounts

For the year ended 30 September 2021

Registered Number 03034606

easyJet Airline Company Limited

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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 which easyJet Holidays Limited packages together with accommodation and other services. The full strategic report of easyJet plc and all of its subsidiaries (the "Group") may be found on pages 2 to 78 of easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021.

The Company is a low-cost European point-to-point airline. easyJet uses its cost advantage, operational efficiency and leading positions in primary airports to deliver low fares, seamlessly connecting Europe with the "warmest welcome in the sky". easyJet carried over 20 million passengers in the 2021 financial year (2020: over 48 million) on more than 927 routes (2020: over 980 routes) across 34 countries (2020: 35 countries).

Our leading position at slot constrained airports with high customer demand allows us to deliver profitable growth and resilient returns over the long term. Our cost efficiency is achieved through long-term strategic partnerships with key airports and ground-handling operators. easyJet has a focus on providing services which our customers value.

The ongoing restrictions on travel imposed by governments in response to Covid-19 have continued to adversely impact air travel. Our focus over the winter season of the 2021 financial year was on cash generative flying in order to minimise cash burn. During the second half of the financial year, there was continued uncertainty due to the changing environment, however travel restrictions were eased across much of Europe. easyJet successfully maintained a disciplined focus and agile approach on matching capacity to available demand especially across UK domestics and mainland Europe.

As a result of continued travel restrictions, reduced flying and the significantly softer macro-level demand in the year, the Company's passenger and ancillary revenue (together 'Airline Revenue') for the full year decreased by 52% to £1,425 million (2020: £2,995 million), and Airline revenue per seat for the year fell 7.0% to £50.54 (2020: £54.35), and by 6.4% at constant currency. Other revenue of £919 million (2020: £1,073 million) comprises internal aircraft lease income and management recharges.

The Company's operating costs for the full year fell by 34% to £3,256 million (2020: £4,944 million), mainly as a result of the reduced flying. The cost per seat performance was driven overwhelmingly by the impact of Covid-19, which has resulted in dramatic capacity reductions. Airline cost per seat excluding fuel, as per Group, increased by 38.1% to £77.25 (2020: £55.94), and increased by 40.6% at constant currency, as a result of fixed operating costs being spread across less flying capacity. Partially offsetting this was the benefit of furlough support from the UK and other European governments and easyJet's cost reduction programme which continues to achieve significant savings.

The Company's net cash as at 30 September 2021 was £1,539 million (30 September 2020: net cash £638 million) and comprised cash and money market deposits of £3,472 million (30 September 2020: £2,272 million), debt of £764 million (30 September 2020: £775 million) and lease liabilities of £1,169 million (30 September 2020: £859 million).

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 £73 million gain as a result of the sale and leaseback of 35 aircraft and 2 engines in the period (2020: gain of £22 million), a £62 million credit related to the release of restructuring provisions no longer required following constructive negotiations with our trade unions (2020: £120 million charge), and a net £18 million charge related to hedge discontinuation and fair value adjustments (2020: £308 million charge). In 2020, there was an impairment charge for stored leased aircraft of £37 million.

Strategic report (continued)

This year has been very significant in the development of easyJet's approach to sustainability. Despite the impact of the pandemic, sustainability remains a fundamental part of our business and of significant importance to our customers. In November 2020 we established our new Sustainability Strategy, focused on driving down our environmental impact. Our strategy has three pillars: tackling our carbon emissions; stimulating carbon innovation; and going beyond carbon. See pages 38 to 62 of easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021 for further details.

easyJet's low cost model, which serves predominantly short-haul leisure travellers, offering excellent value for money and a customer-centric approach, is ideally positioned to be at the leading edge of European aviation's recovery from Covid-19. This is because, firstly, the recovery from the pandemic will emerge first through pent up demand for leisure travel as customers look to take holidays again and visit friends and families in short-haul markets where there is likely to be greater alignment in government travel restrictions. They will also gravitate towards value and short-haul trips, where the perceived risks of consumers and the financial commitment are lower. Additionally, easyJet retains substantial flexibility within its cost base, ensuring our costs are aligned to the level of demand in the market.

The news of the Omicron variant in November 2021, followed by changes in travel requirements and restrictions throughout Europe, created a period of suppressed bookings and demand for flying across our network. This resulted in short term bookings being transferred to future flights. Since the UK lifted it's restrictions in early 2022, we've seen a positive recovery to bookings for flying in the UK however Europe continues to be softer given they are still in the heights of Omicron cases.

Strategic report (continued)

Key performance indicators

The Group uses a range of both financial and non-financial key performance indicators, as described on pages 24 to 25 of easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021. Given the proportion that the Company contributes 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 Company's loss for the year was £886 million (2020: £1,080 million loss).

The Group Chief Financial Officer, who is also a Director of the Company, provides regular updates on progress against KPI measures 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 78 to 95 of easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021. 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 £886 million (2020: £1,080 million loss) which has been transferred to reserves. Net assets decreased from £517 million at 30 September 2020 to £28 million at 30 September 2021. During the year the Company did not pay or declare a dividend (2020: 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 'easyJet Group') including the approval of Sale and Leaseback transactions, ATOL arrangements in relation to the easyJet holidays business, financing arrangements and approval of the construction of a 4-bay lightweight hanger at Berlin-Brandenburg Airport.

<u>Stakeholder Engagement</u>

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 easyJet Group's key stakeholders are, how we engage with them and related outcomes are set out on pages 26 to 37 of easyJet plc's 2021 Annual Report, which is incorporated by reference into this statement.

Strategic report (continued)

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 easyJet's business and their famous 'orange spirit' a key part of our success. Engaging effectively with them is key to doing this successfully.

Our people have however continued to be significantly impacted during the year, whether that be as a result of being furloughed, working from home, or from the restructuring programme. The pandemic has also brought with it challenges around attrition and retention for some specific business functions that are industry agnostic, such as legal, finance and IT. As a result of the uncertainty in the aviation industry, a highly competitive external recruitment market, and no bonuses being payable, retention issues have needed to be addressed. In response, a comprehensive strategy has been developed focusing on wellbeing, talent management, reward, recognition, skills development and the employee experience.

Another key focus has been to make sure employees have felt connected to the business and ensuring they feel supported. As a result of engagement that took place in the year, a number of initiatives have been put in place. This included the launch of a new communications format; a weekly podcast designed to talk about the most important issues and provide an update on key Company-wide highlights; a wide range of support for employees' physical and mental wellbeing through a central 'You Matter' framework, as well as promoting a diverse and inclusive environment. This forms part of the Group's Diversity, Inclusion and Wellbeing Strategy and Equal Opportunity and Fair Treatment Policy.

The enduring impact of the pandemic has required adapted ways of working across the business and our hybrid approach has helped employees deal with the change both personally and professionally.

Customers

The customer is at the heart of everything easyJet does, and understanding who our current and future customers are, what products they need and how they perceive easyJet enables us to prioritise our efforts in driving a positive customer experience and therefore loyalty, especially given the current uncertainty in the travel environment.

A number of initiatives were introduced during the year primarily around making travel easy and accessible for all and addressing the new, complex and uncertain travel environment. These included launching a Covid-19 Travel Hub enabling customers to stay informed of latest guidelines and delivering an enhanced Self-Service Disruption Management (SSDM) tool for efficient self-service. A new cabin bag policy, giving customers the ability to select the most appropriate ticket for their baggage needs and faster boarding, was also launched.

Suppliers

The Company believes in having an open, constructive and effective relationship with all suppliers, as we believe they are integral to the Group's success. Engagement with suppliers has been key during the year, to deliver a safe and efficient ramp up of our flying schedule and also to achieve efficiencies while providing an element of certainty to allow suppliers to invest in the services they provide to easyJet.

The strong, strategic relationship with primary airports has enabled the Group to work with them as strategic partners. Management negotiated further deferrals of aircraft purchases with Airbus during the year in order to provide a significant reduction in capital expenditure and align aircraft delivery profile with strategy and cash flow planning. As we started to ramp up our flying schedule during the year, we also assessed the readiness of our suppliers across relevant business functions to ensure they were able to deliver our operations safely.

Strategic report (continued)

Regulators

Regulators and governments take decisions which directly impact the Company's operations, which has been clearly seen during the Covid-19 pandemic. We engage with them to understand their strategic drivers, understand the impact of any regulatory changes on the Company and customers, and ensure that policymakers have an understanding of our business and the social and economic benefits it delivers.

The Directors have engaged with senior members of governments and regulatory bodies on an ongoing basis to ensure that they understand the impact of the pandemic on our business and take appropriate risk-based decisions in relation to travel restrictions and testing support. Our approach with regulators such as the Civil Aviation Authority (UK) is open and transparent, which allows for a constructive relationship. It also enables us to quickly identify and address any regulatory concerns at an early stage.

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.

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 2021 financial year. The Principles, and an explanation of how each Principle has been addressed by the Company, are set out below.

Purpose and Leadership

easyJet is a low-cost point to point airline that provides considerable choice and affordability for travel across a market leading European network. The Company has an effective Board which considers easyJet's purpose as providing this vital connectivity and in a way that is easy, enjoyable and affordable – described as "seamlessly connecting Europe with the warmest welcome in the sky". Further information on the way that easyJet uses its resources to fulfil this purpose and create sustainable value is set out in page 12 of easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021.

The Board also realises the importance of stakeholder engagement, particularly with the workforce and monitors culture with employee surveys and engagement with trade unions. Information regarding stakeholder engagement is included on page 3 and 4.

Board composition

The Company has a diverse Board with an appropriate balance of skills, backgrounds, experience and knowledge to collectively bring together objective thought and constructive challenge to achieve effective decision-making. For further details on the directors who held office during the year please refer to page 7. For further details on the group's management team, please refer to pages 102 to 104 of easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021.

Director responsibilities

The Board believes in maintaining effective leadership to deliver long-term value. In order 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 is reliable to be able to make informed decisions. For further information around our policies and processes, please see pages 62 to 65 of easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021.

Strategic report (continued)

Opportunity and risk

Opportunity to enhance our business offering, in line with our business model, by providing our customers with the service they want and driving long term sustainable growth is at the forefront of the board. The Board continues to assess the Company's business model and its approach to strategic decision-making and oversight of effective risk management in order to provide appropriate accountability to stakeholders. Further information about our business model is set out on pages 12 and 13 of easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021. The principal risks and uncertainties faced by the Group can be found on pages 78 to 95 of easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021.

Remuneration

Remuneration is overseen by the Remuneration Committee of the parent company, easyJet plc, which is responsible for agreeing remuneration of the management team which includes Directors of the Company, taking into account the pay and conditions of the wider workforce and gender pay gap. For further information on the Remuneration Committee, see pages 130 to 133 within easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021.

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 page 3 and 4 for further details on our stakeholder engagement.

On behalf of the board

Kenton Jarvis
Director
04 February 2022

Hangar 89
London Luton Airport
Luton
Bedfordshire
LU2 9PF

Registered Number 03034606

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 10 and the audited accounts for the year ended 30 September 2021. 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 £886 million (2020: £1,080 million loss) which has been transferred to reserves. During the year the Company did not pay or propose a dividend (2020: nil).

Future developments

Details of future developments in the business of the Company can be found on page 18-23 of easyJet plc's published Annual report and accounts for the year ended 30 September 2021, and within the Strategic report on pages 1 and 2 of that document.

Directors

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

Andrew Findlay (Resigned 3 February 2021)
Alistair Kenton Jarvis (Appointed 3 February 2021)
Robert Carey (Resigned 9 December 2020)
Johan Lundgren
Maaike Helena de Bie
Peter Bellew
Ann-Sophie Everest (Appointed 16 December 2020)

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 published Annual Report and Accounts of easyJet plc for the year ended 30 September 2021.

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 2021 financial year (2020: £nil).

Directors' report (continued)

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).

Directors' indemnities

Details of directors' indemnities can be found on page 154 of easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021.

Financial risk management

The easyJet plc Board is responsible for setting financial risk and capital management policies 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, however, there have been no significant changes during the current year.

The Company is exposed to the same financial risks as the easyJet Group and follows easyJet Group financial risk and capital management objectives and policies, which are disclosed on pages 206-211 of the easyJet plc Annual Report and accounts 2021.

Going concern

In adopting the going concern basis for preparing these financial statements, the Company's business activities, together with factors likely to affect its future development and performance, principal risks and uncertainties and the easyJet Group's ('the Group') ability and commitment to provide ongoing support for the Company have been considered due to amounts owed to group undertakings and the overall reliance on group-wide funding facilities..

The impact of the Covid-19 pandemic continues to have a wide impact across the travel industry. Restrictions on travel and quarantine requirements continue to be imposed by governments across our markets. The speed of vaccine programmes, efficacy of vaccines, along with differing governmental testing requirements continues to result in lower expected customer demand and load factors in the short term when compared to historical levels of flying prior to the pandemic.

Since the start of the pandemic, the Group has successfully raised circa £7 billion liquidity through a diverse range of funding sources. Since the 30 September 2020 year end this includes raising $1.1 billion of sale and leaseback proceeds, securing a five year term loan facility of $1.9 billion underwritten by a syndicate of banks and supported by a partial guarantee from UK Export Finance, issuing a seven year bond of €1.2 billion, a rights issue raising £1.2 billion and securing a new revolving credit facility of $400 million. Term loans of £400 million, £300 million of the Covid Corporate Financing Facility (CCFF) and the $500 million revolving credit facility were repaid and cancelled in the period. The bond issuance was heavily oversubscribed which demonstrates external confidence in the easyJet business model and balance sheet. Cash collateralisation triggers for key credit card acquirers have been renegotiated to reduce the risk of collateralisation.

The Company's Directors have reviewed the financial forecasts and funding requirements prepared by the Group with consideration given to the potential impact of severe but plausible risks. The Group has modelled a base case representing management's best estimation of how the business plans to increase flying, to meet estimated customer demand, which assumes a phased increase to the schedule over the forecast period, returning to near FY19 levels by the second half of FY22 and full recovery by the second half of FY23.

After taking into account the net proceeds of the rights issue, the new revolving credit facility and the other sources of funding described above, easyJet Group had at the year end unrestricted access to £4.4 billion of liquidity and has retained ownership of 59% of the total fleet with 44% being unencumbered. This presents an improved liquidity

Directors' report (continued)

position of £2.1 billion since 30 September 2020 year end. At the date of signing these accounts the Group had unrestricted access to £3.9 billion of liquidity

In modelling the impact of severe but plausible downside risks, the Group have considered travel restrictions including government lockdowns and international travel bans, leading to a prolonged recovery period, reduction in revenue yield, lower load factors, cash collateralisation of unearned revenue by card acquirers, and a reduction to anticipated forward bookings.

After reviewing the Group's current liquidity position, financial forecasts, stress testing of potential risks and considering the uncertainties described above and the committed funding facilities, the Company Directors have a reasonable expectation that the Group has sufficient resources to continue as a going concern. In turn this will enable the Group to provide ongoing support to the Company if required. For these reasons the Company Directors believe it appropriate to continue to adopt the going concern basis of accounting in preparing the company's financial statements without the inclusion of material uncertainty, which has been removed since the financial statements as at and for the year ended 30 September 2020.

The use of critical accounting estimates and management judgement is required in applying the accounting policies. 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.

Important events affecting the Company since 30 September 2021

On 29 November 2021, a firm commitment was agreed with Airbus in respect of an additional 19 aircraft with deliveries between financial years 2025 and 2028. This results in 118 firm Airbus A320 NEO family aircraft outstanding orders on this date. The 19 firm deliveries consist of:

- Seven aircraft which easyJet had the option not to take up. This option not to take up has been relinquished and the aircraft are now confirmed as firm deliveries between financial years 2025 and 2026;
- Seven purchase option aircraft in respect of which easyJet has exercised its option to purchase. This results in firm deliveries for these aircraft between financial years 2025 and 2026; and
- Five purchase right aircraft that have been converted into aircraft with firm delivery dates in financial year 2027, which results in easyJet's purchase right aircraft reducing from 58 to 53.

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 he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

easyJet Airline Company Limited

Reports of the Directors for the year ended 30 September 2021

Directors' report (continued)

Independent Auditors

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

On behalf of the Board

Kenton Jarvis
Director
04 February 2022

Hangar 89
London Luton Airport
Luton
Bedfordshire
LU2 9PF
Registered Number 03034606

easyJet Airline Company Limited

Reports of the Directors for the year ended 30 September 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006.

The company has also prepared financial statements in accordance with and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union 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 2021 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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: the Statement of financial position as at 30 September 2021; the Income statement, the Statement of comprehensive income, the Statement of changes in equity and the Statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

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 2021 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 statement, 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 the Company's Air Travel Organiser's Licence being revoked or breach of other regulations imposed by UK or European aviation authorities, breaches of the current UK, EU or Swiss Emissions Trading System requirements or other environmental regulations, adherence to data protection requirements in the jurisdictions in which the Company operates and holds data, health & safety legislation and non-compliance with employment regulations in the UK and other jurisdictions in which the 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 the Companies Act 2006 and UK and overseas tax legislation not being adhered to. 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 Company's legal team, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- Challenging assumptions and judgements made by management in it's 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 estimates used in assessing the carrying value of owned aircraft and the recoverability of deferred tax assets. We also specifically assessed the provisions held in respect of restructuring, actual and potential litigation matters and provisions held for customer compensation.
- Consideration of recent correspondence with the Company'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 or those posted by unexpected users
- Testing the financial statement disclosures back to supporting documentation

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
4 February 2022

easyJet Airline Company Limited

Income statement

For the year ended 30 September 2021

	Note	**2021** **£ million**	2020 £ million
Passenger revenue		**1,000**	2,303
Ancillary revenue		**425**	692
Other revenue		**919**	1,073
Total revenue	24	**2,344**	4,068
Fuel		**(371)**	(721)
Airports and ground handling		**(423)**	(930)
Crew		**(443)**	(566)
Navigation		**(102)**	(206)
Maintenance		**(76)**	(129)
Selling and marketing		**(55)**	(93)
Other costs		**(1,400)**	(1,843)
Other income		**81**	67
EBITDAR		**(445)**	(353)
Aircraft dry leasing		**(6)**	(1)
Impairment		**-**	(37)
Depreciation	8	**(444)**	(469)
Amortisation of intangible assets	7	**(17)**	(16)
Operating loss		**(912)**	(876)
Interest receivable and other financing income		**114**	114
Interest payable and other financing charges		**(240)**	(500)
Net finance charges	2	**(126)**	(386)
Loss before tax	3	**(1,038)**	(1,262)
Tax credit	5	**152**	182
Loss for the year		**(886)**	(1,080)

The prior year net gain of £22 million has been reclassified on the face of the Income statement to present £44 million of gains within Other income and £22 million of losses within Other costs. There is no net impact on EBITDAR or the loss before tax.

easyJet Airline Company Limited

Statement of comprehensive income

For the year ended 30 September 2021

	Note	**2021** **£ million**	2020 £ million
Loss for the year		**(886)**	(1,080)
Other comprehensive income/(expense)			
Items that may be reclassified to the income statement:			
Cash flow hedges			
Fair value gains/(loss) in the year		**414**	(605)
Losses transferred to income statement		**32**	19
Hedge discontinuation losses transferred to income statement		**25**	286
Related tax (credit)/charge	5	**(91)**	53
Cost of Hedging		**2**	(3)
Related tax charge		**-**	1
Items that will not be reclassified to the income statement:			
Fair value movement on equity investment		**(3)**	(15)
		379	(264)
Total comprehensive loss for the year		**(507)**	(1,344)

Fair valuation gains in the year 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 in income statement captions are as follows:

	2021 **£ million**	2020 £ million
Revenue	**(8)**	(15)
Fuel	**41**	43
Maintenance	**-**	(6)
Other costs	**(1)**	(3)
	32	19

easyJet Airline Company Limited

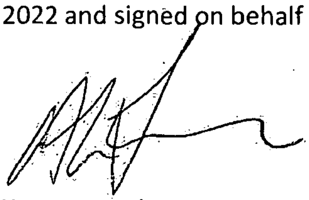
Statement of financial position

As at 30 September 2021

	Note	**2021 £ million**	2020 £ million
Non-current assets			
Goodwill	7	**367**	367
Other intangible assets	7	**209**	226
Property, plant and equipment	8	**4,596**	4,903
Equity investment		**30**	33
Derivative financial instruments	19	**86**	89
Derivatives with Group Undertakings	19	**33**	-
Restricted cash	11	**1**	4
Other non-current assets	9	**135**	133
Deferred tax assets	5	**55**	-
		5,512	5,755
Current assets			
Trade and other receivables	10	**250**	211
Intangible assets		**140**	12
Derivative financial instruments	19	**185**	21
Restricted cash	11	**4**	-
Money market deposits	11	**-**	32
Current tax assets		**7**	16
Cash and cash equivalents	11	**3,472**	2,240
		4,058	2,532
Current liabilities			
Trade and other payables	12	**(5,967)**	(4,190)
Unearned revenue	12	**(874)**	(615)
Borrowings	13	**-**	(387)
Lease liabilities	21	**(216)**	(257)
Derivative financial instruments	19	**(31)**	(352)
Derivative financial instruments with group undertakings	19	**-**	(3)
Provisions for liabilities and charges	14	**(183)**	(404)
		(7,271)	(6,208)
Net current liabilities		**(3,213)**	(3,676)
Non-current liabilities			
Borrowings	13	**(764)**	(388)
Unearned revenue		**(3)**	-
Lease liabilities	21	**(953)**	(602)
Amounts owed to group undertakings	12	**(37)**	(45)
Derivative financial instruments	19	**(37)**	(86)
Derivative financial instruments with group undertakings	19	**(53)**	(85)
Non-current deferred income		**(4)**	(5)
Provisions for liabilities and charges	14	**(420)**	(332)
Deferred tax	5	**-**	(19)
		(2,271)	(1,562)
Net assets		**28**	517
Shareholders' equity			
Share capital	15	**765**	765
Hedging reserve		**160**	(220)
Cost of hedging reserve		**-**	(2)

Translation reserve	**1**	1
Accumulated losses	**(898)**	(27)
Total equity	**28**	517

The accounts on pages 15 to 65 were approved by the Board of Directors and authorised for issue on 04 February 2022 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 2021

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

	Share capital	Hedging reserve	Cost of Hedging reserve	Translation reserve	Accumulated losses	Total equity
	£ million	£ million	£ million	£ million	£ million	£
At 1 October 2019	765	11	-	1	1,053	1,830
Loss for the year	-	-	-	-	(1,080)	(1,080)
Other comprehensive loss	-	(247)	(2)	-	(15)	(264)
Total comprehensive loss	-	**(247)**	**(2)**	-	**(1,095)**	**(1,344)**
Transferred to property, plant	-	16	-	-	-	16
Value of employee services	-	-	-	-	16	16
Related tax (note 5)	-	-	-	-	(1)	(1)
At 30 September 2020	765	(220)	(2)	1	(27)	517

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

Statement of cash flows

For the year ending 30 September 2021

	Note	2021 £ million	2020 £ million
Cash flows from operating activities			
Cash generated from operations	17	**251**	(613)
Interest and other financing charges paid		**(284)**	(96)
Interest and other financing income received		**-**	12
Tax paid		**10**	15
Net cash generated from operating activities		**(23)**	(682)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	**(133)**	(627)
Purchase of intangible assets	7	**(14)**	(36)
Net decrease in money market deposits	18	**32**	260
Net proceeds from sale and operating leaseback of aircraft		**836**	702
Net cash generated/(used) by investing activities		**721**	299
Cash flows from financing activities			
Net increase/(decrease) in borrowings		**766**	798
Proceeds from drawdown of finance leases		**(744)**	-
Repayment of capital elements of leases	18	**(261)**	(230)
Proceeds from loan from Parent		**1,144**	1,027
Repayments of loan to Parent		**(300)**	(173)
Net increase in restricted cash		1	-
Net cash generated/(used) by from financing activities		**606**	1,423
Effect of exchange rate changes		**(72)**	(63)
Net increase in cash and cash equivalents		**1,232**	977
Cash and cash equivalents at beginning of year		**2,240**	1,263
Cash and cash equivalents at end of year	11	**3,472**	2,240

easyJet Airline Company Limited

Notes to the accounts

1. Accounting policies, judgements and estimates

Statement of compliance

easyJet Airline Company Limited (the 'Company' or 'easyJet'), a private Limited 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 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 on pages 1 and 2 and on pages 16 to 78 of the easyJet plc Annual Report and Accounts for the year ended 30 September 2021. Note 25 to easyJet plc's Annual Report and Accounts 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 Company's business activities, together with factors likely to affect its future development and performance, principal risks and uncertainties and the easyJet Group's ('the Group') ability and commitment to provide ongoing support for the Company have been considered due to amounts owed to group undertakings and the resultant net current liability position .

After taking into account the net proceeds of the rights issue, the new revolving credit facility and the other sources of funding described above, easyJet has unrestricted access to £4.4 billion of liquidity and has retained ownership of 59% of the total fleet with 44% being unencumbered. This presents an improved liquidity position of £2.1 billion since 30 September 2020 year end.

In modelling the impact of severe but plausible downside risks, the Directors have considered travel restrictions including government lockdowns and international travel bans, leading to a prolonged recovery period, reduction in revenue yield, lower load factors, cash collateralisation of unearned revenue by card acquirers, and a reduction to anticipated forward bookings.

After reviewing the current liquidity position, financial forecasts, stress testing of potential risks and considering the uncertainties described above and the committed funding facilities, the Directors believe it appropriate to continue to adopt the going concern basis of accounting in preparing the Group financial statements without the inclusion of material uncertainty which has been removed since the full year financial statements as at 30 September 2020. The use of critical accounting estimates and management judgement is required in applying the accounting policies. Areas involving a higher degree of judgement or complexity, or where assumptions or estimates are significant to the financial statements, are highlighted on pages 21 to 31.

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 easyJet plc's Strategic Report and the Group's stated target of net zero carbon emissions by 2050.

These considerations did not have a material impact on the financial reporting judgements and estimates in the current year. This reflects the conclusion that climate change is not expected to have a significant impact on the Group's short-term cash flows including those considered in the going concern and viability assessments.

1. Accounting policies, judgements and estimates (continued)

However, in preparing the financial statements, the directors have considered the medium and longer-term cash flow impacts of climate change 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 revision of the useful economic lives and related residual values for our less fuel-efficient aircraft.

1a. Significant accounting policies

The significant accounting policies applied 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 accounts 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.

Revenue

easyJet categorises total revenue earned on the face of the income statement between passenger and ancillary revenue. Passenger revenue arises from the sale of flight seats and administration fees 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, 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. 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 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.

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 when the performance obligation is complete, at which point they will be recognised as revenue.

1a. Significant accounting policies (continued)

If easyJet cancels a flight, unless a customer immediately re-books on an alternative flight or holiday, at the point of the cancellation the amount paid for the flight is derecognised from unearned revenue and a contractual liability is recognised within trade and other payables to refund the customer or provide a voucher or flight transfer if requested. easyJet makes an estimate of the proportion of this liability which will never be claimed by customers and recognises this as income.

Some of the 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 in line with when the performance obligations are expected to arise. Revenue from easyJet plus cards for the current financial year totalled £14 million (2020: £22 million).

Other revenue represents intercompany 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 is 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 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, and are tested for impairment at least annually or where there is any indication of impairment.

Licence agreements 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. If this is not deemed the case the costs are expensed and treated as a service agreement.

When assessing for impairment or reassessing useful economic lives, easyJet considers significant future changes including those 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.

Other intangible assets are stated at cost less accumulated amortisation, which is calculated to write off their cost, less estimated residual value, on a straight-line basis over their expected useful lives. Expected useful lives and residual values are reviewed annually.

	Expected useful life
Computer software	3-7 years

Property, plant and equipment

Property, plant and equipment 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 and residual values are reviewed annually.

easyJet Airline Company Limited

Notes to the accounts

1a. Significant accounting policies (continued)

	Expected useful life
Aircraft*	18-23 years
Aircraft spares	14 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. Additional capitalised maintenance associated with leased aircraft is depreciated based on usage over its expected period of utilisation.

** 'Other' assets within note 8.

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. 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. In the year, the expected useful economic life estimate for CEO aircraft was revised from 23 years to 18 years in line with expected usage. This was applied prospectively from 1 July 2021 and had an immaterial impact.

An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance and is depreciated over a period ranging from seven to ten years from the date of manufacture. Subsequent costs incurred which lend enhancement to future periods, such as long-term scheduled maintenance and major overhaul of aircraft and engines, are capitalised 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 and option 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 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. 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.

1a. Significant accounting policies (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, 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 is measured in accordance with the accounting policy for property, plant and equipment. Adjustment is also made to the right of use asset to reflect any remeasurement of the corresponding lease liability. The right of use assets are also subject to impairment testing under IAS 36.

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. Payments for the interest element of recognised lease liabilities are included in Interest and other financing charges paid within cash flows from operating activities. Payments for the principal element of recognised lease liabilities are presented within cash flows from financing activities.

easyJet 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. For each transaction, where the sale proceeds and lease payments are judged to be at 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. Where sale proceeds and lease payments are not at fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are 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. This has been retrospectively applied to the comparative financial year. See note 21 for further details.

Other non-current assets

Payments for aircraft and engine maintenance, as stipulated in the respective lease agreements, have historically been made to some lessors as security for the performance of future heavy maintenance works. These payments are recorded within current and non-current assets (as applicable) as receivables from the lessors until the respective maintenance event occurs and the reimbursement with the lessor is finalised. Any payment that is not expected to be reimbursed by the lessor is recognised immediately within operating expenses in the statement of comprehensive income. Amounts due to easyJet from lessors for maintenance related to use before easyJet acquired the aircraft are also recognised in this category.

Impairment of non-current 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.

Financial guarantees

If a claim on a financial guarantee given to a third party becomes probable, the obligation is recognised at fair value. For subsequent measurement, the carrying amount is the higher of the initial measurement and the best estimate of the expenditure required to settle the obligation at the reporting date.

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.

1a. Significant accounting policies (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 recoverable in future periods in respect of deductible temporary differences, losses and tax credits carried forwards. 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 balance sheet date, taking into account all related risks and uncertainties.

Restructuring

As a result of the Covid-19 pandemic, easyJet implemented a major co-ordinated restructuring programme to reduce the number of bases, and the number of employees. Provisions have been made based on the expected outcome of consultations with staff, including pilots and crew. Where specific individuals at risk have not been identified, estimations have been 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. Provisions are measured based on known eligible events, passengers impacted and historical claim rates.

Maintenance

easyJet incurs liabilities for maintenance costs in respect of aircraft leased 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. On recognition of a right of use asset under IFRS 16 a provision is made in full for maintenance not dependent on use of the aircraft, plus maintenance relating to previous use, based on hours or cycles flown, to provide for the cost of these obligations. Contractual obligations which are dependent on the ongoing use of the aircraft are provided over the term of the lease based on the estimated future costs, discounted to present value. These are capitalised to the right of use asset rather than recognised in maintenance in the income statement. These assets are depreciated immediately as the obligation has arisen as a result of flying hours already undertaken.

1a. Significant accounting policies (continued)

Other

Other provisions include amounts in respect of potential liabilities for employee related matters and litigation which arises 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.

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.

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.

Share-based payments

The Company participants in a number of Group equity-settled 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 ROCE performance targets, and the Stochastic model (also known as the Monte Carlo model) for awards based on 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 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.

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 profit or loss 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; and
- commission revenue earned from partners is allocated according to the domicile of each partner.

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.

1a. Significant accounting policies (continued)

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 profit or loss); directly attributable transaction 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.

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 combination of income and market valuation techniques in line with IFRS 13 requirements. See note 20 for further details.

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 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 profit or loss

Financial assets are measured at fair value through profit or loss 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 profit or loss.

Financial assets measured at fair value through profit or loss comprise solely of money market funds at 30 September 2021.

1a. Significant accounting policies (continued)

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.

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.

1a. Significant accounting policies (continued)

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 using the effective interest rate method.

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

Derivative financial instruments and hedging activities

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

easyJet uses foreign currency forward contracts to hedge foreign currency risks on transactions denominated in US dollars, Euros or Swiss francs. These transactions primarily affect revenue, fuel, fixed costs, and the carrying value of owned aircraft. easyJet 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. Hedge accounting is applied to those derivative 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 differences 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 profit or loss on a rational basis, according to the nature of the underlying hedged item.

1a. Significant accounting policies (continued)

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 profit or loss 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 recycled to profit or loss 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 Profit or Loss 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.

UK and EU ETS permits

Free allocations received from the government under the EU ETS scheme are recognised at fair value on the date received with a corresponding liability recognised. Purchased carbon credits are recognised at the purchase price. Both purchased and free credits are not subsequently revalued as they are held for own use. Carbon assets are derecognised when they are used to settle the ETS liabilities subsequent to the end of each calendar year. These assets are presented as current intangible assets 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

easyJet operates a voluntary policy to compensate for 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.

1a. Significant accounting policies (continued)

easyJet purchases 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 is 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 First In First Out basis where they have already been purchased, then a weighted average of expected future purchases where sufficient future VER purchase commitments are already in place. If there are insufficient future commitments, a market value would be used. At present there is an excess of VER commitments when compared to the current liability. VERs are recorded as an asset at historic cost when delivery into the easyJet registry account has taken place and are not subsequently revalued. At regular intervals the VERs are retired to settle the obligation, at which point the VER asset and carbon offsetting liability are derecognised.

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 2020, and did not have a material impact were:

- IAS 1 Presentation of Financial Statements & IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material;
- IFRS 3 Business Combinations – Definition of business;
- IFRS 16 Leases – Amendments in relation to Covid-19 related rent concessions; and
- Revised conceptual framework for financial reporting.

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.

1b. Critical accounting judgements and estimates

The preparation of accounts in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of income and expenses during the reporting period. Although these amounts are based on management's best estimates, 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 are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised and presented in the financial statements.

1b. Critical accounting judgements and estimates (continued)

Vouchers issued

Due to the amount of cancelled flights, easyJet continues to offer customers the option to accept vouchers in lieu of cash refunds. The liability for vouchers is classified as other payables until the voucher is redeemed against a future booking when it is reclassified to unearned revenue. Breakage may occur if customers do not redeem their voucher prior to expiry and would be recognised in revenue. The liability has been recorded in full as no vouchers have yet expired, and due to the significant level of flight cancellations as a result of the pandemic impact there is not sufficient historical data available to reliably estimate the amount of vouchers that will not be used prior to expiry. To date no vouchers have expired as the vouchers have had the expiry dates extended to ensure customers have the maximum opportunity to utilise their vouchers. Applying breakage at 10% would result in a c. £20 million reduction to the liability.

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 deemed 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 9 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 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.

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.

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.

Aircraft maintenance provisions - £550 million (2020: £597 million) (Note 14)

The most critical estimate required for the provision is considered to be the expected costs of the heavy maintenance checks at the time they are expected to occur. Other estimates also impacting the provision include the future utilisation of the aircraft, the condition of the aircraft, the lifespan of life-limited parts and the rate used to discount the provision.

1b. Critical accounting judgements and estimates (continued)

easyJet incurs liabilities for maintenance costs in respect of aircraft leased 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. To discharge these obligations, easyJet will also normally need to carry out one heavy maintenance check on each of the engines and the airframe during the lease term.

The bases of all estimates 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. Given the much increased 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. A 5% movement in the estimated cost of final maintenance events would result in a £24 million movement to the provision.

Goodwill and landing rights - £535 million (2020: £535 million) (Note 7)

The recoverable amount of goodwill and landing rights has been determined based on value in use calculations for the whole airline route network cash generating unit. 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, the ability to pass on cost price increases to the customer, exchange rates, long-term economic growth rates for the principal countries in which it operates, and its pre-tax weighted average cost of capital. Strategic plans incorporate estimations of the future impact of climate change on easyJet, this includes the future 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.

Fuel price and exchange rates continue to be volatile in nature but the assumptions used assume the ability to pass these on to the customer (see Note 10 for plausible scenarios). In addition, assumptions over the recovery of customer demand levels could have a significant effect on the impairment assessment performed. Due to the uncertainty created by the Covid-19 pandemic, there remains a risk that further waves of the pandemic could affect our markets, leading to further travel restrictions being imposed. These uncertainties could have an effect on future impairment or useful economic life assessments performed.

Derivative financial instruments – £183 million (2020: £(416) million) (note 19)

easyJet is exposed to financial risks including fluctuations in exchange rates, jet fuel prices and interest rates. Financial risk management aims to limit these market risks with selected derivative hedging instruments being used for this purpose. The Company holds a number of derivatives and financial instruments including foreign currency forward contracts, jet fuel forward and option contracts and cross-currency interest rate swap contracts. easyJet's policy is not to speculatively trade derivatives but to use the instruments to hedge anticipated exposures. Given the inherently complex nature of this area, the Finance Committee (a committee of the plc Board) oversees the Group's treasury and funding policies and activities.

Provisions for customer claims - £21 million (2020: £39 million) (note 14)

easyJet incurs liabilities for amounts payable to customers who make claims in respect of flight delays and cancellations, and refunds of air passenger duty or similar charges, for which claims could be made up to 6 years after the event. Estimates include passenger claim rates, the value of claims made and the period of time over which claims will be made. The bases of all estimates are reviewed at least annually and also when information becomes available that is capable of causing a material change to the estimate. A 5% movement in the estimated customer claim rate would result in a £1 million movement to the provision.

1b. Critical accounting judgements and estimates (continued)

Hedge discontinuation and ineffectiveness – £18 million (2020: £308 million)

As a result of the reduced flying programme throughout the year, the Company's near term exposures for jet fuel and foreign currency were reduced, causing a proportion of derivatives previously hedge accounted for to be discontinued from a hedge relationship. A net charge of £18 million has been recognised in the income statement primarily due to the discontinuation of hedge accounting for impacted derivatives. In assessing whether future exposures are still expected to occur, easyJet made estimates as at 30 September 2021 regarding its jet fuel consumption requirements and expected future foreign currency cash flows. These estimates used assumptions based on the expected recovery of customer demand and subsequent flying schedule as at that date.

Aircraft carrying values – £3,422 million (2020: £4,135 million) (note 8)

Aircraft asset recoverable amounts have been tested for impairment based on value in use at the airline route network cash generating unit level as described in the goodwill section above. Strategic plans incorporate estimations of the future impact of climate change on easyJet, this includes the future 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. The recoverable amounts exceed the carrying values as at 30 September 2021.

Aircraft are depreciated over their useful economic life to their residual values in line with the property, plant and equipment accounting policy. A review has been performed during the current financial year and the useful economic life and residual value amounts for aircraft and capitalised maintenance have been revised in line with the latest information available. This included the expected useful economic life estimate for CEO aircraft being revised from 23 years to 18 years in line with expected usage and the residual value for aircraft being revised based on reports obtained from independent aircraft valuation experts. The revised estimates led to a net accelerated depreciation of the fleet on a prospective basis from 1 July 2021. The changes increased the depreciation charge by c.£12 million in the financial year 2021. This increase is expected to annualise at £45 million in financial year 2022. The change in depreciation charge is non-cash.

However, in light of the global pandemic, the longer-term impact on the airline industry is currently uncertain and the market for aircraft transactions has also slowed. Should future demand fall significantly below current expectations there could be a risk that the recoverable amount for some aircraft assets falls below their current carrying value or that residual values are subject to significant deterioration.

Recoverability of deferred tax assets – £416 million (2020: £270 million) (note 5)

The deferred tax asset balances include £416 million arising on full recognition of the UK trading tax losses accumulated at the statement of financial position date. The Group 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. 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, the future estimated price of ETS permits and the expected price and quantity required of Sustainable Aviation Fuel.

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 five years, based on the same risk weightings to those applied above, but assuming no profit growth from the end of a five year forecast period. The resultant reduction in forecast taxable profit calculated on this basis would extend the tax loss utilisation period by two years.

1b. Critical accounting judgements and estimates (continued)

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

1c. New and revised standards and interpretations not applied

In September 2019 the IASB issued the first accounting amendment to IFRS 9 and IFRS 7 related to the upcoming IBOR reform and to address the impact that the current uncertainty could have when applying specific hedge accounting requirements on applicable hedge relationships. In particular, the amendment provides temporary relief to allow hedge accounting to continue during the transition period before IBOR based hedge items or instruments are amended as a result of the reform being completed.

The Company early adopted this amendment in the financial year ending September 2020, applying it retrospectively to accounting relationships that existed before the start of the current reporting period. The impacts of IBOR reform on the Company is assessed as being limited, with this amendment only applicable to one hedge relationship as at 30 September 2021.

Specifically the amendment impacts the fair value hedge relationship on one of the Company's Eurobonds, where a cross-currency interest rate swap (with a Sterling notional of £379 million, maturity of February 2023 and a fair value of £53 million in an asset position) is used to swap the fixed interest coupon of the Euro denominated debt into a floating interest rate, reset quarterly using future expected GBP LIBOR. In assessing hedge effectiveness on a prospective basis for this relationship, the Company has continued to assume that the GBP-LIBOR related interest cash flows on the swap are not altered by IBOR reform and the hedge continues to be highly effective.

Furthermore, hedge accounting did not need to be discontinued during the period of IBOR-related uncertainty as the Company has taken the relief available in Phase 1 to separately identify the risk component at the initial hedge designation and not on an ongoing basis.

In August 2020, IASB also issued Phase 2 amendments which are effective from 1 January 2021. This looked to address issues around the updating of hedge designations and documentation following the adoption of alternative benchmark rates. The Company is not adopting these amendments currently due to continued uncertainty over IBOR transition. Therefore, no amendments have been made to the hedged item and/or hedging instruments in the 2021 financial year.

In October 2020 the International Swaps and Derivatives Association (ISDA) released its IBOR fallback protocol to aid the IBOR transition. In June 2021 the Company signed up to this protocol as part of its approach to the transition.

During the year a LIBOR transition working group was formed to consider wider impacts on the business of changes. Key areas that this group reviewed included existing supplier contracts, debt financing, leases, inter-company loan agreements and discount rates. No material impacts were identified as part of this review.

There are no other 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.

2 Net finance charges

	2021 £ million	2020 £ million
Interest receivable and other financing income		
External interest income	-	(7)
Hedge discontinuation	**(74)**	(103)
Net exchange gains on monetary assets and liabilities*	**(40)**	(4)
	(114)	(114)
Interest payable and other financing charges		
Hedge discontinuation	**92**	411
Interest payable to fellow group undertakings**	**55**	37
Interest payable on bank loans	**30**	8
Interest payable on lease liabilities	**47**	31
Other interest payable	**16**	13
	240	500
Net finance charges	**126**	386

*Included within net exchange gains on monetary assets and liabilities is a £15 million loss (2020: £13 million loss) relating to the fair value loss on USD foreign exchange derivatives designated as fair value through profit and loss.

**Of the £55 million of interest payable to fellow group undertakings above, £41 million (2020: £34 million) is owed to the parent entity.

3 Loss before tax

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

	2021 £ million	2020 £ million
Depreciation of property, plant and equipment		
Owned assets	**209**	231
Right of use assets	**233**	238
Loss on disposal of intangibles	-	19
Loss on disposal of property, plant and equipment	**15**	2
Gain on sale and leaseback	**(73)**	(22)
Dry leased aircraft and other low value rentals	**5**	6
Wet leased aircraft rentals	**(14)**	15
Aircraft seat capacity	**1,154**	1,365
Impairment of aircraft	-	37
Restructuring (release)/charge	**(62)**	120
Hedge discontinuation	**18**	308

The sale of EU ETS assets in the prior year resulted in a remeasurement of the EU ETS liability which reduced 2020 fuel costs by £33 million.

easyJet Airline Company Limited

Notes to the accounts

3 Loss before tax (continued)

Auditors' remuneration

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

	2021 £ million	2020 £ million
Company audit fee	**0.5**	0.4
Fees for audit of the Company's associates	**0.6**	0.4
	1.1	0.8

In addition, the Company incurred assurance-related non-audit service fees of £65,000 from its auditors (2020: £26,525).

4 Employees

Average monthly number of persons employed	2021 Number	2020 Number
Flight and ground operations	**10,000**	12,137
Sales, marketing and administration	**794**	858
	10,794	12,995

Employee costs	2021 £ million	2020 £ million
Wages and salaries	**446**	604
Social security costs	**63**	71
Other pension costs	**52**	64
Share-based payments	**15**	18
	576	757

Included in employee costs for 2021 is a benefit of £65 million from the release of restructuring provisions (2020: £120 million restructuring costs).

The amounts received under government 'Furlough' schemes offset the employee costs in the Income Statement.

Refer to note 25 for further details.

Key management compensation	2021 £ million	2020 £ million
Short-term employee benefits	**4**	4
	4	4

Share-based payment charges arising during the prior year in respect of grants to key management personnel were offset by credits recognised on certain forfeitures arising from bad leavers and from downward revisions to some LTIP forecast vesting percentages.

Directors' emoluments	2021 £ million	2020 £ million
Remuneration	**3**	2
	3	2

The members of the Airline Management Board (easyJet's executive management team) are key management as they have collective authority and responsibility for planning, directing and controlling the business. One member of the Airline Management Board is employed by easyJet Switzerland, and one is employed by easyJet Holidays so are excluded from the table above. All of the Directors are members of the Airline Management Board.

4 Employees (continued)

As at 30 September 2021 the Company had four Directors (2020: four).

Six (2020: four) Directors receive a taxable payment in lieu of employer pension contributions. All other Directors accrue retirement benefits under the easyJet Group defined contribution pension scheme.

Two Directors exercised shares in the parent company during the year (2020: 0) and four Directors received shares relating to the long term service plans (2020: three).

The highest paid Director received remuneration totalling £0.9 million (2020: £0.8 million) including pension contributions of £45,000 (2020: £43,000). The highest paid Director exercised 0 shares in the parent company during the year (2020: 0) and received shares relating to long term service plans.

5 Tax credit

Tax credit on loss:

	2021	2020
	£ million	£ million
Current tax		
Adjustments in respect of prior period	**5**	(1)
Adjustments in respect of prior years - Group relief surrendered not reimbursed	**8**	
	13	(1)
Deferred tax		
Temporary differences relating to property, plant and equipment	**(18)**	53
Other temporary differences	**(8)**	7
Trading loss	**(169)**	(270)
Adjustments in respect of prior years	**9**	(1)
Remeasurement of opening balances due to change in tax rates	**21**	30
	(165)	(181)
Total tax credit	**(152)**	(182)
Effective tax rate	**15%**	14%

Reconciliation of the total tax credit

The tax for the year is lower (2020: lower) than the standard rate of corporation tax in the UK as set out below:

	2021	2020
	£ million	£ million
Loss before tax	**(1,038)**	(1,262)
Tax credit at 19.0% (2020:19.0%)	**(197)**	(240)
Expenses not deductible for tax purposes	**4**	1
Adjustments in respect of prior years - current tax	**5**	(1)
Adjustments in respect of prior years - Group relief	**8**	-
Adjustments in respect of prior years - deferred tax	**9**	-
Movement on uncertain Tax Provision	**(1)**	(1)
Remeasurement of opening balances due to change in tax	**21**	31
Difference in applicable rates for current and deferred tax	**(46)**	-
IFRS 16 restricted gain	**28**	13
Share-based payments	**2**	-
Loss relief to/from Group companies	**15**	15
Total tax credit	**(152)**	(182)

Current UK tax recoverable at 30 September 2021 amounted to £1 million (2020: £10 million).

easyJet Airline Company Limited

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5 Tax credit (continued)

During the year ended 30 September 2021, net cash tax received amounted to £10 million (2020: £15 million net tax received).

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. The rate reduction to 17% was subsequently reversed by the Finance Act 2020, such that the main rate of UK corporation tax from 1 April 2021 remains at 19%. 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 or shareholders' equity:

	2021 £ million	2020 £ million
(Credit)/charge to other comprehensive income/(loss)		
Deferred tax on change in fair value of cash flow hedges	**(91)**	53

Deferred tax

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

	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 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	**358**	**(38)**	**53**	**(2)**	**(10)**	**(416)**	**(55)**

	Accelerated capital allowances £ million	Short-term timing differences £ million	Fair value gains £ million	Share-based payments £ million	Intercompany pension obligation £ million	Trading loss £ million	Total £ million
At 1 October 2019	274	(21)	16	(7)	(8)	-	254
Charged/(credited) to income statement	83	(1)	1	5	1	(270)	(181)
(Credited)/charged to other comprehensive income	-	-	(55)	1	-	-	(54)
At 30 September	357	(22)	(38)	(1)	(7)	(270)	19

It is estimated that deferred tax assets of approximately £4 million (2020: deferred tax assets of £7 million) will reverse during the next financial year.

It is estimated that deferred tax liabilities of approximately £3 million (2020: deferred tax liabilities of £nil) will reverse during the next financial year.

6 Dividends

During the year the Company did not declare a dividend (2020: nil).

7 Goodwill and other intangible assets

		Other intangible assets		
	Goodwill £ million	Landing rights £ million	Computer software £ million	Total £ million
Cost				
At 1 October 2020	**367**	**168**	**88**	**256**
Additions	**-**	**-**	**14**	**14**
Disposals	**-**	**-**	**(14)**	**(14)**
At 30 September 2021	**367**	**168**	**88**	**256**
Accumulated amortisation				
At 1 October 2020	**-**	**-**	**30**	**30**
Charge for the year	**-**	**-**	**17**	**17**
At 30 September 2021	**-**	**-**	**47**	**47**
Net book value				
At 30 September 2021	**367**	**168**	**41**	**209**
At 30 September 2020	367	168	58	226

		Other intangible assets		
	Goodwill £ million	Landing rights £ million	Computer software £ million	Total £ million
Cost				
At 1 October 2019	367	132	100	232
Additions	-	36	-	36
Transferred from property, plant and equipment	-	-	29	29
Disposals	-	-	(41)	(41)
At 30 September 2020	367	168	88	256
Accumulated amortisation				
At 1 October 2019	-	-	36	36
Charge for the year	-	-	16	16
Disposals	-	-	(22)	(22)
At 30 September 2020	-	-	30	30
Net book value				
At 30 September 2020	367	168	58	226
At 30 September 2019	367	132	64	196

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.

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Notes to the accounts

7 Goodwill and other intangible assets (continued)

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:

	2021	**2020**
Pre-tax discount rate (derived from weighted average cost of capital)	11.3%	8.5%
Fuel price (US dollars per metric tonne)	696	450
Long-term economic growth rate	2.0%	2.0%
Exchange rates:		
US dollar	1.35	1.29
Euro	1.16	1.10
Swiss franc	1.26	1.19

The discount rate has been calculated based on the capital asset pricing model using external inputs where relevant and the current debt structure of the Group. The change in discount rate year on year reflects the change in gearing of the group and the change in tax rate. Both fuel price and exchange rates are volatile in nature. Exchange rates and fuel price are based on spot rates as at 30 September 2021. The increase year on year (see in the table above) reflects the change in underlying fuel prices, however in preparing its assessment management have 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 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 increased cost of carbon offsetting, the future estimated price of ETS permits and the expected price and quantity required of Sustainable Aviation Fuel.

The headroom during the year has decreased primarily due to the increase in the pre-tax discount rate.

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 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 do not give rise to an impairment. These scenarios include +/-5% on Euro and USD rates, +100 bps increase in weighted average cost of capital (WACC) and a reduced long term growth rate of 1%

Current intangible assets

	2021	2020
	£ million	£ million
Carbon offsetting VER	**15**	6
EU and UK ETS permits	**125**	6
	140	12

easyJet Airline Company Limited

Notes to the accounts

8 Property, plant and equipment

	Owned assets			Right of use assets held under leasing arrangements		
	Aircraft and spares	Land and Buildings	Other	Aircraft and spares	Other	Total
	£ million	£ million	£ million	£ million	£ million	£
Cost						
At 1 October 2020	**4,986**	**44**	**42**	**2,182**	**37**	**7,291**
Additions	**104**	**-**	**29**	**148**	**8**	**289**
Transfers	**64**	**-**	**-**	**(64)**	**-**	**-**
Aircraft sold and leased back	**(727)**	**-**	**(15)**	**538**	**-**	**(204)**
Disposals	**(82)**	**-**	**(3)**	**(20)**	**-**	**(105)**
At 30 September 2021	**4,345**	**44**	**53**	**2,784**	**45**	**7,271**
Accumulated depreciation and						
At 1 October 2020	**851**	**-**	**13**	**1,502**	**22**	**2,388**
Charge for the year	**204**	**-**	**7**	**227**	**6**	**444**
Transfers	**23**	**-**	**-**	**(23)**	**-**	**-**
Aircraft sold and leased back	**(96)**	**-**	**-**	**-**	**-**	**(96)**
Disposals	**(59)**	**-**	**-**	**(2)**	**-**	**(61)**
At 30 September 2021	**923**	**-**	**20**	**1,704**	**28**	**2,675**
Net book value						
At 30 September 2021	**3,422**	**44**	**33**	**1,080**	**17**	**4,596**
At 30 September 2020	4,135	44	29	680	15	4,903

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Notes to the accounts

8 Property, plant and equipment (continued)

	Owned assets			Right of use assets held under leasing arrangements		
	Aircraft and spares	Land and Buildings	Other	Aircraft and spares	Other	Total
	£ million	£ million	£ million	£ million	£ million	£
Cost						
At 1 October 2019	**5,182**	**34**	**76**	**1,833**	**34**	**7,159**
Additions	**535**	**-**	**92**	**63**	**3**	**693**
Transfers	**107**	**10**	**(105)**	**(41)**	-	**(29)**
Aircraft sold and leased back	**(824)**	-	-	**354**	-	**(470)**
Disposals	**(14)**	-	**(21)**	**(27)**	-	**(62)**
At 30 September 2020	**4,986**	**44**	**42**	**2,182**	**37**	**7,291**
Accumulated depreciation and						
At 1 October 2019	**898**	-	**18**	**1,218**	**16**	**2,150**
Charge for the year	**225**	-	**6**	**232**	**6**	**469**
Transfers	**(15)**	-	-	**15**	-	-
Impairment	-			**37**		**37**
Aircraft sold and leased back	**(251)**	-	-	-	-	**(251)**
Disposals	**(6)**	-	**(11)**	-	-	**(17)**
At 30 September 2020	**851**	-	**13**	**1,502**	**22**	**2,388**
Net book value						
At 30 September 2020	**4,135**	**44**	**29**	**680**	**15**	**4,903**
At 30 September 2019	4,284	34	58	615	18	5,009

8 Property, plant and equipment (continued)

The net book value of aircraft includes £132 million (2020: £281 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

As at 30 September 2021, easyJet was contractually committed to the acquisition of 101 (2020: 101) Airbus 320 family aircraft, with a total estimated list price* of US$ 12.31 billion (2020: US$ 12.16 billion) before escalations and discounts for delivery in financial years 2022 (8 aircraft), 2023 (7 aircraft) and 2024 (18 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 and intangible projects.

Included in additions in the period is £15 million previously recognised in prepayments, which has been reclassified to property, plant and equipment.

Assets of £934 million are pledged as security for the drawn portion of the UKEF backed facility (2020: £1,066 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 2021 of 7.3% (or 2.38% CAGR).

9 Other non-current assets

	2021 **£ million**	2020 £ million
Lessor maintenance contributions	**75**	92
Deferred consideration and deposits held by aircraft lessors	**60**	41
	135	133

Lessor maintenance contribution assets arise to compensate easyJet for the delivery of a mid-life aircraft, where a lessor has agreed to make a contribution to easyJet's maintenance costs to reflect the cycles already flown by the aircraft at the point it is delivered to easyJet. Depending on the contract terms, payment will be made either at the maintenance event date or at the lease return date. This has not been considered for impairment as the leased aircraft held by easyJet exceeds the value of the contribution due.

10 Trade and other receivables

	2021 **£ million**	2020 £ million
Trade receivables	**51**	20
Less: provision for impairment	**(4)**	(4)
	47	16
Amounts owed by group undertakings	**6**	16
Prepayments	**137**	97
Accrued income	**5**	1
Recoverable supplemental rent (pledged as collateral)	**-**	10
Other receivables	**55**	71
	250	211

Within the provision for loss allowance, £1 million (2020: £4 million) has been charged to the income statement, with £4 million (2020: £1 million) being utilised in the 2021 financial year. Information about the impairment of trade receivables and the Company's exposure to credit risk can be found in note 25.

easyJet Airline Company Limited

Notes to the accounts

11 Cash and money market deposits

	2021 £ million	2020 £ million
Cash and cash equivalents (original maturity less than three months)	**3,472**	2,240
Money market deposits (original maturity more than three months)	**-**	32
Current restricted cash	**4**	-
Non-current restricted cash	**1**	4
	3,477	2,276

Interest rates on money market deposits and restricted cash are re-priced within 365 days based on prevailing market rates of interest. Carrying value is not significantly different from fair value.

Restricted cash comprises:

	2021 £ million	2020 £ million
Cash held as bank guarantee collateral	**1**	-
Amounts held in escrow for legal cases	**4**	4
	5	4

12 Trade and other payables

	2021 £ million	2020 £ million
Trade payables	**159**	235
Amounts owed to group undertakings	**4,979**	3,081
Accruals	**478**	362
Taxes and social security	**25**	31
Other payables	**326**	481
	5,967	4,190

Included within non current liabilities is amounts owed to group undertakings of £37 million (2020 £45 million).

Contract liabilities:

	2021 Unearned £ million	2021 Other £ million	2020 Unearned £ million	2020 Other £ million
Opening contract liabilities	**615**	**386**	1,094	8
Revenue deferred during the year	**1,627**	**-**	2,413	-
Revenue recognised during the year	**(1,368)**	**-**	(2,892)	-
Additional contract liability during the year	**-**	**307**	-	1,223
Reduction in contract liability during the year	**-**	**(425)**	-	(861)
FX impact during the year	**-**	**(6)**	-	16
Closing contract liabilities	**874**	**262**	615	386

Other 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.

13 Borrowings

At 30 September 2021	**Current £ million**	**Non-current £ million**	**Total £ million**
Commercial Paper (UK Export Finance)	**-**	**(764)**	**(764)**
	-	**(764)**	**(764)**

At 30 September 2020	Current £ million	Non-current £ million	Total £ million
Drawn down amounts on Revolving Credit Facility	(387)	-	(387)
Bank loans	-	(388)	(388)
	(387)	(388)	(775)

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

On 10 February 2015 easyJet signed a $500 million revolving credit facility which was due to mature in February 2022. On 9 April 2020 easyJet fully drew down this $500 million Revolving Credit Facility, secured against aircraft assets. This was repaid in January 2021.

On 16 April 2020 easyJet secured two term loans with separate counterparty banks for £200 million and $245 million respectively. Both loans are secured against aircraft assets and were due to mature in February 2022 but have since been repaid as set out below. In January 2021 easyJet entered into a new 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. easyJet drew down $1.05 billion from the UKEF backed facility in January, utilising these funds to repay and cancel the fully drawn $500 million Revolving Credit Facility and repaying term loans of $245 million and £200 million.

On 9 September 2021 easyJet signed a $400 million Revolving Credit Facility with a minimum four-year term, which was undrawn as at 30 September 2021.

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Notes to the accounts

14 Provisions for liabilities and charges

	Maintenan provisions	Provisions for customer claims	Restructuring	Other Provisions	Total
	£ million	£ million	£ million	£ million	£
At 1 October 2020	597	39	98	2	736
Exchange adjustments	(23)	-	(1)	-	(24)
Credit to income statement	(20)	(14)	(65)	-	(99)
Charged to income statement	71	4	-	11	86
Related to aircraft sold and leased	132	-	-	-	132
Unwinding of discount	(20)	-	-	-	(20)
Utilised	(187)	(8)	(13)	-	(208)
At 30 September 2021	**550**	**21**	**19**	**13**	**603**

Maintenance provisions comprise of maintenance costs which have arisen 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:

	2021	2020
	£ million	£ million
Current	**183**	404
Non-current	**420**	332
	603	736

The split of the current / non-current maintenance provision as at 30 September is based on the current 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 12 years. Provisions for customer claims, restructuring and other provisions could be utilised within one year from 30 September 2021 and therefore are classified as current.

15 Share capital

	Number		Nominal	
	2021 million	2020 million	**2021 £ million**	2020 £ million
Allotted, called up and fully paid - Ordinary shares of £1				
At 30 September	**765**	765	**765**	765
At 30 September	**765**	765	**765**	765

easyJet Airline Company Limited

Notes to the accounts

16 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 easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021.

Grant date	1 October 2020 million	Granted million	Rights issue million	Forfeited million	Exercised million	**30 September 2021 million**
Long Term Incentive Plan						
19 December 2016	0.1	-	-	(0.1)	-	**-**
19 December 2017	0.5	-	-	(0.5)	-	**-**
19 December 2018	1.1	-	0.2	(0.3)	(0.1)	**0.9**
19 December 2019	0.8	-	0.1	(0.3)	-	**0.6**
29 December 2019	-	0.5	0.1	-	-	**0.6**
Restricted Stock Unit						
29 December 2020	-	0.2	-	-	-	**0.2**
29 December 2020	-	0.7	0.1	-	-	**0.8**
Restricted Share Plan						
19 December 2016	0.1	-	-	-	-	**0.1**
Save As You Earn scheme						
1 July 2017	0.6	-	-	(0.6)	-	**-**
1 July 2018	0.1	-	-	(0.1)	-	**-**
1 July 2019	2.0	-	0.3	(0.6)	-	**1.7**
1 August 2020	4.9	-	0.8	(0.4)	-	**5.3**
1 August 2021	-	2.6	0.5	-	-	**3.1**
Share Incentive Plan	4.7	-	0.7	(0.5)	(0.6)	**4.3**
	14.9	4.0	2.8	(3.4)	(0.7)	**17.6**

Weighted average exercise prices are as follows:

	1 October 2020 £	Granted £	Rights £	Forfeited £	Exercised £	**30 September 2021 £**
Save As You Earn scheme	7.42	6.42	6.16	7.17	8.88	**6.16**

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 (£) **2021**	Price (£) 2020	Number (million) **2021**	Number (million) 2020
Long Term Incentive Plan	**-**	-	**-**	0.3
Restricted Share Plan	**-**	-	**0.1**	0.1
Save As You Earn scheme	**11.47**	6.65	**0.1**	0.8
			0.2	1.2

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16 Share incentive schemes (continued)

The change in the number of awards outstanding and weighted average exercise prices during the year, and the number exercisable at each year end were as follows:
The weighted average remaining contractual life for each class of share at 30 September 2021 is as follows:

	Years
Long Term Incentive Plan	8.0
Restricted Stock Unit	9.3
Restricted Share Plan	5.2
Save As you Earn scheme	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. 2021 awards 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, which 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.

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 market price at the time of the grant. 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.

Share Incentive Plan

The plan is open to all employees on the UK payroll. Participants may invest up to £1,800 of their pre-tax salary each year to purchase Partnership Shares in easyJet. For each Partnership Share acquired, easyJet purchases a matching share up to a maximum value of £1,500 per annum. Employees must remain with easyJet for three years from the date of purchase of each Partnership Share in order to qualify for the Matching Share, and for five years for the shares to be transferred to them tax free. The employee is entitled to dividends on shares purchased, and to vote at shareholder meetings. With effect from 1 April 2020, easyJet ceased contributing a Matching Share to the scheme as a result of the cash constraints on the business.

Subject to Company performance, easyJet also issues free shares to UK employees under an approved share incentive plan of up to £3,000 per annum in value. There is a similar unapproved free shares scheme for international employees.

easyJet undertook a Rights Issue in the year which had a dilutive effect on the share price. To compensate for the dilution in value, the number of options in each scheme was increased. At the date of modification, the Rights Issue was non beneficial to individuals as the option number increased by the same factor as the share price decreased and therefore there was no incremental changes to the fair values.

16 Share incentive schemes (continued)

The fair value of grants under the Save As You Earn scheme is calculated by applying the Binomial Lattice option pricing model. The fair value of grants under the TSR based Long Term Incentive Plan is estimated under the *Stochastic model (also known as the Monte Carlo model). The fair value of grants under all other schemes is the* share price on the date of grant. The following assumptions are used:

Grant date	Share price £	Exercise price £	Expected volatility %	Option life years	Risk-free interest rate %	Fair value £
Long term incentive plan						
19 December 2016 - ROCE	10.43	-	-	-	-	10.43
19 December 2016 - TSR	10.43	-	35%	3.0	1.00%	5.21
19 December 2017 - ROCE	13.77	-	-	-	-	13.77
19 December 2017 - EPS	13.77	-	-	-	-	13.77
19 December 2017 - TSR	13.77	-	34%	3.0	1.00%	6.89
19 December 2018 - EPS	10.78	-	-	-	-	10.78
19 December 2018 - TSR	10.78	-	47%	3.0	1.00%	5.39
19 December 2019 - EPS	14.29	-	-	-	-	14.29
19 December 2019 - TSR	14.29	-	53%	3.0	1.00%	7.15
19 December 2020 - TSR	8.63	-	61%	3.0	-	4.32
Restricted Stock Unit						
19 December 2020 - RSU	8.63	-	-	-	-	8.63
Restricted Share Plan						
19 December 2016	10.43	-	-	-	-	10.43
Save As You Earn scheme						
1 July 2017	12.11	9.69	31%	3.5	-	2.84
1 July 2018	17.43	13.94	30%	3.5	1.00%	4.41
1 July 2019	10.03	8.02	33%	3.5	1.00%	2.70
1 August 2020	6.65	6.65	49%	3.5	-	1.95
1 August 2021	9.53	7.62	59%	3.5	1.00%	3.96

Share price for LTIPs is the closing share price from the last working day prior to the date of grant.

Exercise price for the Save As You Earn scheme is set at a 20% (2020: 0%) discount from the share price at grant date.

Expected volatility is based on historical volatility over a period comparable to the expected life of each type of option.

Levels of early exercises and forfeitures are estimated using historical averages unless this is deemed unreasonable, in which case judgement is used.

The weighted average fair value of matching shares granted under the Share Incentive Plan during the year was £nil (2020: £12.51).

For grants under the Save As You Earn scheme, the dividend yield assumption is calculated based on the actual yield at the date of grant. For the options granted in 2021, the dividend yield assumption was 3% (2020: 2.5%, 2019: 4.5%, 2018: 3.2%, 2017: 4.2%; 2016: 3.5%; 2015: 2.75%).

The total share based payment expense recognised for the year was £15 million (2020: £18 million). The share based payment liability as at 30 September 2021 was £45 million (2020: £42 million).

17 Reconciliation of operating profit to cash generated from operations

	2021 £ million	2020 £ million
Operating (loss)/profit	**(912)**	(876)
Adjustments for non-cash items:		
Depreciation	**444**	469
Gain on sale and leaseback	**(73)**	(22)
Loss on disposal of property, plant and equipment	**15**	21
Amortisation of intangible assets	**17**	16
Share-based payments	**15**	16
Impairment	**-**	37
Changes in working capital and other items of an operating nature:		
(Increase)/decrease in trade and other receivables	**(37)**	49
Decrease in current intangible assets	**(68)**	46
Increase in trade and other payables	**868**	143
Increase/(decrease) in unearned revenue	**262**	(454)
(Decrease) / increase in provisions	**(291)**	147
(Decrease)/Increase in non current payables to group undertakings	**(8)**	(2)
Decrease in other non-current assets	**24**	9
Decrease in derivative financial instruments	**(4)**	(212)
Decrease in non-current deferred income	**(1)**	-
Cash generated from operations	**251**	(613)

18 Reconciliation of net cash flow to movement in net cash

	1 October 2020 £ million	Exchange differences £ million	Fair Value/ non-cash movement £ million	Net cash flow £ million	**30 September 2021 £ million**
Cash and cash equivalents	2,240	(72)	-	1,304	3,472
Money market deposits	32	-	-	(32)	-
	2,272	(72)	-	1,272	3,472
Bank loans	(388)	14	-	(22)	(396)
Drawn down amounts on Revolving Credit	(387)	-	-	-	(387)
Lease liabilities	(859)	47	(96)	(261)	(1,169)
	(1,634)	61	(96)	(283)	(1,952)
Net Cash	638	(11)	(96)	989	1,520

easyJet Airline Company Limited

Notes to the accounts

19 Financial instruments

Carrying value and fair value of financial assets and liabilities

30 September 2021	Amortised cost		Held at fair value					
	Financial assets £ million	Financial liabilities £ million	Fair hedges £ million	Cash flow hedges £ million	Other Instruments £ million	Other (1) £ million	Carrying value £ million	Fair value £
Other non-current assets	135	-	-	-	-	-	135	135
Trade and other receivables	136	-	-	-	-	114	250	250
Trade and other payables	-	(5,912)	-	-	-	(55)	(5,967)	(5,967)
Derivative financial instruments	-	-	-	186	17	-	203	203
Derivative financial instruments with group	-	-	-	-	(20)	-	(20)	(20)
Restricted cash	5	-	-	-	-	-	5	5
Cash and cash	1,868	-	-	-	1,604	-	3,472	3,472
Borrowings (2)	-	(764)	-	-	-	-	(764)	(764)
Lease liabilities	-	(1,169)	-	-	-	-	(1,169)	N/A
Equity investments (3)	-	-	-	-	30	-	30	30

30 September 2020		Amortise cost		Held at fair value				
	Financial assets £ million	Financial liabilities £ million	Fair value hedges £ million	Cash flow hedges £ million	Other Instruments £ million	Other £ million	Carrying value £ million	Fair value £
Other non-current assets	133	-	-	-	-	-	133	133
Trade and other receivables	59	-	-	-	-	152	211	211
Trade and other payables	-	(3,784)	-	-	-	(406)	(4,190)	(4,190)
Derivative financial instruments	-	-	-	(315)	(12)	-	(327)	(327)
Derivative financial instruments with group	-	-	-	-	(88)	-	(88)	(88)
Restricted cash	4	-	-	-	-	-	4	4
Money market deposits	32	-	-	-	-	-	32	32
Cash and cash	1,423	-	-	-	817	-	2,240	2,240
Borrowings (2)	-	(775)	-	-	-	-	(775)	(775)
Lease liabilities	-	(859)	-	-	-	-	(859)	N/A
Equity investments (3)	-	-	-	-	33	-	33	33

(1). Amounts disclosed in the 'Other' column are items that do not meet the definition of a financial instrument. They are disclosed to facilitate reconciliation of the carrying values of financial instruments to line items presented in the statement of financial position.

(2). For further information see Capital, Financing and Interest risk management section below in note 21.

(3). The equity investment of £30 million (2020: £33 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. No dividends was received during the year (2020: £2 million).

19 Financial instruments (continued)

Fair value of derivative financial instruments
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).

The fair values of the four Eurobonds are classified as level 1 of the IFRS 13 'Fair Value Measurement' fair value hierarchy (valuations taken as the closing market trade price for each respective Eurobond as on 30 September 2021). Apart from the equity investment, the remaining financial instruments for which fair value is disclosed in the table above, and derivative financial instruments, 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 £30 million was determined on this basis by an external valuation firm as at 30 September 2021 (2020: £33 million), representing a reduction of £3 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.

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).

easyJet Airline Company Limited

Notes to the accounts

19 Financial instruments (continued)

30 September 2021	Quantity million	Non-current assets £ million	Current assets £ million	Current liabilities £ million	Non-current liabilities £ million	Total £ million
Designated as cash flow hedges						
US dollar	**804**	**1**	**7**	**(10)**	**(1)**	**(3)**
Euro	**428**	**-**	**3**	**(12)**	**-**	**(9)**
Swiss franc	**56**	**-**	**1**	**-**	**-**	**1**
Jet fuel	**1**	**25**	**172**	**-**	**-**	**197**
Cross currency interest rate swaps	**1,776**	**33**	**-**	**-**	**(33)**	**-**
Designated as fair value through profit and loss						
Cross currency interest rate	**758**	**53**	**-**	**-**	**(53)**	**-**
US dollar	**762**	**7**	**2**	**(9)**	**(3)**	**(3)**
Euro	**108**	**-**	**-**	**-**	**-**	**-**
		119	**185**	**(31)**	**(90)**	**183**

30 September 2020	Quantity million	Non-current assets £ million	Current assets £ million	Current liabilities £ million	Non-current liabilities £ million	Total £ million
Designated as cash flow hedges						
US dollar	376	1	2	(2)	(2)	(1)
Euro	611	-	3	(6)	(7)	(10)
Swiss franc	188	-	-	(4)	(2)	(6)
South African Rand	26	-	-	-	-	-
Jet fuel	2	1	-	(228)	(71)	(298)
Designated as fair value through profit or loss						
Cross currency interest rate	2,534	85	-	-	(85)	-
US dollar	600	1	1	(8)	(3)	(9)
Euro	582	-	13	(6)	-	7
Swiss franc	197	-	-	(4)	-	(4)
Jet fuel	1	-	2	(97)	-	(95)
		88	21	(355)	(170)	(416)

For foreign currency forward contracts, quantity represents the absolute gross nominal value of currency contracts held, disclosed in the contract foreign currency. The cross-currency interest rate swap contracts are presented at the Sterling notional amount. For jet fuel derivative contracts quantity represents absolute contracted metric tonnes.

19 Financial instruments (continued)

The majority of foreign exchange and jet fuel transactions designated as a cash flow hedge are expected to occur on various dates within the next 18 months. Accumulated gains and losses resulting from these transactions 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 over a period of up to 23 years in the form of depreciation of the purchased asset.

Amounts related to USD and EUR foreign exchange derivatives held at fair value through profit and loss (e.g. not held in a hedge accounting relationship) form part of the Group's statement of financial position retranslation risk management strategy.

Fair valuation movements on these derivatives 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 USD and EUR. These trades are all expected to occur on various dates within the next 36 months. Interest rate swap contracts are designated and qualify as either fair value or cash flow hedges to minimise volatility in the income statement.

As at 30 September 2021 there were no active US dollar, Euro, Swiss franc or Jet derivatives discontinued from a hedge accounting relationship.

The Group 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.

The following derivative financial instruments are subject to offsetting, enforceable master netting agreements:

Fair value of derivative financial instruments

30 September 2021	**Gross amount £ million**	**Amount not set off £ million**	**Net amount £ million**
Derivative financial instruments			
Assets	**304**	**85**	**389**
Liabilities	**(121)**	**(85)**	**(206)**
	183	**-**	**183**

30 September 2020	Gross amount £ million	Amount not set off £ million	Net amount £ million
Derivative financial instruments			
Assets	110	(71)	39
Liabilities	(526)	71	(455)
	(416)	-	(416)

All financial assets and liabilities are presented gross on the face of the statement of financial position as the conditions for netting specified in IAS32 'Financial Instruments Presentation' are not met.

20 Financial risk and capital management

All financial risk management activities are carried out at Group level according to policies approved by the Board of Directors of easyJet plc and are described on pages 206 to 211 of easyJet plc's published Annual Report and Accounts for the year ended 30 September 2021. The Company is exposed to the same financial risks as the Group with the exceptions of foreign exchange risks specifically relating to easyJet holidays.

20 Financial risk and capital management (continued)

Liquidity risk management

The objective of easyJet's liquidity risk management is to ensure sufficient cash is available to meet future liabilities as they fall due and ensure access to cost effective funding in various markets.

easyJet's policy has consistently been to hold significant liquidity to mitigate the impact of potential business disruption events. easyJet has undertaken swift and decisive action to raise c.£7 billion in liquidity since the beginning of the pandemic, from a diversified range of funding sources including debt and equity.

The Group continues to monitor liquidity to ensure it maintains adequate levels of cash. easyJet continues to have access to various funding markets and a large fleet of unencumbered aircraft assets as sources of additional liquidity.

The maturity profile of the Company's financial liabilities based on undiscounted gross cash flows and contractual maturities is as follows:

At 30 September 2021	**Within 1 £ million**	**1-2 years £ million**	**2-5 years £ million**	**Over 5 £ million**
Borrowings	**23**	**23**	**832**	-
Trade and other payables	**1,128**	-	-	-
Lease Liabilities	**251**	**450**	**280**	**317**
Derivative contracts - receipts	**(1,342)**	**(313)**	**(159)**	-
Derivative contracts - payments	**1,218**	**291**	**155**	-

At 30 September 2020	Within 1 £ million	1-2 years £ million	2-5 years £ million	Over 5 £ million
Borrowings	401	394	-	-
Trade and other payables	4,190	-	-	-
Lease liabilities	278	174	332	160
Derivative contracts - receipts	(1,534)	(506)	(89)	-
Derivative contracts - payments	1,926	670	93	-

The maturity profile has been calculated based on spot rates for the US dollar, Euro, Swiss franc, South African rand and jet fuel at close of business on 30 September each year.

Credit risk management

easyJet is exposed to credit risk arising from cash and money market deposits, derivative financial instruments and trade and other receivables. Credit risk management aims to reduce the risk of default by setting limits on credit exposure to counterparties based on their respective credit ratings. Credit ratings also determine the maximum period of investment when placing funds on deposit. The maximum exposure to credit risk at the reporting date is equal to the carrying value of its financial assets, excluding tri-party repo's, which are securitised by high quality, investment grade financial assets.

Counterparties for cash investments and derivatives contracts are required to have a long term credit rating of A- or better at contract with from either Moody's, Standard & Poor's or Fitch (except where there is a specific regulatory, contractual requirement or a bank guarantee from an A- rated entity). Exposures to these counterparties are regularly reviewed and, if the long term credit rating falls below A- management will make a decision on remedial action to be taken.

20 Financial risk and capital management (continued)

The credit rating of counterparties that easyJet holds financial asset with are as follows:

At 30 September 2021	A- and above £ million	Below A- £ million	Unrated/ Other £ million	Total £ million
Financial Assets				
Trade receivables	**-**	**-**	**244**	**244**
Other non-current assets	**-**	**-**	**135**	**135**
Derivative financial instruments	**183**	**-**	**-**	**183**
Restricted cash	**5**	**-**	**-**	**5**
Cash and cash equivalents	**3,470**	**2**	**-**	**3,472**
Total	**3,658**	**2**	**379**	**4,039**

At 30 September 2020	A- and above £ million	Below A- £ million	Unrated/ Other £ million	Total £ million
Financial Assets				
Trade receivables	-	-	211	211
Other non-current assets	-	-	133	133
Derivative financial instruments	39	-	-	39
Restricted cash	4	-	-	4
Money market deposits	32	-	-	32
Cash and cash equivalents	2,237	3	-	2,240
Total	2,312	3	344	2,659

At the end of 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.

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 (excluding money market funds held at fair value through profit or loss). 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. At 30 September 2021 this was considered immaterial. This is due to easyJet's strict policy of investing only with counterparties who hold a high, investment grade credit standing (except in specific circumstances) as detailed in the tables above.

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 the historic loss methodology to calculate an impairment provision.

20 Financial risk and capital management (continued)

At 30 September 2021 trade receivables had a total loss allowance of £1 million (2020: £4 million). The exposure to individual customer's credit risk is reduced as no individual customer accounts for a substantial amount of the total revenue and most payments for flight tickets are collected in advance of the service being provided.

Foreign Currency Risk Management

The majority of easyJet's exposure to currency arises from fluctuations in the USD, EUR and CHF exchange rates which can significantly impact easyJet's financial results and cash flows. The aim of the foreign currency risk management is to reduce the impact of these exchange rate fluctuations.

Significant currency exposures in the income statement are managed through the use of currency forward contracts entered into cash flow hedge relationships, in line with the plc Board approved policy. Throughout the year the policy stated that easyJet hedged between 65% - 85% of the next 12 months' forecast surplus operating cash flows on a rolling basis, and 45% - 65% of the following 12 months' forecast surplus operating cash flows on a rolling basis.

The foreign exchange hedging programmes for operational activities have continued at reduced levels due to uncertainty in exposures.

Significant currency exposures relating to the acquisition cost or sale proceeds of aircraft are also managed through the use of FX forward contracts where up to 90% of the next 18 months' forecast requirement may be hedged.

Significant currency exposures relating to foreign currency denominated Eurobond issuances are managed through the use of cross-currency interest rate swap contracts where deemed appropriate. These hedges are designated as either fair value hedges or cash flow hedges.

easyJet has substantial borrowings and other monetary liabilities denominated in USD and EUR, which are largely offset by holding USD and EUR cash and money market deposits. FX forward contracts are also used to manage foreign exchange translation risk. These are classified as fair value through profit or loss (e.g. not designated in a hedge relationship). During the year easyJet decided to use EUR lease liabilities to hedge a proportion of its EUR Revenue receipts in a cash flow hedge relationship. Revaluations of these EUR liabilities are held in reserves and released on a straight-line basis over the term of the lease agreement through profit or loss.

Management may take action to hedge other currency exposures as deemed appropriate.

The gross notional of transactions in a hedge relationship that occurred during the financial year to manage the foreign currency risk and the resulting gains and losses were as follows:

	Volume	Gains/(Losses)
USD	380	(4)
EURO	214	7
CHF	61	1

Notional value reflects the GBP contractual leg amount

Capital financing and interest rate risk management

The objective of capital management is to ensure that easyJet is able to continue as a going concern whilst delivering shareholder expectations of a strong capital base as well as returning benefits for other stakeholders. This is carried out on a Group level according to policies approved by the Board of Directors of easyJet plc. This is described in more detail on page 180 of easyJet plc's published Annual Report and Accounts for the year ended September 2021.

The Group maintains cross-currency interest rate swap contracts on fixed rate debt issuance as part of the approach to currency and interest rate management. As at 30th September this was in place for three €500m bond issuances from previous years. The cross-currency interest rate swap contracts have offsetting notional and fair value amounts meaning the net impact at a company level is nil. Proceeds from these three bond transactions were loaned to the company from easyJet plc on the same terms and tenors.

20 Financial risk and capital management (continued)

In April 2020 easyJet plc issued a £600 million Commercial Paper through the Covid-19 Corporate Financing Facility (CCFF). This is an unsecured, short-term paper issued at a discount, of which £300 million was repaid in March 2021 and the remaining £300 million was repaid in November 2021. Proceeds from this transaction were subsequently loaned to the company.

In January 2021, easyJet Airline Company Limited entered into a new 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. easyJet drew down $1.05 billion of this in the period. In March 2021 a €1.2 billion 7-year bond was issued by easyJet plc under the Euro Medium Term Note (EMTN) programme. Proceeds from this transaction were subsequently loaned to the company. As at year end this was not hedged.

Term loans of £400 million were repaid by easyJet Airline Company in the period.

During the year easyJet plc transacted a share rights issue. The rights issue resulted in £1,235 million of gross proceeds. Shares totalling 280.2 million were taken up by existing shareholders (93%) with the remaining rump of 21.0 million shares being underwritten. As at 30 September 2021, there were £91 million of proceeds outstanding, which have been subsequently received. Costs of £38 million were incurred on the rights issue. Proceeds from this transaction were subsequently loaned to the company.

Interest rate cash flow risk arises on floating rate borrowings and cash investments.

Interest rate risk management policy aims to provide certainty in a proportion of financing while retaining the opportunity to benefit from interest rate reductions. Borrowings are issued at either fixed or floating interest rates repricing every three to six months. Operating leases are a mix of fixed and floating rates. Of the 137 aircraft operating leases in place at 30 September 2021 (2020: 124), 95% were based on fixed interest rates and 5% were based on floating interest rates (2020: 90% fixed, 10% floating).

Commodity Price Risk Management

The Company is exposed to commodity risk in the form of jet fuel requirements and Carbon Emissions Trading System schemes (EU-ETS, CH-ETS & UK-ETS) price risk.

The objective of the fuel price risk management policy is to provide protection against sudden and significant increases in jet fuel prices, thus mitigating volatility in the income statement in the short term. Throughout the year the policy stated that easyJet hedged between 65% and 85% of estimated exposures up to 12 months in advance and hedged between 45% and 65% of estimated exposures from 13 up to 24 months in advance. Jet fuel derivatives are entered into a cash flow hedge relationship against the future forecasted jet fuel usage. Treasury strategies and actions will be driven by the need to meet treasury, financial and corporate objectives.

The fuel hedging programme has continued throughout the year at reduced levels due to uncertainty in exposures.

The volume of effective hedge transactions that occurred during the financial year to manage the jet commodity price risk was 0.6 million metric tonnes. This resulted in a £39 million loss (2020: £77 million) (£37 million in relation to release from the Cashflow Hedge Reserve, and £2 million in relation to release from Cost of Hedging) in the fuel line within the Income Statement.

The Company has a regulatory requirement to comply with EU-ETS, CH-ETS & UK-ETS on an annual basis to the relevant environmental agencies. easyJet is required to purchase carbon allowances on the open market to fulfil this requirement and is exposed to price movements that can introduce cash flow volatility. To mitigate this exposure easyJet will purchase its requirement on a spot or forward basis in line with Board approved policy to hedge up to 95% of anticipated exposure up to 24 months out. easyJet holds allowances for 100% of all ETS obligations for calendar year 2021.

Contracts maturing in the year were not classified as financial instruments as they fell within the own use provision under IFRS 9.

20 Financial risk and capital management (continued)

Market risk sensitivity analysis

Financial assets and liabilities affected by market risk include borrowings, deposits, trade and other receivables, trade and other payables and derivative financial instruments. The following analysis illustrates the sensitivity of changes in relevant foreign exchange rates, interest rates and fuel prices. It should be noted that the analysis reflects the impact on profit or loss after tax for the year and other comprehensive income on financial instruments in a cash flow hedge relationship held at the reporting date. The sensitivities are calculated based on all other variables remaining constant. The analysis is considered representative of easyJet's exposure over the next 12 month period.

The sensitivity analysis is based on easyJet's financial assets and liabilities and financial instruments held as at 30 September 2021.

The currency exchange rate analysis assumes a +/-10% change in both US dollar and Euro exchange rates.

The interest rate analysis assumes a 1% increase in interest rates over the next 12 months.

The fuel price analysis assumes a 10% increase in fuel price over the next 12 months.

	Currency rates					
					Interest	
	US dollar	**US dollar**	**Euro**	**Euro**	**rates**	**Fuel price**
	+10%(1)	**-10%(2)**	**+10%(1)**	**-10%(2)**	**1% increase**	**10%**
At 30 September 2021	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
Income statement impact: gain /	**(60)**	**49**	**43**	**(35)**	**28**	**-**
Impact on other comprehensive income: increase / (decrease)	**75**	**(61)**	**(15)**	**13**	**-**	**57**

	Currency rates					
	US dollar	US dollar	Euro	Euro	Interest	Fuel price
	+10%(1)	-10%(2)	+10%(1)	-10%(2)	1% increase	10%
At 30 September 2020	£ million	£ million	£ million	£ million	£ million	£ million
Income statement impact: gain /	15	(12)	4	(3)	18	8
Impact on other comprehensive income: increase / (decrease)	(1)	1	(53)	43	-	46

(1) GBP weakened

(2) GBP strengthened

(3) The market risk sensitivity analysis has been calculated based on spot rates for the US dollar, Euro and jet fuel at close of business on 30 September each year.

20 Financial risk and capital management (continued)

Impact on the financial statements during the period ended 30 September 2021

Details of major hedging arrangements at the reporting date are set out below broken down by the notional maturity of hedge instruments and average rates.

Hedge Instrument (notional in millions)	Within one year	Greater than one
Jet Fuel Hedged Notional	1	1
Average Hedge Rate	498	481
USD Foreign Exchange Hedged Notional	463	63
Average Hedge Rate	1.34	1.34
EUR Foreign Exchange Hedged Notional	470	-
Average Hedge Rate	1.12	-
CHF Foreign Exchange Hedged Notional	55	-
Average Hedge Rate	1.21	-

Notional expressed in the GBP contractual leg for currencies and metric tonnes for jet fuel

Hedge Discontinuation and Ineffectiveness

Hedge effectiveness testing on all relationships is performed at each reporting date. Whilst the critical terms matching of the Company's hedge relationships means that any ineffectiveness should be minimal it can be driven by factors such as material changes in credit risk, price fixing basis (in the case of jet fuel) or changes in the timings of the hedged cash flows.

Due to the reduced flying programme easyJet became over-hedged on both jet fuel and FX exposures. Where the forecasted future exposure was no longer expected to occur, the hedge relationship was discontinued and all gains or losses related to the hedge instrument transferred immediately to the income statement. These amounts totalled a net £25 million loss in the year.

Any subsequent fair value movements on these discontinued trades was recognised. These amounts totalled a net £30 million gain in the year. In addition, following the discontinuation of hedge accounting easyJet entered into derivatives to close out a proportion of over-hedged positions. These derivatives were traded in an 'equal and opposite' direction to the discontinued trades to economically close out these positions and totalled a net loss of £23 million. These have been included within the total fair adjustment value resulting in a net £7 million gain.

All hedge relationships where the underlying exposure is still anticipated to occur continue to exhibit a strong economic hedge relationship as the changes in fair value of hypothetical hedged items is materially offset by the changes in the fair value of hedging instruments.

Additionally, fair value adjustments of £1 million (2020: £nil) were recorded during the period related to hedge ineffectiveness on hedges of foreign currency denominated borrowings that continue to be effective hedge relationships.

21 Leases

easyJet holds aircraft under leasing arrangements that are recognised as right of use assets and lease liabilities, with remaining lease terms ranging up to eight years. easyJet is contractually obliged to carry out maintenance on these 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 8 to these financial statements. Information in respect of the carrying value and interest arising on lease liabilities is set out in note 20 and note 2 respectively. A maturity analysis of lease liabilities is set out below.

21 Leases (continued)

easyJet 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 period in relation to these leases is disclosed in note 3.

Amounts recognised in the statement of cash flows	**2021**	2020
	£ million	£ million
Capital payments on lease liabilities	**289**	230
Interest payments on lease liabilities	**47**	31

	2021	2020
Lease liabilities	**£ million**	£ million
Maturity analysis - contractual undiscounted cash flows		
Less than one year	251	278
One to five years	730	506
More than five years	317	160
	1,298	944

	2021	2020
Lease liabilities included in the Statement of Financial Position	**£ million**	£ million
Current	(216)	(257)
Non-current	(953)	(602)
Total	**(1,169)**	**(859)**

Amounts recognised in Income Statement	**2021**	2020
	£ million	£ million
Interest on lease liabilities	47	31
Expenses relating to short term and low value leases (excluding wet leases)	-	6
Expenses relating to short-term wet leases	(14)	17
	33	**54**

Intercompany lease liabilities included in the Statement of Financial Position	**2021**	2020
	£ million	£ million
Current	(26)	(33)
Non-current	(63)	(116)
	(89)	(149)

Intercompany amounts recognised in Income Statement	**2021**	2020
	£ million	£ million
Interest on lease liabilities	**5**	**7**

22 Guarantees, contingent liabilities and commitments

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.

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.

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.

On 3 March 2021 the Company guaranteed the contractual obligations of easyJet FinCo B.V, a subsidiary undertaking, in respect of a €1.2 billion bond issuance under the Euro Medium Term Note (EMTN) Programme. The bond has a coupon of 1.875% and matures in March 2028.

At 30 September 2021 the Company had outstanding letters of credit and performance bonds totalling £72 million (2020: £120 million), of which £43 million (2020: £89 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.

At 30 September 2021, easyJet has a capital commitment to purchase four engines for £36 million by December 2022.

As part of the commitment to voluntary carbon offsetting, easyJet currently has contractual commitments to purchase Verified Emission Reductions worth £11 million (2020: £29 million) in total until December 2022.

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 financing the acquisition of aircraft;
- 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).

23 Related party transactions

Transactions with easyJet Group undertakings are carried out on an arm's length basis. Outstanding balances are placed on intercompany accounts (note 10 and 12) with no specified credit period, are unsecured, and bear market rates of interest.

Significant transactions are as follows:

- dry lease and other operating costs for leasing certain aircraft;
- charges associated with the provision of seat capacity from group operating entities;
- dry lease revenue from sub-leasing aircraft; and
- statement of financial position hedges.

Charges for the years ended 30 September 2021 and 2020 are as follows:

	2021 **£ million**	2020 £ million
Parent		
Amounts owed to easyJet plc	**(3,577)**	(2,695)
Rights issue proceeds received from easyJet plc	1,144	-
Covid Corporate Financing Facility proceeds (repaid to)/received from easyJet plc	(300)	600
Fellow Group subsidiaries		
Amounts recognised in the income statement		
Sales to fellow Group subsidiaries	**(919)**	(1,073)
Purchases from fellow Group subsidiaries	**1,168**	1,365
Amounts recognised in the statement of financial position		
Current liabilities: Amounts owed to fellow Group subsidiaries	**(1,402)**	(409)
Non-current liabilities: Amounts to from fellow Group subsidiaries	**(49)**	(45)
Current assets: Amounts owed from fellow Group subsidiaries	**5**	34
Sale and leaseback proceeds paid to fellow Group subsidiaries	**13**	19

Included within Sales to Group subsidiaries is £828 million (2020: £725 million) in relation to the leasing of aircraft, and £91 million (2020: £159 million) in relation to the provision of management services.

Purchases from Group subsidiaries of £1,168 million (2020: £1,369 million) solely relates to the purchase of seat capacity under intra-group commercial capacity supply agreements.

Others	**2021** **£ million**	**2020** **£ million**
During the year the Company received dividends from its investment in The Airline	-	(2)

Brand licence: amounts included in the income statement for the year ended 2021 due under the Brand Licence and other agreements with easyGroup Limited and others, detailed within note 28 to the Group accounts, amounted to £5 million (2020: £9 million). Royalty payments within this total were £4 million (2020: £8 million).

At 30 September 2021, £0.1 million (2020: £0.1 million) was included in trade and other payables in relation to the Brand Licence and other agreements.

At 30 September 2021 £5.3million (2020: £8.5 million) is due from related parties in relation to the Annual Royalty and is included within trade and other receivables.

easyJet Airline Company Limited

Notes to the accounts

24 Geographical revenue

	2021	2020
	£ million	£ million
United Kingdom	**894**	1,692
Southern Europe	**1,024**	1,065
Northern Europe	**411**	1,260
Other	**15**	51
	2,344	4,068

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

25 Government Grants

During the year to 30 September 2021, easyJet Airline Company Limited utilised the Coronavirus Job Retention Scheme implemented by the United Kingdom 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.

The total amount of such relief received by the Company amounted to £111 million (2020: £116 million) and is offset within employee costs in the Income statement. There are no unfulfilled conditions or contingencies relating to these schemes.

26 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.

27 Subsequent events

On 29 November 2021, a firm commitment was agreed with Airbus in respect of an additional 19 aircraft with deliveries between financial years 2025 and 2028. This results in 118 firm Airbus A320 NEO family aircraft outstanding orders on this date. The 19 firm deliveries consist of:

- Seven aircraft which easyJet had the option not to take up. This option not to take up has been relinquished and the aircraft are now confirmed as firm deliveries between financial years 2025 and 2026;
- Seven purchase option aircraft in respect of which easyJet has exercised its option to purchase. This results in firm deliveries for these aircraft between financial years 2025 and 2026; and
- Five purchase rights aircraft that have been converted into aircraft with firm delivery dates in financial year 2027, which results in easyJet's purchase rights aircraft reducing from 58 to 53.

Subsequent to the year end the company entered into the sale and leaseback of eight aircraft. This generated gross proceeds of $97.9m (circa £73m).