easyJet Airline Company Limited

Annual Report and Financial Statements

For the year ended 30 September 2023

Registered Number 03034606

easyJet Airline Company Limited

Contents

easyJet Airline Company Limited

Reports of the Directors for the year ended 30 September 2023

Strategic report

Review of the business

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

The full strategic report of easyJet plc and all of its subsidiaries (the "Group") may be found on pages 1 to 70 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

The Company uses its cost advantage, operational efficiencies and leading positions in primary airports to deliver low-cost flights from these airports, making great value travel easy and accessible for everyone. The Company focuses on cost efficiency, including the benefits of long-term strategic partnerships with key airports and ground-handling operators, and providing services which our customers value. The Company holds leading positions at slot-constrained airports with high customer demand. The Company carried 82.8 million passengers in the 2023 financial year (2022: 69.7 million) on 1,018 routes (2022: 988 routes) across 35 countries (2022: 34 countries).

For the financial year ended 30 September 2023, trading in the first half of the year, with the absence of the prior year pandemic-related travel restrictions, saw capacity increase and strong yields delivering record revenues. This was despite disruption due to external industrial action which was a feature throughout the year, starting in the first half of the financial year with French Air Traffic Control (ATC) strikes resulting in flight cancellations and an impact on on-time performance.

Trading in the second half of the year saw a continuation of strong yields and associated revenue results. The Company achieved a record performance during summer 2023, despite high fuel costs and the challenges arising from the external operating environment. This included significant disruption over the summer period, with ongoing industrial action and notable ATC challenges across Europe, in particular at Gatwick Airport. The Company took action to thin the flying schedule at Gatwick over the peak trading period in order to mitigate these ATC issues and ensure flights flew to schedule, protecting the customer experience by limiting on-the-day cancellations.

Supported by strong consumer demand and the Company's leading brand position, the Company's passenger and ancillary revenue for the full year increased by 37% to £7,391 million (2022: £5,397 million). Airline total revenue per seat for the year increased by 21% to £79.84 (2022: £66.23), and by 19% at constant currency. Other revenue of £1,117 million (2022: £990 million) comprises intercompany aircraft lease income and management recharges. Additionally, within revenue there was a £44 million credit (2022: £22 million) arising from the release of aged contract liabilities within other payables, split £40 million (2022: £19 million) against passenger revenue and £4 million (2022: £3 million) against ancillary revenue.

The Company's operating costs for the full year increased by 28% to £8,226 million (2022: £6,412 million), mainly as a result of the increased flying. Included in costs are 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 £19 million correction on the depreciation of right of use assets arising from a third-party system error which originated in FY21, a £3 million gain on the sale and leaseback of eight aircraft (2022: £9 million gain from ten aircraft), a £3 million loss (2022: £10 million loss) on the final disposal of landing rights surrendered as a consequence of the reduction in our operations at Berlin Airport, and a net £1 million of restructuring charges (2022: £nil million) reflecting the change in estimation of the final settlement of restructuring programmes initiated in prior years.

The Company's total profit before tax of £154 million for the year ended 30 September 2023 was a significant improvement on the loss of £287 million for the year ended 30 September 2022. This improvement was driven by increased capacity and yields along with enhanced contribution from our ancillary products as an increasing proportion of our customers choose to buy our flexible product offering. The Company had a net tax charge for the full year of £98 million (2022: £29 million credit) which represented an effective tax rate of 64% (2022: 10%). Refer to note 5 of the financial statements for a reconciliation of the total tax charge.

The Company's net cash as at 30 September 2023 was £1,887 million (30 September 2022: net cash £1,602 million) and comprised cash and money market deposits of £2,876 million (30 September 2022: £3,582 million), debt of £nil million (30 September 2022: £841 million) and lease liabilities of £989 million (30 September 2022: £1,139 million).

Key performance indicators

The Company's primary financial metric is profit/(loss) before tax, which is monitored to ensure that the Company has a platform for long-term growth while generating value for all stakeholders. As the Company is the main subsidiary contributing to the Group results, other key performance indicators for the Company are those monitored at Group level, rather than on an individual entity basis. The Group uses a range of both financial and non-financial key performance indicators, as described on pages 25 to 26 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

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

Principal risks and uncertainties

The Group is affected by a number of principal risks and uncertainties as described on pages 59 to 66 of the Group's Annual Report and Accounts for the year ended 30 September 2023. 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 profit after tax for the year was £56 million (2022: £258 million loss) which has been transferred to reserves. Net liabilities decreased from £208 million at 30 September 2022 to £181 million at 30 September 2023. During the year, the Company did not pay or declare a dividend (2022: 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 the Group including the approval of sale and leaseback transactions and the refinancing of the UK Export Finance Facility (UKEF).

Stakeholder Engagement

Given that the Company is the principal operating subsidiary of easyJet plc and part of the easyJet Group, to ensure an efficient and more effective approach, much of the Company's stakeholder engagement takes place at a Group level. A summary is provided below, and further information on who the Group's key stakeholders are, how the Company engages with them, and the related outcomes, are set out on pages 95 to 99 of the Group's Annual Report and Accounts for the year ended 30 September 2023, which are incorporated by reference into this statement.

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

Strategic report (continued)

Employees

Our people are a critical part of the Company's business and their famous 'Orange Spirit' a key part of our success. We want to create an inclusive culture where people can be their best and feel that they truly belong and live the 'Orange Spirit'. In 2023, the Group refreshed its Inclusion and Diversity framework, introduced a new wellbeing approach, evolved the Employee Value Proposition, and launched a more compelling career website to deliver a better candidate experience and conversion of interest into applications.

The Group and Company Directors received regular updates from the Group's Employee Representative Directors during the year to ensure the employee voice was reflected when taking strategic decisions, including for example the fleet discussions that took place in the year, and the Remuneration Committee review of remuneration arrangements.

This year the Group has engaged with colleagues to ensure everyone understands the part they play in creating an inclusive culture, and we continue to measure how our employees feel about the inclusive environment we are striving to create at the Company. The key mechanism for employee listening is our Your Voice Matters employee engagement survey, for which we partner with Peakon, a globally recognised employee listening platform. The Group's overall engagement score on this survey was 7.2 out of 10 with an aggregated participation rate of 64%.

Additionally, employees have the opportunity to raise concerns through the Group's whistleblowing arrangement, 'Speak Up, Speak Out' (SUSO). Areas of concern are monitored and addressed and mitigated as required with the Group Audit Committee regularly reviewing reports on the operation and efficacy of the SUSO policy and providing updates to the Board, which considers incidents and their outcomes, on an anonymous basis, in line with the 2018 UK Corporate Governance Code (Corporate Governance Code).

More information can be found on pages 35 to 38 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

Customers

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

The Directors reviewed the Company's customer strategy and priority to deliver ease and reliability during the year. From discussing feedback received from customers, the Board requested that further work be undertaken on customer communications during times of disruption. In 2023, the Company introduced a specialised customer chat feature to provide personalised support and improve our operational efficiency with the goal to upgrade our virtual adviser (chatbot) to autonomously handle common inquiries and seamlessly transfer to human agents when necessary. Live chat became the Company's primary contact channel at the end of 2023. This transition has led to both improved customer engagement and enhanced operational efficiency.

To deliver ease and reliability for our customers, we continue to build on our areas of strength, in particular the digital booking and on-the-day experience, and exceptional onboard service. The Company has a leading customer app which improves the overall experience from booking to check-in to reaching the aircraft, often without the need for human interaction. During the year, the disruption management self-service tool (SSDM) has been enhanced to enable customers to select alternative flights and book hotels if accommodation is required, or to request either vouchers or a refund. The Company has continued to use and expand the Twilight Baggage Drop service launched last year, which operates on a self-service basis and gives customers the option to drop off their baggage the evening before the flight. More information on our customer strategy and our operational performance can be found on pages 16 and 17 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

Suppliers

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

The Directors continue to perform supplier readiness checks to ensure safe and responsible delivery of our operations. The Company works closely with our suppliers to identify solutions to improve resilience and performance, and the Directors maintain engagement with the organisations operating key airports, such as Milan and Gatwick. Further details are set out on pages 76 and 77 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

During the year, the Board of easyJet plc considered the Group's longer-term fleet plan and, following a robust procurement process, entered into an agreement with Airbus for the purchase of new aircraft. More details can be found on page 99 of the Group's Annual Report and Accounts for the year ended 30 September 2023. The scale of the Proposed Purchase and the Conversion means that both are conditional on shareholder approval at a general meeting of the shareholders; this approval was given at the EGM held in December 2023.

Strategic report (continued)

Regulators

Regulators and governments take decisions which directly impact our operations. We engage with them to understand their strategic drivers, the impact of regulatory changes on the Company and our customers, and to ensure that policymakers have an understanding of our business and the social and economic benefits it delivers.

The Directors continue to engage with policymakers across Europe on how public policy can help airlines to address their carbon emissions and stimulate the technological innovation that will be needed for zero emission aviation. In the current financial year, the Company discussed the EU's 'Fit for 55' climate legislation package and how to stimulate the technological innovation that will be needed for zero emission aviation, including through the EU's Alliance for Zero-Emission Aviation. The Company also shared the Group's net zero roadmap with minsters in the UK and Europe, and discussed how governments can support decarbonisation of the sector.

Shareholders

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

Net Zero commitment

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

In the current year, we have made significant progress against this target, delivering a 5% reduction versus pre-pandemic greenhouse gas emission intensity levels, a saving of over 500,000 tonnes of CO_2e (well-to-wake). This was driven primarily by fleet renewal, with new A320neo family aircraft joining the fleet, and strong performance of operational efficiencies led by the rollout across the fleet of Descent Profile Optimisation and Continuous Descent Approach software. We also recorded our lowest ever CO_2 intensity of 67.2gCO_2/RPK (Revenue Passenger Kilometres).

Corporate Governance Arrangements

In accordance with the provisions of The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles (the 'Principles') for Large Private Companies in relation to the year ended 30 September 2023. Our compliance with the key areas of the Principles is summarised below, together with cross references, where applicable.

Purpose and Leadership

Our Purpose and Strategy

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

We seek to deliver this purpose through our strategy, by leveraging the low-cost airline business model and combining this with network and service differentiation, as well as introducing strategic objectives that help us achieve our destination, which is to be 'Europe's most loved airline – winning for our customers, our shareholders and our people'. Further information is set out on pages 9 to 11 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

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

Our Values and Culture

The Company's culture is open, positive, and collaborative, and is embodied as the 'Orange Spirit'. The Board monitors culture regularly through employee engagement surveys including engagement with trade unions, and monitors compliance with policies and procedures to ensure they remain effective. The Board also recognises the importance of identifying its key stakeholders and understanding their perspectives. More information can be found on pages 95 to 99 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

Our culture is also underpinned by the values and behaviours we call 'Our Promise'. Further information can be found on pages 78 to 80 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

Strategic report (continued)

Board composition

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

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

For further details on the Directors who held office during the year please refer to page 6. For further details of the Directors who are on the Group's Board, please refer to pages 89 to 91 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

Director responsibilities

The Board consistently strives to deliver long-term value to its stakeholders. To support effective decision-making, corporate governance practices and policies are put in place to ensure systems and controls are operating effectively and that the quality and integrity of information provided can be relied upon to make informed decisions. For further information about our policies and processes, please see pages 69 and 70 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

Opportunity and risk

Driving the long-term sustainable success of the Company, whilst generating value to stakeholders, is at the forefront of the Board's decision-making. The Board continues to assess the Company's business model and effective risk management to provide accountability to stakeholders. Further information about our business model is set out on page 22 of the Group's Annual Report and Accounts for the year ended 30 September 2023. The principal risks and uncertainties faced by the Group can be found on pages 59 to 66 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

Remuneration

Remuneration is overseen by the Remuneration Committee of the parent company, easyJet plc, which is responsible for agreeing the remuneration of the management team which includes the Directors of the Company. For further information on the Remuneration Committee, see pages 113 to 130 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

On behalf of the board

Kenton Jarvis
Director

2 February 2024

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 2023

Directors' report

The Directors present the Strategic report on pages 1 to 5, the Directors' report on pages 6 to 8, the Statement of Directors' responsibilities on page 9 and the audited financial statements for the year ended 30 September 2023. Further details of the Company can be found in note 1 to the financial statements.

Results and dividends

The Company's profit after tax for the year was £56 million (2022: £258 million loss) which has been transferred to reserves. During the year the Company did not pay or propose a dividend (2022: nil).

Future developments

Details of future developments in the business of the Company can be found on pages 12 to 19 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

Directors

The Directors who held office during the year and up to the date of signing these financial statements are as follows:

Kenton Jarvis
Johan Lundgren
Ann-Sophie Everest
David Morgan (appointed 19 December 2022)

Employees

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

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

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

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

Further details are contained on page 132 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

Political donations and expenditure

The Company works constructively with all levels of government across its network, regardless of political affiliation. The Company 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 2023 financial year (2022: £nil).

Principal subsidiaries and overseas branches

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

Directors' report (continued)

Directors' indemnities

Details of Directors' indemnities can be found on page 131 of the Group's Annual Report and Accounts for the year ended 30 September 2023.

Financial risk management

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

The Company is exposed to the same financial risks as the easyJet Group and follows the Group's financial risk and capital management objectives and policies, which are disclosed on pages 182 to 187 of the Group's Annual Report and Accounts for year ended 30 September 2023.

Going concern

The financial statements have been prepared on a going concern basis. In adopting the going concern basis for preparing these financial statements, the Directors have considered the Company's business activities, together with factors likely to affect its future development and performance, as well as the Company's principal risks and uncertainties through to June 2025. Further, the Company's Directors have considered the Group's ability and commitment to provide ongoing support for the Company due to the amounts owed to group undertakings, the net liability position of the Company, and the overall reliance on group-wide funding facilities.

As at 31 December 2023, the easyJet Group had a net debt position of £485 million including cash and cash equivalents and money market deposits of £1.9 billion, with unrestricted access to £3.6 billion of liquidity, and has retained ownership of 51% of the total fleet, all of which are unencumbered.

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

The business is exposed to fluctuations in fuel prices and foreign exchange rates. As at 31 December 2023 easyJet was c.80% hedged for fuel in H1 of FY24 at c.US$866 per metric tonne and c.55% hedged for H2 FY24 at c.US$821.

In modelling the impact of severe but plausible downside risks, the Group Directors have considered demand suppression leading to a reduction in ticket yield of 5%. The model also includes the reoccurrence of additional disruption costs (at FY22 levels), an additional $50 per metric tonne on the fuel price, 1.5% additional operating cost inflation and an adverse movement on the US dollar rate. These impacts have been modelled across the whole going concern period. In addition, this downside model also includes a grounding of 25% of the fleet for the duration of the peak trading month of August, to cover the range of severe but plausible risks that could result in significant operational disruption. This downside scenario resulted in a significant reduction in liquidity but still maintained sufficient headroom on external liquidity requirements.

The Group Directors also considered a separate downside model that included the operational disruption and adverse US dollar rate but, instead of the yield reduction, modelled increased costs (additional 3% inflation assumed on operating costs) and an additional $100 per metric tonne on the fuel price compared to the base case. This scenario was not as severe and as such still resulted in sufficient headroom. It was not deemed plausible to combine yield reduction and the higher cost and fuel increases based on an analysis of historical information across the airline industry.

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

Directors' report (continued)

Statement of disclosure of information to auditors

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

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

Independent Auditors

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

On behalf of the Board

Kenton Jarvis
Director

2 February 2024

Hangar 89
London Luton Airport
Luton
Bedfordshire
LU2 9PF

Registered Number 03034606

easyJet Airline Company Limited

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

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

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Kenton Jarvis
Director

easyJet Airline Company Limited

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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements, which comprise: Statement of financial position as at 30 September 2023; Income statement, Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

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

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

Conclusions relating to going concern

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 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory compliance to ensure Air Operator's Certificates (held in the UK, Switzerland and Austria) and travel provider licences held by intercompany parties remain valid and fully operational, consumer protection legislation, adherence to data protection requirements in the jurisdictions in which easyJet operates and holds data, regulatory compliance requirements to and non-compliance with employment regulations in the UK and other jurisdictions in which the Company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the requirements of emissions trading schemes and customer claims regulation, UK and overseas tax legislation and Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries in the underlying books and records and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the easyJet legal team, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud. This included an assessment of matters identified with larger potential exposures to ensure that the provisions held were supportable and that appropriate disclosure had been included within the financial statements in instances where the Company is currently unable to reliably assess the likely outcome or quantum of the financial exposure related to such matters

- Challenging assumptions and judgements made by management in 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 assessment of impairment of intangible assets and the recoverability of deferred tax assets. We also specifically assessed the provisions held in respect of actual and potential litigation matters, provisions held for customer compensation, the assessment of the loss on disposal of landing rights and breakage on contract liabilities held with customer
- Consideration of recent correspondence with easyJet's legal advisors to ensure that it aligned with the conclusions drawn on obligations recognised and contingent liabilities disclosed in respect of uncertain legal matters
- Identifying and testing journal entries, in particular certain journal entries posted with unusual account combinations
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
2 February 2024

easyJet Airline Company Limited

Income statement

For the year ended 30 September 2023

	Note	2023 £ million	2022 £ million
Passenger revenue		5,221	3,816
Ancillary revenue		2,170	1,581
Other revenue		1,117	990
Total revenue	7	8,508	6,387
Fuel		(2,033)	(1,279)
Airports and ground handling		(1,800)	(1,443)
Crew		(836)	(675)
Navigation		(422)	(339)
Maintenance		(99)	(90)
Selling and marketing		(189)	(153)
Other costs		(2,206)	(1,910)
Other income		11	20
EBITDAR		934	518
Aircraft dry leasing		-	(3)
Depreciation	9	(627)	(519)
Amortisation of intangible assets	8	(25)	(21)
Operating profit/(loss)		282	(25)
Interest receivable and other financing income		132	26
Interest payable and other financing charges		(300)	(185)
Foreign exchange gain/(loss)		40	(103)
Net finance charges	2	(128)	(262)
Profit/(loss) before tax	3	154	(287)
Tax (charge)/credit	5	(98)	29
Profit/(loss) for the year		56	(258)

easyJet Airline Company Limited

Statement of comprehensive income

For the year ended 30 September 2023

	Note	2023 £ million	2022 £ million
Profit/(loss) for the year		**56**	(258)
Other comprehensive (loss)/income			
Items that may be reclassified to the income statement:			
Cash flow hedges			
Fair value gains in the year		**21**	729
Gains transferred to income statement		**(68)**	(710)
Hedge ineffectiveness/discontinuation gain transferred to income statement		**(1)**	(5)
Related deferred tax credit/(charge)	5	**7**	(5)
Cost of hedging		**(6)**	3
Related deferred tax credit/(charge)	5	**2**	(1)
Items that will not be reclassified to the income statement:			
Fair value gains on equity investment		**-**	1
		(45)	12
Total comprehensive income/(loss) for the year		**11**	(246)

Fair value gains in the year are primarily due to movements in the foreign exchange rates and movement on fuel hedges.

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

	2023 £ million	2022 £ million
Revenue	**6**	(9)
Fuel	**(86)**	(663)
Maintenance	**(5)**	(7)
Intercompany bond transfer (within foreign exchange gain/(loss))	**8**	(10)
Other financing income/(costs)	**9**	(21)
	(68)	(710)

easyJet Airline Company Limited

Statement of financial position

As at 30 September 2023

	Note	2023 £ million	2022 re-presented £ million
Non-current assets			
Goodwill	8	**367**	367
Other intangible assets	8	**262**	212
Property, plant and equipment	9	**4,824**	4,563
Equity investment	20	**31**	31
Derivative financial instruments	20	**35**	127
Derivatives with group undertakings	20	**8**	-
Restricted cash	12	**2**	3
Other non-current assets	10	**133**	91
Deferred tax assets	5	**-**	78
		5,662	5,472
Current assets			
Trade and other receivables	11	**496**	439
Intangible assets	8	**676**	495
Derivative financial instruments	20	**186**	423
Derivatives with group undertakings	20	**14**	-
Restricted cash	12	**-**	4
Money market deposits	12	**-**	126
Current tax assets	5	**9**	-
Cash and cash equivalents	12	**2,876**	3,456
		4,257	4,943
Current liabilities			
Trade and other payables[1]	13	**(6,735)**	(6,727)
Unearned revenue	14	**(1,488)**	(1,038)
Lease liabilities	16	**(217)**	(257)
Derivative financial instruments	20	**(54)**	(86)
Derivative financial instruments with group undertakings	20	**-**	(60)
Current tax payable	5	**-**	(2)
Provisions for liabilities and charges[1]	17	**(141)**	(98)
		(8,635)	(8,268)
Net current liabilities		**(4,378)**	(3,325)
Non-current liabilities			
Borrowings	15	**-**	(841)
Unearned revenue	14	**(4)**	(3)
Lease liabilities	16	**(772)**	(882)
Amounts owed to group undertakings	13	**(6)**	(1)
Derivative financial instruments	20	**(14)**	(22)
Derivative financial instruments with group undertakings	20	**-**	(14)
Non-current deferred income		**(3)**	(3)
Provisions for liabilities and charges	17	**(656)**	(589)
Deferred tax liabilities	5	**(10)**	-
		(1,465)	(2,355)
Net liabilities		**(181)**	(208)
Shareholders' equity			
Share capital	18	**765**	765
Hedging reserve		**114**	155
Cost of hedging reserve		**(2)**	2
Translation reserve		**1**	1
Accumulated losses		**(1,059)**	(1,131)
Total equity		**(181)**	(208)

[1]The liability for compensation and reimbursements for airline customer delays and cancellations has been re-presented from provisions for liabilities and charges to liabilities within other payables. Refer to note 1a for further detail.

The financial statements on pages 13 to 47 were approved by the Board of Directors and authorised for issue on 2 February 2024 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 2023

	Share capital	Hedging reserve	Cost of hedging reserve	Translation reserve	Accumulated losses	Total equity
	£ million	£ million	£ million	£ million	£ million	£ million
At 1 October 2022	765	155	2	1	(1,131)	(208)
Profit for the year	-	-	-	-	56	56
Other comprehensive loss	-	(41)	(4)	-	-	(45)
Total comprehensive income/(loss)	-	(41)	(4)	-	56	11
Employee share scheme - value of employee services	-	-	-	-	16	16
At 30 September 2023	765	114	(2)	1	(1,059)	(181)

	Share capital	Hedging reserve	Cost of hedging reserve	Translation reserve	Accumulated losses	Total equity
	£ million	£ million	£ million	£ million	£ million	£ million
At 1 October 2021	765	160	-	1	(898)	28
Loss for the year	-	-	-	-	(258)	(258)
Other comprehensive income	-	9	2	-	1	12
Total comprehensive income/(loss)	-	9	2	-	(257)	(246)
Transferred to property, plant and equipment	-	(14)	-	-	-	(14)
Employee share scheme - value of employee services	-	-	-	-	24	24
At 30 September 2022	765	155	2	1	(1,131)	(208)

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.

1. Accounting policies, judgements and estimates (continued)

Statement of compliance

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

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

Basis of preparation

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

easyJet's business activities, together with factors likely to affect its future development and performance, are described in the Strategic Report on pages 1 to 70 of the Group's Annual Report and Accounts for the year ended 30 September 2023. Note 26 to the Group's Annual Report and Accounts for the year ended 30 September 2023 sets out the Company's objectives, policies and procedures for managing its capital and gives details of the risks related to financial instruments held by the Company.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis for preparing these financial statements, the Directors have considered the Company's business activities, together with factors likely to affect its future development and performance, as well as the Company's principal risks and uncertainties through to June 2025. The Company's Directors have considered the Group's ability and commitment to provide ongoing support for the Company due to the amounts owed to group undertakings, the net liability position of the Company, and the overall reliance on group-wide funding facilities.

As at 31 December 2023, the Group had a net debt position of £485 million including cash and cash equivalents and money market deposits of £1.9 billion, with unrestricted access to £3.6 billion of liquidity, and has retained ownership of 51% of the total fleet, all of which are unencumbered.

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

The business is exposed to fluctuations in fuel prices and foreign exchange rates. As at 31 December 2023 easyJet was c.80% hedged for fuel in H1 of FY24 at c.US$866 per metric tonne and c.55% hedged for H2 FY24 at c.US$821.

In modelling the impact of severe but plausible downside risks, the Group Directors have considered demand suppression leading to a reduction in ticket yield of 5%. The model also includes the reoccurrence of additional disruption costs (at FY22 levels), an additional $50 per metric tonne on the fuel price, 1.5% additional operating cost inflation and an adverse movement on the US dollar rate. These impacts have been modelled across the whole going concern period. In addition, this downside model also includes a grounding of 25% of the fleet for the duration of the peak trading month of August, to cover the range of severe but plausible risks that could result in significant operational disruption. This downside scenario resulted in a significant reduction in liquidity but still maintained sufficient headroom on external liquidity requirements.

The Group Directors also considered a separate downside model that included the operational disruption and adverse US dollar rate but, instead of the yield reduction, modelled increased costs (additional 3% inflation assumed on operating costs) and an additional $100 per metric tonne on the fuel price compared to the base case. This scenario was not as severe and as such still resulted in sufficient headroom. It was not deemed plausible to combine yield reduction and the higher cost and fuel increases based on an analysis of historical information across the airline industry.

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

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

1. Accounting policies, judgements and estimates (continued)

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

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

Climate change

In preparing the financial statements, the Directors have considered the impact of climate change, particularly in the context of the climate change risks identified in the sustainability section of the Strategic Report of the Group's Annual Report and Accounts for year ended 30 September 2023 and the Group's stated target of net zero carbon emissions by 2050 and easyJet's commitment to reducing carbon emissions by 35% by 2035. These targets and risks have been considered in relation to the financial reporting judgements and estimates in the current year and these have not materially impacted the conclusions reached including;

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

Known climate-related impacts are incorporated into the Group and Company's short term and medium term cashflows including fleet planning, the purchase of next-generation aircraft, fuel-saving initiatives and costs associated with carbon, i.e., updated mandates for the phase out of ETS allowances by 2026 and the expected price and quantity required of SAF usage.

Climate change is not expected to have any significant impact on demand or a further impact on the Group and Company's short term cash flows considered in the going concern evaluation. Additional identified climate based risks, and the impact of these in the absence of actions taken by easyJet to manage the transition, are considered in the stress testing for impairment. In particular the impact of a reduction in demand due to investor/market sentiment and increased costs due to changes in technology, regulatory and legal requirements have been considered.

easyJet Airline Company Limited

Notes to the financial statements (continued)

1. Accounting policies, judgements and estimates (continued)

1a. Significant accounting policies

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

Foreign currencies

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

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

Change in presentation

Presentation of the liability for compensation for airline customer delays and cancellations

In previous reporting periods the Company has classified the liability for compensation and reimbursements for airline customers arising from flight delays and cancellations as a provision. In response to a ruling by the International Financial Reporting Interpretations Committee (IFRIC) that compensation for delays gives rise to variable consideration, this liability has been re-presented from provisions for liabilities and charges to liabilities within trade and other payables. This impacts both the statement of financial position and the accompanying notes to the financial statements. The prior year statement of financial position has been re-presented as described below, and the impact on accompanying notes is described in those notes. Specifically, for note 17, as a result of this re-presentation, the provision for refunds of air passenger duty and similar charges have been re-presented as 'Other provisions'.

	As at 30 September 2022	
	Previously reported	Re-presented
	£ million	£ million
Current liabilities		
Trade and other payables	(6,653)	(6,727)
Provisions for liabilities and charges	(172)	(98)
Remaining other current liabilities	(1,443)	(1,443)
	(8,268)	**(8,268)**

The value of the liability for the year ending 30 September 2021 was not material and therefore the 1 October 2021 opening balance in the relevant comparative notes has not been re-presented.

Impairment of non-financial assets

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

A further description of the calculation of the VIU and current year outcome and sensitivities for the CGU is given in note 8.

Goodwill and other intangible assets

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

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

When assessing for impairment or reassessing UELs, the Company considers potential significant future changes including in relation to market, technological, economic and legal developments. The potential future impacts of climate change have been incorporated

1. Accounting policies, judgements and estimates (continued)

by including the estimated financial impact within cash flow projections of the future estimated price of ETS allowances, and the expected price and quantity required of SAF usage. Additional risks associated with climate change have also been stress tested, including sensitivities of SAF usage and ETS costs, additional legal and technology costs, reduced demand and increased cost of maintenance and replacement aircraft.

Computer software is stated at cost and is amortised from the point at which the asset is ready for use on a straight-line basis over the asset's UEL. UELs are reviewed annually.

	Expected useful life
Computer software	3-7 years

Annual licence agreements to use Cloud software are expensed and treated as a service agreement. Perpetual licences to use Cloud software are capitalised if the Company has both a contractual right to the software and the ability to run the software independently of the host vendor, but are otherwise expensed. Customisation and configuration costs related to the implementation of Cloud-based applications are expensed unless the activity creates an asset that is separate and identifiable from the software.

EU ETS, CH ETS and UK ETS carbon allowances

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

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

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

Carbon offsetting and Verified Emission Reductions

Up until 31 December 2022, the Company operated a voluntary policy to offset every tonne of carbon and carbon equivalents emitted from fuel used for all its flights. This was done through purchasing Verified Emission Reduction (VERs) certificates arising from Gold Standard or Verified Carbon Standard (VCS) accredited projects. The Voluntary Offsetting Policy was retired in September 2022 but VER assets remain on the statement of financial position to offset the estimated emissions from flights booked up to and including 31 December 2022 and with a departure date after 30 September 2023. The value of these assets is immaterial, and they will be retired in financial year 2024. No contractual commitments remain for the purchase of VERs.

The Company continues to hold on the statement of financial position a number of VERs that were purchased under contractual obligations and are surplus to the certificates required to meet the remaining obligation for flights booked up to 31 December 2022. These certificates are being actively marketed for sale, but are held on the statement of financial position at purchase price. The value is not material. When sold, any excess of sale value over the purchase price value held on the statement of financial position will be recognised in other income.

Additionally, the Company has an obligation under French law to offset CO_2 emissions incurred for French domestic flights. No carbon certificates have yet been purchased for the obligation; the liability for the certificates required to be purchased is not material and is recognised on the statement of financial position under trade and other payables.

1. Accounting policies, judgements and estimates (continued)

Property, plant and equipment

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

	Expected useful life
Aircraft [1]	18-23 years [2, 3]
Aircraft spares	18 years
Aircraft – prepaid maintenance	7-10 years
Leasehold improvements	5-10 years or the length of lease if shorter
Freehold land	Not depreciated
Fixtures, fittings and equipment [4]	3 years or length of lease of property where equipment is used if shorter
Computer hardware [4]	3-5 years

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

[2] The Company operates a fleet of Airbus ceo and neo aircraft. The newer neo aircraft have a UEL of 23 years. Aligning to the longer-term plan for ceo aircraft, and the ambition to replace these over time with the more fuel efficient neo aircraft as part of easyJet's net zero commitment, ceo aircraft have a shorter UEL of 18 years.

[3] Aircraft are depreciated once in the location and condition necessary to be capable of operating in the manner intended by management.

[4] 'Other' assets within note 9.

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

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

Pre-delivery payments made in respect of aircraft are recorded in PPE at cost. These amounts are not depreciated. A proportion of the Company's financing costs have been attributed to pre-delivery payments, made in respect of aircraft and other qualifying assets under construction. These are capitalised and added to the cost of the asset concerned. Pre-delivery payments are depreciated from the point at which the aircraft to which they relate is received and ready for commercial use.

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

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

Leases

When a contractual arrangement contains a lease, the Company 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. Lease payments include fixed payments and variable payments which are dependent on an index or rate. Where an index or rate is used this is initially measured using the index or rate at commencement. 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 the Company has an extension option, which it considers it is reasonably certain to exercise, then the lease term will be considered to extend beyond that non-cancellable period to the end of the extension period available. Where the Company has previously assessed that there is no intention to exercise an extension option but subsequently opts to exercise the option, then a modification would be carried out. If the

1. Accounting policies, judgements and estimates (continued)

Company has a termination option, which it considers it is reasonably certain to exercise, then the lease term will be accounted for until the point when the termination option will take effect.

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

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

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

Other non-current assets

Other non-current assets include both general lease deposits, as stipulated in lease agreements, as well as mid-life aircraft delivery assets for maintenance obligations incurred on mid-life aircraft before the Company acquired the aircraft. The payments and receivables are recorded within current and non-current assets as applicable, pending reimbursement or receipt in accordance with contract specific terms. Management assess the recoverability of these assets on an annual basis through consideration of the credit position of the debtors and other relevant inputs. Under the general approach to assess impairment of financial assets, the Company recognises a loss allowance equal to the 12 month expected credit losses.

Financial guarantees

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

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

Tax

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

1. Accounting policies, judgements and estimates (continued)

Provisions

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

Restructuring

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

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

Maintenance

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

Other

Other provisions include amounts in respect of onerous contracts, the provision for refunds of air passenger duty and similar charges, and potential liabilities for employee related matters and litigation which arise in the normal course of business. Onerous contracts are recognised at the first indication that a loss is anticipated, and the provision based on the expected economic outflow arising from the contracts.

Employee benefits

The Company contributes to defined contribution pension schemes for the benefit of employees. The Company 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.

Due to the service agreement between the Company and a fellow Group company in Switzerland, the ultimate cost of settling any pension liability for the Swiss pension plan as described in note 20 of the Group's Annual Report and Accounts for year ended 30 September 2023 lies with the Company. As such an amount equal to the net deficit of the Swiss pension plan is recognised as an intercompany pension obligation on the statement of financial position within amounts owed to group undertakings, with the movement recognised in the income statement.

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

Share capital and dividend distribution

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

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

Share-based payments

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

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

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

1. Accounting policies, judgements and estimates (continued)

Financial Instruments

Financial instruments are recognised when the Company 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 Company has no reasonable expectation of recovering the financial asset.

With the exception of trade receivables that do not contain a significant financing component, financial instruments are initially measured at fair value plus or minus (in the case of a financial asset or financial liability not at fair value through the income statement) directly attributable 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 dividend income model in accordance with IFRS 13 requirements.

Non-derivative financial assets

Non-derivative financial assets are classified and measured according to the Company'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 bank term deposits and tri-party repos maturing greater than three months from inception.

Financial assets measured at fair value through other comprehensive income

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

Financial assets measured at fair value through the income statement

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

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

Financial assets measured at fair value through the income statement compromised of money market funds as at 30 September 2022; no such assets were held on 30 September 2023.

Impairment of financial assets

At each reporting date the Company 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, the Company 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 the Company recognises a loss allowance for a financial asset at an amount equal to the 12-month expected credit losses calculated using expected future default probabilities, 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.

1. Accounting policies, judgements and estimates (continued)

Simplified approach – impairment assessment

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

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

Non-derivative financial liabilities

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

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

Financial liabilities measured at amortised cost

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

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

Derivative financial instruments with group undertakings

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

Derivative financial instruments and hedging activities

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

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

Fair value hedges

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

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

The Company's fair value hedges matured in February 2023 and there were therefore no fair value hedges accounted for at year end.

Cash flow hedges

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

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

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

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

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

1. Accounting policies, judgements and estimates (continued)

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 where:

- 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.

Revenue recognition

The Company categorises total revenue earned on the face of the income statement between passenger, ancillary and other revenue.

Passenger revenue

Passenger revenue arises from the sale of flight seats and is recognised when the performance obligation has been completed, which is when the flight takes place. Revenue recognised is the price paid by the customer for the flight excluding air passenger tax; this includes amounts paid by 'no-show' customers, as such customers are not generally entitled to change flights or seek refunds once a flight has departed.

Compensation payments made to customers (in respect of flight delays and cancellations) are offset against revenues recognised up to the amount of the flight, with the excess compensation being recorded within expenses. The liability for compensation payments not yet paid is measured based on known eligible events, passengers impacted, and the best estimate of claim rates which is in part informed by historical claim rates.

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 flight takes place.

If the Company cancels a flight, unless a customer immediately rebooks on an alternative flight, at the point of the cancellation the amount paid for the flight is derecognised from unearned revenue and a contract liability is recognised within trade and other payables to refund the customer or provide a voucher or flight transfer if requested. Vouchers issued by the Company in lieu of refunds are held on the statement of financial position in other payables as a contract liability (see note 14) until they are redeemed against a new booking, at which point they are recognised as unearned revenue. Once vouchers expire or are deemed to have a remote probability of being redeemed for a future booking they will be recognised as revenue. For vouchers issued to customers in countries where regulations stipulate unused vouchers should be refunded to the customer before the expiry of the statutory period, the required refunds have been made.

Where customers do not request either a voucher, refund or flight transfer the liability continues to be recognised in other payables, and breakage is applied when the likelihood of the customer exercising their remaining rights to be repaid these amounts is considered remote.

Ancillary revenue

Sale of checked baggage, allocated seating, change fees and other

Revenue is measured as the price paid by the customer for the service booked and is recognised at a point in time, which is when the flight takes place. Unearned revenue includes the amount paid for these services and is treated in line with unearned revenue for the sale of flight seats.

Partner revenue and in-flight sales

Revenue is measured at the value of the commission earned as the Company is deemed to be the agent and does not control the related services or goods. The key consideration to reach this conclusion is that the partner is deemed to be responsible for inventory risk and fulfilment of the goods and services. The revenue is recognised at a point in time which is when the service takes place. The exception is commission earned from travel insurance, where revenue is recognised at the time of booking as the Company acts solely as the appointed representative of the insurance company.

Cancellation fees

Revenue is measured at the amount paid for the cancellation and is recognised at a point in time, when the cancellation requested by the customer is processed.

easyJet plus

Revenue is measured at the amount paid for the annual membership and is recognised evenly over the membership period.

Other revenue

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

easyJet Airline Company Limited

Notes to the financial statements (continued)

1. Accounting policies, judgements and estimates (continued)

Amounts due to/from other easyJet Group companies

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

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

Operational costs and income

Costs and income are presented in the income statement based on the nature of the cost/income as this is most relevant to enable users of the financial statements to understand the Company's financial performance. Costs are expensed as incurred either at the point the goods or service is transferred, or over time to reflect when the benefits are received. Separate financial statement line items are shown for material income and expenses; the other costs and other income lines include items not reported in the separate material line items. Other income includes insurance receipts, supplier compensation payments, rental income and gains on sale of intangible assets. Other costs are expensed as incurred and include disruption costs, IT costs, cost of third-party providers, employee costs for sales, marketing and administration teams, wet lease costs, intra-group seat capacity costs and insurance. Gains/losses on sale and leaseback transactions are recognised in other income/other costs as applicable.

Included in the income statement is the sub-total EBITDAR which is a measure of earnings before interest, taxes, depreciation, amortisation and aircraft rental.

Finance charge/income

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

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

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 income statement before tax for the year.

Revenue is allocated to geographic segments on the following bases:

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

Revenue by country of origin has been provided where revenues from external customers attributed to an individual foreign country are material.

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 2022, and did not have a material impact were:

- Amendments to IFRS 3 – Business Combinations – Reference to the conceptual framework
- Amendments to IAS16 – Property, plant and equipment – Proceeds before intended use
- Amendments to IAS37 – Provisions, contingent liabilities and contingent assets – Onerous contracts: Cost of fulfilling a contract
- Annual improvements to IFRS 1, IFRS 9, IAS 41 and illustrative examples accompanying IFRS 16 Leases

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

1. Accounting policies, judgements and estimates (continued)

1b. Critical accounting judgements and estimates

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

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

Owned aircraft carrying values – £3,828 million (2022: £3,575 million) (note 9)

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

Aircraft are depreciated over their UEL to their residual values in line with the PPE Accounting Policy. The UEL is based on easyJet's long-term fleet plan and intended utilisation of the current fleet, which include long-term assumptions of market conditions and customer demands, which by their nature are inherently uncertain.

Residual value estimates for aircraft are based on independent aircraft valuations. The valuations are based on an assessment of the current and future state of the global marketplace for specific aircraft assets. Should the marketplace for an asset class deteriorate unpredictably, there could be a risk that the recoverable amount for some aircraft assets would fall below their current carrying value or that residual values are subject to downward adjustment. If the market expectation of residual value of the Company's aircraft varied by +/- 10% this would result in an approximate +/- £7 million impact on annual depreciation rates.

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

Aircraft maintenance provisions - £753 million (2022: £636 million) (note 17)

The Company incurs liabilities for maintenance costs arising during the lease term of externally leased aircraft. These costs arise from legal and constructive contractual obligations relating to the condition of the aircraft when it is returned to the lessor. To discharge these obligations, it is usual for the Company to carry out at least one heavy maintenance check on each of the engines and the airframe of the aircraft during the lease term. A material provision representing the estimated cost of this obligation is built up over the course of the lease. The estimates and assumptions used in the calculation of the provision are reviewed at least annually, and when information becomes available that is capable of causing a material change to an estimate, such as the renegotiation of end of lease return conditions, increased or decreased aircraft utilisation, or changes in the cost of heavy maintenance services and the expected uplift in future prices.

A significant portion of the future maintenance costs and cost increases are under contract and provide certainty to the provision. Where cost increases are not under contract, an estimation of the likely future increases are made in the calculation of the provision. Given the significant value of the provision, the provision is sensitive to changes in the future increase of uncontracted costs. An additional 4% cost uplift on uncontracted costs over the future years used in the provision would result in a £28 million increase in the provision. Additionally, with many maintenance costs incurred in US dollars, the provision remains sensitive to changes in the GBP/USD exchange rate. A significant +/- 10 cent change in the GBP/USD exchange rate would impact the provision by -£48 million/+£56 million respectively.

The rates used to discount the provision to arrive at a present value are based on observable market rates as an estimate of the relevant risk free rate.

The provision can also be materially influenced by the maintenance status of aircraft when they enter the fleet. To give flexibility to the fleet plan the Company may lease 'mid-life' aircraft. When mid-life aircraft enter the fleet, a 'catch-up' maintenance provision is created to reflect the maintenance obligation for the flying cycles undertaken before the aircraft entered the fleet. The trigger for such increases to the provision is the lease contract and as such any future mid-life lease events are not reflected in the current provision. It is of note that where contractually agreed a mid-life delivery asset is also created when the mid-life leased aircraft enter the fleet, creating a separate related asset on the statement of financial position.

easyJet Airline Company Limited

Notes to the financial statements (continued)

1. Accounting policies, judgements and estimates (continued)

Goodwill and landing rights - £522million (2022: £525 million) (note 8)

The recoverable amount of goodwill and landing rights has been determined based on VIU calculations for the Company's CGU as they are wholly attributable to it. The VIU is determined by discounting future cash flows to their present value. When applying this method, The Company relies on a number of key estimates including the ability to meet its strategic plans, future fuel prices and exchange rates, long-term economic growth rates for the principal countries in which it operates, and its pre-tax weighted average cost of capital. The easyJet Group's strategic plans include assessments of the future impact of climate change on the Company to the extent these can be estimated. This includes, for example, the future estimated price of ETS allowances, the phasing out of the free ETS allowances from 2024, the expected price and quantity required of SAF usage and currently estimated fleet renewals. The impact of longer-term climate change risks that are not part of the strategic plans has been considered as part of the stress testing and plausible scenarios modelled.

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

Recoverability of deferred tax assets – £434 million (2022: £434 million) (note 5)

The deferred tax asset balances include £434 million (2022: £434 million) arising on full recognition of the UK trading tax losses accumulated at the statement of financial position date. The Company has concluded that these deferred tax assets will be fully recoverable against the unwind of taxable temporary differences and future taxable income based on the long-term strategic plans of the Company. Where applicable the financial projections used in assessing future taxable income are consistent with those used elsewhere across the business, for example in the assessment of going concern. These assessments include the expected impact of climate change on easyJet, and the future financial impact within cash flow projections, including the future estimated price of ETS allowances, the phasing out of the free ETS allowances from 2024, the expected price and quantity required of SAF usage and fleet renewals.

The tax losses for which a deferred tax asset has been recognised are expected to be utilised within the next six years, assessed by considering probable forecast future taxable income. The probable forecast future taxable income includes the impact of the expected unwind of taxable temporary differences as well as the effect of Full Expensing Relief for qualifying capital expenditure. Probable forecast future taxable income includes an incremental and increasing risk weighting to represent higher levels of uncertainty in future periods.

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

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

In the 22 November 2023 Autumn Statement it was announced that full expensing relief, introduced in the Finance (No.2) Act 2023, for qualifying expenditure incurred from 1 April 2023 to 31 March 2026 will be made permanent. It is not substantively enacted at the statement of financial position date but the Company is assessing the impact it may have on the recoverability of deferred tax assets for subsequent financial years.

Liability for compensation payments - £62 million (2022: £74 million) (note 13)

The Company incurs liabilities for amounts payable to customers who make claims in respect of flight delays and cancellations, for which claims could be made up to six years after the event, and for reimbursement of reasonable expenses incurred as a result of flight delays and cancellations. The key estimation in the liability is the passenger claim rate for compensation payments. The estimation carries a level of uncertainty as it is based on customer behaviour. The basis of the estimates included in the liability are reviewed at least annually and when information becomes available that may result in a material change to the estimate. Should the claim rate for compensation paid to customers increase by 2% across the six-year liability period, it would result in an addition to the year-end provision of £15 million.

Vouchers issued - £54 million (2022: £105 million) (note 14)

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

For flight vouchers, where the likelihood of the contractual right being exercised is considered to be remote, immaterial breakage has been applied. This has been estimated based on the utilisation rates experienced to date, and these liabilities have been taken to the income statement as revenue. The breakage was applied in the first half of the financial year ahead of a significant voucher expiry deadline later in the financial year. That deadline was subsequently extended into the next financial year to allow customers the maximum opportunity to utilise their vouchers. Utilisation patterns since this extension do not suggest that the breakage recognition should be reversed.

For vouchers issued to customers in countries where regulations stipulate unused vouchers should be refunded to the customer before the expiry of the statutory period, the required refunds have been made.

Applying breakage to the balance of the remaining flight vouchers at 30 September 2023 at a rate of 10% would result in a reduction in the liability of c.£5 million.

easyJet Airline Company Limited

Notes to the financial statements (continued)

2. Net finance charges

	2023 £ million	2022 £ million
Interest receivable and other financing income		
External interest income	(131)	(21)
Hedge ineffectiveness/discontinuation	(1)	(5)
	(132)	(26)
Interest payable and other financing charges		
Interest payable to fellow group undertakings[1]	173	96
Interest payable on facilities / borrowings	80	43
Interest payable on lease liabilities	46	45
Other interest payable	1	1
	300	185
Net exchange (gains)/losses on monetary assets and liabilities[2]	(40)	103
Net finance charges	128	262

[1]Of the £173 million of interest payable to fellow group undertakings above, £138 million (2022: £68 million) is owed to the parent entity.

[2]Included within net exchange (gains)/losses on monetary assets and liabilities is an £84 million loss (2022: £127 million gain) relating to the fair value gain on US dollar foreign exchange derivatives designated as fair value through the income statement.

3. Profit/(loss) before tax

The following have been included in arriving at profit/(loss) before tax:

	2023 £ million	2022 £ million
Intercompany seat capacity costs	1,555	1,415
Depreciation of property, plant and equipment:		
Owned assets	266	253
Right of use assets	361	266
Loss on disposal of intangible assets	3	10
Loss on disposal of property, plant and equipment	10	7
(Reversal of impairment)/impairment of trade receivables	(3)	4
Net sale and leaseback gain	(3)	(9)

Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditor:

	2023 £ million	2022 £ million
Company audit fee	1.0	0.6
Fees for audit of the Company's associates	0.2	0.6
	1.2	1.2

In addition, the Company incurred audit-related non-audit services fees of £0.2 million (2022: £0.2 million) from its auditor. This includes the fee of £0.1 million (2022: £0.1 million) incurred on behalf of the Group in respect of the half-year review performed.

During the year, other assurance related non-audit services fees totaling £0.3 million (2022: £0.3 million) were also incurred on behalf of the Group, primarily in relation to our Airbus Proposed Purchase (2022: primarily in relation to working capital procedures associated with a Class 1 transaction).

4. Employees

Average monthly number of persons employed by the Company:	2023 Number	2022 Number
Flight and ground operations	12,802	11,221
Sales, marketing and administration	1,103	1,038
	13,905	12,259

Employee costs	2023 £ million	2022 £ million
Wages and salaries	739	623
Social security costs	117	91
Pension costs	80	61
Share-based payments	16	24
	952	799

Included in employee costs is a net debit of £2 million (2022: £nil million) from redundancy and restructuring costs. The costs are the result of small-scale employee redundancy programmes in the year in addition to further costs arising from the previously announced restructuring programmes in Germany.

The amounts received under government furlough schemes are offset against employee costs in the income statement. Refer to note 22 for further details.

Directors' emoluments	2023 £ million	2022 £ million
Remuneration	6	5
	6	5

This includes all Directors who held office during the financial year ended 30 September 2023.

As at 30 September 2023 the Company had four Directors (2022: three).

During the year two (2022: three) Directors received a taxable payment in lieu of employer pension contributions. Two (2022: one) Directors accrued retirement benefits under the easyJet Group defined contribution pension scheme.

No Directors exercised shares in the parent company during the year (2022: none) and four Directors received shares relating to long term service plans (2022: four).

The highest paid Director received remuneration totalling £2.4 million (2022: £1.8 million) including pension contributions of £47,355 (2022: £45,000). The highest paid Director received shares relating to long term service plans but did not exercise shares in the parent company during the year (2022: none).

5. Tax charge/(credit)

Tax on profit/(loss) on ordinary activities:

	2023 £ million	2022 £ million
Current tax		
Adjustments in respect of prior years	1	-
Total current tax charge	1	-
Deferred tax		
Temporary differences relating to property, plant and equipment	73	(37)
Other temporary differences	29	5
Adjustments in respect of prior years	(5)	(1)
Remeasurement of opening balances due to change in tax rates	-	4
Total deferred tax charge/(credit)	97	(29)
Total tax charge/(credit)	98	(29)
Effective tax rate	64%	10%

Reconciliation of the total tax charge/(credit)

The tax for the year is higher (2022: lower) than the standard rate of corporation tax in the UK as set out below:

	2023 £ million	2022 £ million
Profit/(loss) before tax	154	(287)
Tax charge/(credit) at 22.0% (2022: 19.0%)	34	(54)
Expenses not deductible for tax purposes	8	4
Adjustments in respect of prior years - deferred tax	(5)	(1)
Movement in provisions	-	(1)
Change in substantively enacted tax rate	-	4
Difference in applicable rates for current and deferred tax	12	(7)
Share-based payments	(2)	2
Loss relief to Group companies	51	24
Total tax charge/(credit)	98	(29)

Current tax payable at 30 September 2023 amounted to £nil million (2022: £2 million payable).

During the year ended 30 September 2023 net cash tax paid amounted to £12 million (2022: £4 million net cash tax paid).

The Finance Act 2021 confirmed an increase of the UK corporation tax rate from 19% to 25% with effect from 1 April 2023 and as such, the blended statutory current tax rate for the year ended 30 September 2023 is 22%. Temporary differences have been measured using the enacted tax rates that are expected to apply when the liability is settled or the asset is realised, which is 25%.

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

	2023 £ million	2022 £ million
Credit/(charge) to other comprehensive (loss)/income		
Deferred tax on change in fair value of cash flow hedges	9	(6)

Deferred tax
The net deferred tax (asset)/liability in the statement of financial position is as follows:

	Accelerated capital allowances	Short-term timing differences	Fair value (gains)/losses	Share-based payments	Intercompany pension obligation	Trading loss	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
At 1 October 2022	339	(34)	63	(1)	(11)	(434)	(78)
Charged/(credited) to income statement	66	33	-	(2)	-	-	97
Credited to other comprehensive income	-	-	(9)	-	-	-	(9)
At 30 September 2023	**405**	**(1)**	**54**	**(3)**	**(11)**	**(434)**	**10**

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

It is estimated that deferred tax assets of approximately £nil million (2022: deferred tax assets of £47 million) will reverse during the next financial year. Deferred tax liabilities of £nil million (2022: £nil million) will reverse during the next financial year.

6. Dividends

No dividend was paid in the year ending 30 September 2023 or 30 September 2022.

7. Total revenue

	2023 £ million	2022 £ million
United Kingdom	4,141	2,975
France	852	674
Switzerland	912	742
Northern Europe (excluding Switzerland)	610	1,416
Southern Europe (excluding France)	1,854	489
Other	139	91
	8,508	6,387

The Company has assessed the materiality of geographical revenues and has disclosed revenues by country of origin where such revenues are in excess of 10% of total revenue. For the year ended 30 September 2023, this included separate presentation of France and Switzerland which were previously included in Southern Europe and Northern Europe respectively. The prior year has therefore been re-presented in order to show the information on a consistent basis.

Geographical revenue is allocated according to the location of the first departure airport on each booking and other revenue is allocated according to the domicile of the Group company from which it is received.

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

8. Goodwill and other intangible assets

		Other intangible assets		
	Goodwill £ million	Landing rights £ million	Computer software £ million	Total £ million
Cost				
At 1 October 2022	367	158	122	280
Additions	-	-	78	78
Disposals	-	(3)	(11)	(14)
At 30 September 2023	367	155	189	344
Accumulated amortisation				
At 1 October 2022	-	-	68	68
Charge for the year	-	-	25	25
Disposals	-	-	(11)	(11)
At 30 September 2023	-	-	82	82
Net book value				
At 30 September 2023	367	155	107	262
At 30 September 2022	367	158	54	212

Included within computer software, are internally generated intangible assets of £35 million (2022: £34 million, restated from £25 million due to a change in categorisation), and work in progress of £62 million (2022: £25 million).

Value in use calculation

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

Pre-tax cash flow projections have been derived from the strategic plan approved by the Board for the period up to 2028, using the following key assumptions:

	2023	2022
Pre-tax discount rate (derived from weighted average cost of capital, WACC)	11.4%	12.2%
Fuel price (US dollars per metric tonne)	751	1,010
Long-term economic growth rate	2.0%	2.0%
Exchange rates:		
US dollar	1.27	1.11
Euro	1.16	1.14

The annual impairment review has previously been carried out as at 30 September. In the current year, the review was performed based on 30 June 2023 inputs in order to align with internal planning timelines; 30 June will continue to be the date used going forward, in accordance with IAS 36.

The discount rate has been calculated based on the capital asset pricing model using external inputs where relevant and the current cost of debt to the Group. The methodology is unchanged from the prior year. The decrease in the discount rate has been driven primarily by a decrease in the cost of debt since the prior year end. Both fuel price and exchange rates are volatile in nature. The fuel price has decreased significantly from $1,010 /MT at 30 September 2022 to $751/MT as at 30 June 2023, reflecting the change in the underlying fuel prices. Exchange rates and fuel price are based on spot rates as at 30 June 2023.

Cash flow projections for the period up to 2028 incorporate the long-term prospects of the Group, taking into account growth expected by way of creating value through the business model. 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 the Group operates. The future impact of climate change on the business has been incorporated into strategic plans, including the estimated financial impact within the base case cash flow projections of the future estimated price of ETS allowances, the phasing out of the free ETS allowances from 2024, the expected price and quantity required of SAF usage, and fleet renewals. The headroom of the VIU calculation over the carrying value of the relevant assets has increased compared to 30 September 2022. This is primarily due to the strengthening of sterling against the US dollar and the associated impact on costs including fuel, as well as the decrease in the discount rate.

Stress testing has been performed on key inputs to the VIU 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 and significant adverse movement in foreign currency exchange rates (other than movements that are included in the fuel pass-through assumption) and forecast operating profits to the extent that no other compensating action is taken. It has been assumed that any significant future fuel price increase would be recovered through revenue pass through. Individual scenarios that have been deemed reasonably probable, in particular in relation to the current macro-economic environment, do not give rise to an impairment. These scenarios include +/-10% on euro and US dollar rates, +100 bps increase in WACC, reduced capacity of 5%, increased operating costs (excluding fuel) of 3%, a fuel price increase of $100 per metric tonne and a flat growth rate.

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

Current intangible assets

	2023 £ million	2022 £ million
Carbon offsetting VER	7	14
EU ETS, CH ETS and UK ETS carbon allowances	669	481
	676	495

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

easyJet Airline Company Limited

Notes to the financial statements (continued)

9. Property, plant and equipment

	Owned assets			Right of use of assets		
	Aircraft and spares	Land and buildings	Other	Aircraft	Other	Total
	£ million	£ million	£ million	£ million	£ million	£ million
Cost						
At 1 October 2022	4.731	44	63	2.665	45	7.548
Additions	604	-	14	289	18	925
Aircraft sold and leased back	(117)	-	-	44	-	(73)
Disposals[1]	(72)	-	(4)	(598)	(15)	(689)
Adjustments[2]	193	-	-	46	-	239
At 30 September 2023	5.339	44	73	2.440	48	7.950
Accumulated depreciation						
At 1 October 2022	1.156	-	29	1.765	35	2.985
Charge for the year	258	-	8	356	5	627
Aircraft sold and leased back	(64)	-	-	-	-	(64)
Disposals[1]	(60)	-	(4)	(582)	(15)	(661)
Adjustments[2]	221	-	-	18	-	239
At 30 September 2023	1.511	-	33	1.557	25	3.126
Net book value						
At 30 September 2023	3.828	44	40	889	23	4.824
At 30 September 2022	3.575	44	34	900	10	4.563

The net book value of aircraft includes £569 million (2022: £414 million) relating to advance payments for future deliveries and life limited parts not yet in use. This amount is not depreciated.

The net book value of aircraft spares is £112 million (2022: £80 million).

The 'Other' categories comprise of leasehold improvements, computer hardware, leasehold property, fixtures and fittings, and work in progress in respect of property, plant and equipment projects. The work in progress as at 30 September 2023 was £12 million (2022: £19 million).

As at 30 September 2023, the Company was contractually committed to the acquisition of two CFM LEAP engines (2022: four) and 158 (2022: 168) Airbus 320 family aircraft, with a total estimated list price[3] of US$ 18.1 billion (2022: US$ 19.2 billion) before escalations and discounts for delivery in financial years 2024 (16 aircraft), 2025 (19 aircraft) and 2026 to 2029 (123 aircraft).

At the year-end date easyJet had a commitment for six aircraft lease contracts, where the aircraft had not been delivered, with a combined value of £67 million. Subsequent to 30 September 2023 four aircraft have been delivered reducing the commitment to £23 million.

[1]Right of use asset disposals includes the transactions to remove the fully depreciated assets and intercompany leases from the statement of financial position when the leased assets are returned. The gross value of the cost was £598 million.

[2]Adjustments include transactions to present the cost and accumulated depreciation on a basis consistent with the asset classifications and underlying gross values accumulated since initial acquisition.

[3]As Airbus no longer publishes list prices, the last available list price published in January 2018 has been used for the estimated list price, and the prior year comparator has been restated to be on the same basis.

easyJet Airline Company Limited

Notes to the financial statements (continued)

10. Other non-current assets

	2023 £ million	2022 £ million
Mid-life aircraft delivery assets	110	64
Deposits held by aircraft lessors	23	27
	133	91

Mid-life aircraft delivery assets arise from maintenance obligations incurred on mid-life leased aircraft before the Company acquired the aircraft. They occur where a lessor has agreed to make a contribution to the Company's maintenance costs to reflect the cycles already flown by the aircraft at the point it is delivered to the Company, plus or minus any maintenance utilised by the Company that will not be paid for via a maintenance shop visit. Depending on the contract terms, payment will be made either at the maintenance event date or at the lease return date, the timing of which determines the current and non-current split of the asset. The recoverability of this asset has been assessed by management, and the asset is considered to be fully recoverable.

11. Trade and other receivables

	2023 £ million	2022 (re-presented)[1] £ million
Trade receivables	132	91
Less: provision for loss allowance	(4)	(8)
	128	83
Prepayments[1]	96	78
Accrued income[1]	202	138
Other receivables	70	140
	496	439

[1]In the current year certain items have been reclassified from prepayments to accrued income to better represent the nature of these assets. Prior year comparatives have been re-presented on the same basis. Prepayments and accrued income were previously reported as £150 million and £66 million respectively.

Within the provision for loss allowance, £4 million has been credited to the income statement (2022: £4 million charged), with £nil million (2022: £nil million) being utilised in the year ended 30 September 2023.

Other receivables comprise current mid-life aircraft delivery assets, prepaid maintenance costs, VAT and trade deposits.

Included within trade and other receivables is £186 million (2022: £99 million) in respect of balances with intercompany counterparties.

easyJet Airline Company Limited

Notes to the financial statements (continued)

12. Cash and money market deposits

	2023 £ million	2022 £ million
Cash and cash equivalents (original maturity less than three months)	2,876	3,456
Money market deposits (original maturity more than three months)	-	126
Current restricted cash	-	4
Non-current restricted cash	2	3
	2,878	3,589

Interest rates on money market deposits and restricted cash are repriced based on prevailing market rates of interest.

Restricted cash comprises:

	2023 £ million	2022 £ million
Amounts held in escrow accounts for legal cases	-	4
Cash held as bank guarantee collateral	2	3
	2	7

13. Trade and other payables

	2023 £ million	2022 (re-presented)[1] £ million
Trade payables	292	330
Amounts owed to group undertakings - current[2]	5,197	5,163
Accruals	991	899
Taxes and social security	48	37
Other payables[1]	207	298
	6,735	6,727

[1]The liability for compensation and reimbursements for airline customer delays and cancellations has been re-presented from provisions for liabilities and charges to liabilities within other payables. Refer to note 1a for further detail.

[2]Apart from the balances associated with the issuance of the Eurobonds, the outstanding balances on the amounts owed to group undertakings are placed on intercompany accounts with no specified credit period, are unsecured, and bear market rates of interest. The intercompany loan agreements associated with the issuance of the Eurobonds are on the same terms as the bonds themselves (see note 26 in the Group's Annual Report and Accounts for year ended 30 September 2023) although they also contain a repayable on demand clause meaning that the balances are classified as current.

Included within non-current liabilities are amounts owed to group undertakings of £6 million (2022: £1 million). Also, included within accruals is £13 million (2022: £6 million) in respect of balances with intercompany counterparties.

14. Liabilities relating to contracts with customers

Contract liabilities:

	2023		2022 (re-presented)[1]	
	Unearned Revenue £ million	Other £ million	Unearned Revenue £ million	Other £ million
Opening contract liabilities	1,041	151	877	262
Revenue deferred during the year	8,444	-	6,083	-
Revenue recognised during the year	(7,993)	(45)	(5,919)	(23)
Additional contract liability during the year	-	99	-	118
Reduction in contract liability during the year	-	(130)	-	(210)
Foreign exchange impact during the year	-	(2)	-	4
Closing contract liabilities	1,492	73	1,041	151

[1]The prior year movements within unearned revenue have been re-presented in order to show the information on a consistent basis. The change represents elimination of revenue transactions of £85 million relating to another Group subsidiary from the Company revenues.

Included within unearned revenue is £200 million (2022: £107 million) in respect of balances with intercompany counterparties.

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

	2023		2022	
	Unearned revenue £ million	Other £ million	Unearned revenue £ million	Other £ million
Revenue recognised that was included in the contract liability balance at the beginning of the year	995	45	805	23

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

15. Borrowings

At 30 September 2023	Non-current £ million
Term loan (UK Export Finance backed facility)	-
	-

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

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.

The Term loan (UK Export Finance backed facility) with a carrying value of £841 million was repaid in June 2023 and the facility was cancelled. At the same time the Company entered into a new undrawn facility for $1.75 billion.

16. Leases

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

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

Cash payments during the year	**2023 £ million**	2022 £ million
Capital payments	**(218)**	(206)
Interest payments	**(46)**	(43)

Lease liabilities	**2023 £ million**	2022 £ million
Maturity analysis - contractual undiscounted cash flows		
Less than one year	(254)	(297)
One to five years	(690)	(723)
More than five years	(139)	(258)
Total	**(1,083)**	(1,278)

Lease liabilities included in the statement of financial position	**2023 £ million**	2022 £ million
Current	(217)	(257)
Non-current	(772)	(882)
Total	**(989)**	(1,139)

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

Amounts recognised in the income statement	**2023 £ million**	2022 £ million
Interest on lease liabilities	46	45
Expenses relating to low-value leases	7	4
Expenses relating to short-term wet leases	15	53
Total	**68**	102

Intercompany lease liabilities included in the statement of financial position	**2023 £ million**	2022 £ million
Current	-	(10)
Non-current	-	(17)
Total	**-**	(27)

Intercompany amounts recognised in the income statement	**2023 £ million**	2022 £ million
Interest on lease liabilities	**-**	2

17. Provisions for liabilities and charges

	Maintenance provisions £ million	Restructuring £ million	Other provisions £ million	Total £ million
At 1 October 2022 (re-presented)[1]	636	15	36	687
Exchange adjustments	(44)	-	-	(44)
Release of provisions	-	(5)	(6)	(12)
Additional provisions recognised	257	6	17	280
Updated discount rates net of unwind of discount	(30)	-	-	(30)
Utilised	(66)	(10)	(9)	(85)
At 30 September 2023	**753**	**6**	**38**	**797**

[1]The liability for compensation and reimbursements for airline customer delays and cancellations has been re-presented from provisions for liabilities and charges to liabilities within other payables. Refer to note 1a for further detail.

The maintenance provisions provide for maintenance costs arising from legal and constructive obligations relating to the condition of the aircraft when returned to the lessor. 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:

	2023 £ million	2022 £ million
Current	**141**	98
Non-current	**656**	589
	797	687

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

Within other provisions are provisions for litigation matters. The split of these provisions between current/non-current is based on the dates of expected court judgements. Provisions for restructuring could be fully utilised within one year from 30 September 2023 and therefore are classified as current.

18. Share capital

	Number		Nominal value	
	2023 million	2022 million	**2023 £ million**	2022 £ million
Allotted, called up and fully paid - Ordinary shares of £1 each				
At 30 September	**765**	765	**765**	765
At 30 September	**765**	765	**765**	765

19. Share incentive schemes

The Company operates the following share incentive schemes, all of which are settled in the equity of its parent, easyJet plc. Further details are given in pages 174 to 176 in the Group's Annual Report and Accounts for the year ended 30 September 2023.

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

Weighted average exercise prices are as follows:

	1 October 2022 £	Granted £	Forfeited/cancelled £	Exercised £	30 September 2023 £
Save As You Earn scheme[1]	4.54	4.07	5.45	-	4.22

[1]The exercise prices used to calculate the weighted average price are post rights issue, so will differ to those stated in fair values tables as fair values will not change.

The exercise price of all awards, except 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 (£) 2023	Price (£) 2022	Number (million) 2023	Number (million) 2022
Long Term Incentive Plan	-	-	-	0.1
Restricted Stock Unit	-	-	0.2	-
Restricted Share Plan	-	-	-	-
Save As You Earn scheme	5.62	6.76	1.3	1.1
Deferred Annual Bonus Plan	-	-	-	-
			1.5	1.2

The weighted average remaining contractual life for each class of share at 30 September 2023 is as follows:

	Years 2023	2022
Long Term Incentive Plan	7.3	7.4
Restricted Stock Unit	8.6	8.7
Restricted Share Plan	8.9	9.4
Save As You Earn scheme	2.5	2.9
Deferred Annual Bonus Plan	9.2	-

Long Term Incentive Plan

The plan was 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 TSR targets compared to FTSE-ranked companies at the start of the performance period. All awards have a three-year vesting period. Awards made in December 2020 are assessed on performance conditions measured over the three financial years ended 30 September 2023.

Restricted Stock Unit

The plan was awarded to the Airline Management Board, senior managers and some middle management, and provided 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 the market price on the day immediately preceding the date on which invitations are sent; however the 2022 scheme was granted at a discount of 10% from the market price, and the 2020 scheme did not have a discount. At the end of the savings period, the option becomes exercisable for a period of six months. Employees who are not paid through the UK payroll may participate in the scheme under similar terms and conditions, albeit without the same tax benefits.

Restricted Share Plan

The plan is open, by invitation, to Executive Directors, the Airline Management Board and senior and some middle management, and provides for annual awards of Performance Shares worth from 20% to 125% of salary, depending on role. All awards have either a two or three-year vesting period. For the Executive Directors a three-year performance period plus two-year post-vesting holding period will apply. The awards are subject to the following underpins: that easyJet does not fall below its minimum liquidity target (such that a credit risk is triggered) through the vesting period and that there is satisfactory governance performance including no Environmental, Social and Governance (ESG) issues that result in material reputational damage to the Company (as determined by the plc Board). The vesting of these shares is also dependent on continued employment and assessment against performance underpins, as outlined in the Directors Remuneration Report of the Group's Annual Report and Accounts for the year ended 30 September 2023 (pages 113 to 130), measured over the vesting period.

Deferred Annual Bonus Plan

This plan represents the compulsory deferral of one-third of the annual bonus in shares for the Executive Directors and one-fifth of the annual bonus for the Airline Management Board. All awards have a three-year vesting period of which the vesting conditions are continued employment.

20. Financial instruments

	Held at fair value			
30 September 2023	Fair value hedges £ million	Cash flow hedges £ million	Other Financial Instruments £ million	Fair value £ million
Derivative financial instruments	-	142	11	153
Derivative financial instruments with group undertakings	-	-	22	22
Equity investments	-	-	31	31

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

The equity investment of £31 million (2022: £31 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 dividend was received during the year (2022: £nil).

Fair value of derivative financial instruments

Accumulated gains and losses resulting from these transactions are deferred in the hedging reserve. The gains and losses will be recognised in the income statement in the periods when 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.

Fair value 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 US dollar and euro.

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

Fair value calculation methodology

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

Apart from the equity investment, the 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 is being held at £31 million (2022: £31 million) based on a valuation report using this method by an external valuation firm which had no material increase in valuation during the year. If the level 3 forecast cash flows were 10% higher or lower the fair value would not increase/decrease by a material 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).

21. Guarantees, contingent liabilities and commitments

Contingent liabilities

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

The Group has previously disclosed an investigation by the Information Commissioner's Office (ICO) into a cyberattack and subsequent data breach that took place in 2020. The ICO has advised in this financial year that no further action will be taken and the investigation against the Group is now closed. Due to the uncertainty surrounding the investigation no provision had been made for an estimated outcome from the case, and as such there is no impact on the financial statements of the ICO's decision to close the investigation. Although the ICO investigation is closed, the associated class action filed in May 2020 in the UK High Court by a law firm representing a class of customers affected by the data breach arising from the cyberattack, remains in place. Similarly, other claims have been commenced or are threatened in certain other courts and jurisdictions. The merit, likely outcome and potential impact of these actions are subject to significant uncertainties and therefore the Company is unable to currently assess the likely outcome or quantum of the claims, and as such a provision is not included in these financial statements.

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

Contingent commitments

Letters of credit and performance bonds

At 30 September 2023 the Company had outstanding letters of credit and performance bonds totalling £45 million (2022: £43 million), of which £12 million (2022: £10 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 and the fair value is deemed to be £nil.

Aircraft orders

The Company's current order book with Airbus extends to calendar year 2028 and will deliver 157 aircraft (89 A320neo and 68 A321neo). This will continue the Company's fleet modernisation, as the 156 seat A319 and some A320ceo aircraft (180 or 186 seat) leave the business and new A320neo (186 seat) and A321neo (235 seat) aircraft enter, providing upgauging, cost and sustainability enhancements. Further, the Company has a commitment with CFM to purchase two LEAP engines in FY24.

In addition, the Company has entered into conditional arrangements with Airbus to secure the delivery of a further 157 aircraft (56 A320neo and 101 A321neo) between FY29 and FY34 as well as 100 purchase rights (the 'Proposed Purchase'). This provides the Company with the ability to complete its fleet replacement programme of A319 aircraft and replace approximately half of the A320ceo aircraft, alongside providing the foundation for disciplined growth. The conditional arrangement includes the Company's agreement with Airbus to exercise conversion rights of 35 A320neo deliveries into A321neo aircraft (the 'Conversion'). Alongside the Proposed Purchase this arrangement will deliver lower fuel burn, lower CO_2 emissions and lower operating costs per seat.

The scale of the Proposed Purchase and the Conversion means that both were conditional on shareholder approval at a general meeting of the shareholders; this approval was given at the EGM held in December 2023.

Based on latest list prices for aircraft published in January 2018, the Proposed Purchase and the Conversion are expected to result in an aggregate commitment of approximately $19.9 billion, which will be spread over a number of years. The aggregate actual price for the aircraft would be substantially lower because of certain price concessions granted by Airbus.

At the year-end date, the Company had a commitment for six aircraft lease contracts, where the aircraft had not been delivered, with a combined value of £67 million. Subsequent to 30 September 2023 four aircraft have been delivered reducing the commitment to £23 million.

Pathway to net zero

On 26 September 2022, the Group announced its pathway to net zero. This roadmap references several partnerships with other commercial companies to explore certain technologies which may assist with the overall goal to decarbonise the aviation industry. The majority of these partnerships are in fact agreements to work together on the areas identified and do not involve a financial commitment from the Group other than the time and effort involved in the collaboration over an agreed period. Where there is a signed agreement requiring a financial commitment from the Group in the future, any future payments are contingent on project progress or product / service delivery and are therefore not certain, hence no liability has been recognised for these payments.

Guarantees

The Company, along with the Group and easyJet FinCo B.V, guarantees all bond issuances under the €4 billion Euro Medium Term Note (EMTN) programme. As at 30th September 2023 the following notes had been issued by the Group (2016-2019) and easyJet FinCo B.V (2021):

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

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

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

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

22. Government Grants

During the year ended 30 September 2023, the Company continued to claim 'activité partielle longue durée', long-term partial activity (APLD), a scheme implemented by the French Government under which, subject to agreement with trade unions, it is possible to reduce the activity of employees, within the limit of 50% of their legal working time, while maintaining a compensation funded by the Government. The total amount claimed by easyJet companies in the year ended 30 September 2023 amounted to £3 million (2022: £8 million, received through this scheme and similar 'furlough schemes' operated by the Governments of Switzerland and Germany) and is offset within employee costs in the income statement. There are no unfulfilled conditions or contingencies relating to this scheme.

On 8 January 2021, the Company signed a five-year term loan facility of $1.87 billion (with easyJet plc as a Guarantor), underwritten by a syndicate of banks and supported by a partial guarantee from UK Export Finance under their Export Development Guarantee scheme. The Export Development Guarantee scheme for commercial loans is available to qualifying UK companies, does not carry preferential rates or require state aid approval, but does contain some restrictive covenants including dividend payments. However, these restrictive covenants are compatible with the Company's existing policies. In April 2022 the Company repaid $100 million of this facility, reducing the overall UKEF facility size from $1.87 billion to $1.77 billion and in June 2023 this facility was repaid and terminated. A new five-year undrawn facility of $1.75 billion was entered into in June 2023. Embedded within the facility is a sustainability key performance indicator linked to a reduction in carbon emission intensity in line with the Company's SBTi validated target, with a margin adjustment mechanism (upward or downward) conditional on the achievement of specific milestones. Other than the sustainability linkage the facility is on similar terms to the 2021 agreement.

23. Related party transactions

During the year, the company recognised £75 million (2022: £70 million) of sales relating to the leasing of aircraft and £72 million (2022: £67 million) of sales relating to the provision of maintenance services and £1 million (2022: £1 million) of insurance charges to easyJet Switzerland SA, a group company which is 49% owned by easyJet plc. Purchases from easyJet Switzerland SA relating to the purchase of seat capacity under the intra-group commercial capacity agreement were £291 million (2022: £255 million).

At 30 September 2023, £118 million (2022: £129 million) was outstanding and included within current liabilities. The outstanding balance is unsecured.

Amounts included in the income statement for the year ended 2023 due under the Brand Licence and other agreements with easyGroup Limited and others, detailed within note 29 to the Group's Annual Report and Account for year ended 30 September 2023, amounted to £19 million (2022: £16 million). Royalty payments within this total were £18 million (2022: £14 million).

At 30 September 2023, £5 million (2022: £10 million) was included in trade and other payables in relation to the Brand Licence and other agreements.

24. Ultimate controlling company

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

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

25. Events after the statement of financial position date

After the statement of financial position date of 30 September 2023,

- in October 2023, three A319 aircraft were sold and leased back with gross proceeds of £32 million;
- in November 2023, the Company signed two aircraft leases with a combined value of £12 million;
- in December 2023, seven A319 aircraft were sold and leased back with gross proceeds of £73 million; and
- in January 2024, one A319 aircraft was sold and leased back with gross proceeds of £10 million.