

**easyJet Airline Company Limited**  
**Annual Report and Accounts**  
**For the year ended 30 September 2015**  
**Registered Number 03034606**

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# easyJet Airline Company Limited

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# easyJet Airline Company Limited

## Reports of the Directors for the year ended 30 September 2015

### Strategic report

#### Review of the business

easyJet Airline Company Limited is incorporated in the United Kingdom and is the principal operating subsidiary of easyJet plc. The Company is an airline carrier operating principally in Europe. easyJet plc and all of its subsidiaries ("the Group") is managed on a unified basis, and a full strategic report for the year may be found on pages 1 to 45 of easyJet plc's published Annual report and accounts for the year ended 30 September 2015.

easyJet Group is a low cost European point-to-point short-haul airline, carrying over 68 million passengers on more than 700 routes across more than 30 countries.

Over the past 20 years easyJet has built Europe's leading short-haul airline, delivering market-leading returns to our shareholders. Our network of primary airports, routes and slots, combined with a clear focus on making travel easy and affordable, enables us to provide a friendly, efficient service with low fares for our customers. We have a strong platform to continue to deliver profitable growth for the next 20 years and be the short-haul airline of choice for passengers across Europe. The core values underpinning the Group's cause, to make travel easy and affordable, are:

- safety;
- simplicity;
- one team;
- integrity;
- passion; and
- pioneering.

This will be achieved by focusing on our strategy:

- build strong number one and two network positions;
- drive demand, conversion and yields;
- maintain cost advantage;
- disciplined use of capital; and
- culture, people and platform.

The easyJet Group is structurally positioned as one of the strongest short-haul European airlines due to its cost advantage, leading market positions at convenient airports and great customer proposition of low fares with friendly and efficient service supported by a strong balance sheet.

The easyJet Group delivered record profit before tax of £686 million up by £105 million from the year ended 30 September 2014.

Total Group revenue grew by 3.5% to £4,686 million, with passenger volumes increasing by 6.0% and revenue per seat by 1.5% on a constant currency basis, offset by currency headwinds.

The Group's cost per seat decreased by 3.4%, with benefits from both fuel and currency. Cost per seat at constant currency excluding fuel increased by 3.6%, due to cost pressures that include regulated airport price increases, increased de-icing costs and significant disruption costs. This has been mitigated through £46 million of sustainable savings and there is a pipeline of structural cost improvement to deliver future savings.

The Group's returns have improved year-on-year, with the profit before tax per seat increasing by 12.6% to £9.15.

The Group's ROCE increased by 1.7 percentage points to 22.2% from the prior year.

The Group increased its net assets by £77 million to £2,249 million at 30 September 2015. The Group holds cash and cash equivalents and money market deposits totalling £939 million, and ended the year in a net cash position of £435 million.

The combined effect of the Group's profit for the year and the lower lease adjustment following the return of five leased aircraft, offset the impact of capital expenditure and the ordinary dividend payment, resulting in gearing for the Group of 14% (2014: 17%), which is marginally outside the target range of 15% to 30%.

#### Key performance indicators

The Group uses a range of both financial and non-financial key performance indicators, as described on pages 16 to 17 of easyJet plc's published Annual report and accounts for the year ended 30 September 2015. The Group is managed as a single entity and accordingly key performance indicators are monitored at Group level, rather than on an individual entity basis.

#### Principal risks and uncertainties

The Group is affected by a number of principal risks and uncertainties as described on pages 24 to 29 of easyJet plc's published Annual report and accounts for the year ended 30 September 2015. easyJet Airline Company Limited is exposed to the same risks and uncertainties. Financial risk management is described in notes 21 and 22 to the accounts.

# **easyJet Airline Company Limited**

## **Reports of the Directors for the year ended 30 September 2015**

### **Strategic report (continued)**

#### **Results and dividends**

The Company's profit after tax for the year was £354 million (2014: £316 million) which has been transferred to reserves. During the year the Company declared an in-specie dividend of £180 million (2014: £322 million) to its immediate parent company, easyJet plc, settled by the cancellation by the sole member of the Company of part of a debt owed to the Company.

On behalf of the board



Andrew Findlay  
Director  
11 February 2016

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 2015

### Directors' report

The Directors present the Strategic report on pages 1 and 2, the Directors' report on pages 3 and 4, the Statement of Directors' responsibilities on page 5 and the audited accounts for the year ended 30 September 2015.

### Results and dividends

The Company's profit after tax for the year was £354 million (2014: £316 million) which has been transferred to reserves. During the year the Company declared an in-specie dividend of £180 million (2014: £322 million) to its immediate parent company, easyJet plc, settled by the cancellation by the sole member of the Company of part of a debt owed to the Company.

### Directors

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

Carolyn McCall OBE  
Christopher Kennedy (resigned 1 September 2015)  
Andrew Findlay (appointed 2 October 2015)  
Alita Benson (resigned 31 December 2015)  
Warwick Brady  
Christopher Brocklesby (appointed 2 April 2015)  
Michael Campbell (resigned 31 December 2015)  
Trevor Didcock (resigned 24 March 2015)  
Peter Duffy  
Rachel Kentleton  
Catherine Lynn  
Paul Moore  
Jacqueline Simmonds (appointed 4 January 2016)

### 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. However, for easyJet's two largest communities, pilots and cabin crew, there are a range of regulatory requirements on health and physical ability which all applicants and current employees must comply with.

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

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

Further details are contained in the published Annual report and accounts of easyJet plc for the year ended 30 September 2015.

### Political donations and expenditure

The Company made no political donations or incurred any political expenditure during either year.

### Principal subsidiaries and overseas branches

Information in respect of the Company's subsidiaries is given in the notes to the accounts. The Company also operates two Spanish branches (one performing self-handling and the other dealing with employment matters) and a Portuguese branch and an Italian branch (both dealing with employment matters).

### Going concern

In adopting the going concern basis for preparing the accounts, the Directors have considered current and ongoing business activities of the Company as well as the principal risks and uncertainties.

The Company holds cash and cash equivalents and money market deposits totalling £939 million as at 30 September 2015. Total debt of £299 million is free from financial covenants, with £54 million due for repayment in the year to 30 September 2016.

Net current liabilities at 30 September 2015 were £1,256 million but included unearned revenue (payments made by customers for flights scheduled post year end) of £619 million.

The business is exposed to fluctuations in jet fuel prices and US dollar and euro exchange rates. The Company's policy is to hedge between 65% and 85% of estimated exposures 12 months in advance, and 45% and 65% of estimated exposures from 13 up to 24 months in advance. The Company was compliant with this policy at the date of this Directors' report and accounts.

After making enquiries, the Directors have a reasonable expectation that the Company will be able to operate within the level of available facilities and cash and deposits for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

# easyJet Airline Company Limited

## Reports of the Directors for the year ended 30 September 2015

### Directors' report (continued)

#### Audit information

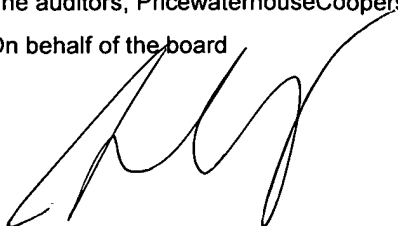
In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

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

#### Independent Auditors

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

On behalf of the board



Andrew Findlay  
Director  
11 February 2016

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 2015

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report, the Strategic report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have prepared the accounts in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

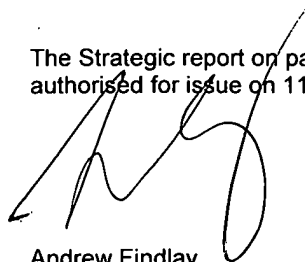
Each of the Directors, whose names are listed on page 3 confirm that, to the best of their knowledge:

- the accounts, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418 of the Companies Act, 2006, each Director in office at the date of the Directors' report is approved, confirms that:

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

The Strategic report on pages 1 and 2 and the Directors' report on pages 3 and 4 were approved by the Board of Directors and authorised for issue on 11 February 2016 and signed on behalf of the Board.



Andrew Findlay  
Director

# easyJet Airline Company Limited

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

### Report on the accounts

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#### Our opinion

In our opinion, easyJet Airline Company Limited's accounts (the "accounts"):

- give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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#### What we have audited

The accounts, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Statement of financial position as at 30 September 2015;
- the Income statement and Statement of comprehensive income for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the accounts is applicable law and IFRSs as adopted by the European Union.

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

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#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the accounts are prepared is consistent with the accounts.

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#### Other matters on which we are required to report by exception

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##### Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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##### Directors' remuneration

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

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#### Responsibilities for the accounts and the audit

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##### Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



# easyJet Airline Company Limited

## Independent auditors' report to the members of easyJet Airline Company Limited (continued)

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### What an audit of the accounts involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the accounts.

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

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

In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



John Minards (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London.  
11 February 2016

# easyJet Airline Company Limited

## Income statement

	Notes	2015 £ million	2014 £ million
Seat revenue		4,616	4,462
Non-seat revenue		70	65
Operating lease revenue		50	42
<b>Total revenue</b>		<b>4,736</b>	<b>4,569</b>
Fuel		(1,199)	(1,251)
Airports and ground handling		(1,122)	(1,107)
Crew		(509)	(481)
Navigation		(313)	(307)
Maintenance		(275)	(236)
Selling and marketing		(102)	(103)
Other costs		(377)	(315)
<b>EBITDAR</b>		<b>839</b>	<b>769</b>
Aircraft dry leasing		(241)	(240)
Depreciation	8	(95)	(80)
Amortisation of intangible assets	7	(13)	(12)
<b>Operating profit</b>		<b>490</b>	<b>437</b>
Interest receivable and other financing income		4	10
Interest payable and other financing charges		(25)	(27)
Net finance charges	2	(21)	(17)
<b>Profit before tax</b>	3	<b>469</b>	<b>420</b>
Tax charge	5	(115)	(104)
<b>Profit for the year</b>		<b>354</b>	<b>316</b>

# easyJet Airline Company Limited

## Statement of comprehensive income

	Notes	2015 £ million	2014 £ million
<b>Profit for the year</b>		<b>354</b>	<b>316</b>
<b>Other comprehensive income</b>			
Cash flow hedges			
Fair value losses in the year		(510)	(2)
Losses transferred to income statement		229	50
Losses transferred to property, plant and equipment		3	-
Related tax credit/(charge)	5	56	(10)
		(222)	38
<b>Total comprehensive income for the year</b>		<b>132</b>	<b>354</b>

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

Losses/(gains) on cash flow hedges reclassified from other comprehensive income in income statement captions are as follows:

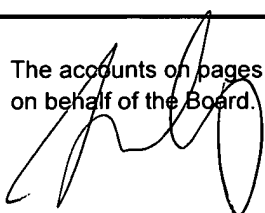
	2015 £ million	2014 £ million
Revenue	(64)	(14)
Fuel	299	56
Maintenance	(1)	2
Aircraft dry leasing	(3)	7
Other costs	(2)	(1)
	229	50

# easyJet Airline Company Limited

## Statement of financial position

	Notes	2015 £ million	2014 £ million
<b>Non-current assets</b>			
Goodwill	7	367	367
Other intangible assets	7	127	113
Property, plant and equipment	8	2,406	2,091
Investments in subsidiaries	9	1	1
Derivative financial instruments	21	44	36
Restricted cash	12	6	9
Other non-current assets	10	123	150
		<b>3,074</b>	<b>2,767</b>
<b>Current assets</b>			
Trade and other receivables	11	205	192
Derivative financial instruments	21	128	53
Restricted cash	12	6	23
Money market deposits	12	289	561
Cash and cash equivalents	12	650	422
		<b>1,278</b>	<b>1,251</b>
<b>Current liabilities</b>			
Trade and other payables	13	(1,425)	(1,950)
Unearned revenue		(619)	(572)
Borrowings	14	(54)	(49)
Derivative financial instruments	21	(368)	(87)
Current tax payable		(21)	(25)
Provisions for liabilities and charges	16	(47)	(70)
		<b>(2,534)</b>	<b>(2,753)</b>
<b>Net current liabilities</b>		<b>(1,256)</b>	<b>(1,502)</b>
<b>Non-current liabilities</b>			
Borrowings	14	(245)	(282)
Derivative financial instruments	21	(101)	(23)
Non-current deferred income	15	(47)	(62)
Provisions for liabilities and charges	16	(130)	(107)
Deferred tax	5	(89)	(108)
		<b>(612)</b>	<b>(582)</b>
<b>Net assets</b>		<b>1,206</b>	<b>683</b>
<b>Shareholders' equity</b>			
Share capital	17	765	214
Hedging reserve		(239)	(17)
Translation reserve		1	1
Retained earnings		679	485
		<b>1,206</b>	<b>683</b>

The accounts on pages 8 to 34 were approved by the Board of Directors and authorised for issue on 11 February 2016 and signed on behalf of the Board.



Andrew Findlay

Director

# easyJet Airline Company Limited

## Statement of changes in equity

	Share capital £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2014	214	(17)	1	485	683
Total comprehensive income	-	(222)	-	354	132
Dividends (note 6)	-	-	-	(180)	(180)
Consideration from shares issued	551	-	-	-	551
Share incentive schemes					
Value of employee services	-	-	-	15	15
Related tax (note 5)	-	-	-	5	5
<b>At 30 September 2015</b>	<b>765</b>	<b>(239)</b>	<b>1</b>	<b>679</b>	<b>1,206</b>

	Share capital £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2013	214	(55)	1	461	621
Total comprehensive income	-	38	-	316	354
Dividends (note 6)	-	-	-	(322)	(322)
Share incentive schemes					
Value of employee services	-	-	-	21	21
Related tax (note 5)	-	-	-	9	9
<b>At 30 September 2014</b>	<b>214</b>	<b>(17)</b>	<b>1</b>	<b>485</b>	<b>683</b>

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

# easyJet Airline Company Limited

## Statement of cash flows

	Notes	2015 £ million	2014 £ million
<b>Cash flows from operating activities</b>			
Cash generated from operations	19	529	427
Net interest and other financing charges paid		(4)	(10)
Tax paid		(96)	(70)
<b>Net cash generated from operating activities</b>		<b>429</b>	<b>347</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(460)	(413)
Purchase of intangible assets	7	(27)	(23)
Other		4	3
<b>Net cash used by investing activities</b>		<b>(483)</b>	<b>(433)</b>
<b>Cash flows from financing activities</b>			
Repayment of bank loans	20	(45)	(71)
Repayment of capital elements of finance leases	20	(5)	(5)
Net decrease/(increase) in money market deposits	20	277	(338)
Net decrease/(increase) in restricted cash		21	(21)
<b>Net cash generated from/(used by) financing activities</b>		<b>248</b>	<b>(435)</b>
Effect of exchange rate changes		34	(13)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>228</b>	<b>(534)</b>
Cash and cash equivalents at beginning of year		422	956
<b>Cash and cash equivalents at end of year</b>	12	<b>650</b>	<b>422</b>

# easyJet Airline Company Limited

## Notes to the accounts

### 1 Significant accounting policies

#### Statement of compliance

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

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, taking into account IFRS Interpretations Committee (IFRSIC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

#### Basis of preparation

The accounts for the year ended 30 September 2015 are prepared based on the historical cost convention except for certain financial assets and liabilities including derivative financial instruments that are measured at fair value.

The accounting policies set out below have been applied consistently to all years presented in these accounts.

easyJet's business activities, together with factors likely to affect its future development and performance, are described on pages 1 and 2 and on pages 1 to 45 of the easyJet plc Annual report and accounts for the year ended 30 September 2015. Note 22 to the accounts sets out the Company's objectives, policies and procedures for managing its capital and gives details of the risks related to financial instruments held by the Company.

The accounts have been prepared on the going concern basis. Details on going concern are provided on page 3.

The Company is not required, under S400 of the Companies Act 2006, to prepare consolidated accounts and has not elected to do so.

#### Significant judgements, estimates and critical accounting policies

The preparation of accounts in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of income and expenses during the reporting period. Although these amounts are based on management's best estimates of the amount, 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 accounting policies are considered critical accounting policies as they require a significant amount of management judgement and the results are material to the Company's accounts.

##### *Aircraft maintenance provisions (Note 16)*

The Company incurs liabilities for maintenance costs in respect of aircraft leased under operating leases during the term of the lease. These arise from legal and constructive contractual obligations relating to the condition of the aircraft when it is returned to the lessor. To discharge these obligations, the Company will also normally need to carry out one heavy maintenance check on each of the engines and the airframe during the lease term.

A charge is made in the income statement based on hours or cycles flown to provide for the cost of these obligations. Estimates required include the likely utilisation of the aircraft, the expected cost of the heavy maintenance check at the time it is expected to occur, the condition of the aircraft and the lifespan of life-limited parts.

The bases of all estimates are reviewed annually, and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation, or changes in the cost of heavy maintenance services.

##### *Other provisions (Note 16)*

The Company incurs liabilities for amounts payable to customers who make claims in respect of flight delays and cancellations, and refunds of air passenger duty or similar charges. Estimates required include passenger claim history, level of claims made and period of time over which claims are made. The bases of all estimates are reviewed at least annually and also when information becomes available that is capable of causing a material change to the estimate.

##### *Goodwill and landing rights (Note 7)*

Goodwill and landing rights are tested for impairment at least annually. The Company has one cash-generating unit, being its route network. In making this assessment, the Company has considered the manner in which the business is managed including the centralised nature of its operations and the ability to open or close routes and redeploy aircraft and crew across the whole route network.

The value in use of the cash-generating unit is determined by discounting future cash flows to their present value. When applying this method, the Company relies on a number of estimates including its strategic plans, fuel prices, exchange rates, long-term economic growth rates for the principal countries in which it operates and its pre-tax weighted average cost of capital.

# easyJet Airline Company Limited

## Notes to the accounts

### 1 Significant accounting policies (continued)

#### Foreign currencies

The accounts of the Company are presented in sterling, rounded to the nearest £million, which is the Company's functional currency. The Company's functional currency is 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 sterling using the rate of exchange ruling at the date of the statement of financial position 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 effected.

#### Revenue recognition

Revenue comprises seat revenue, being the value of airline services (net of air passenger duty and similar charges, VAT and discounts), and non-seat revenue.

Seat revenue arises from the sale of flight seats, including the provision of checked baggage, allocated seating, administration, credit card and change fees. Seat revenue is recognised when the service is provided. This is generally when the flight takes place, but in the following cases, this is at the time of booking:

- administration and credit card fees, as they are contractually non-refundable, and
- change fees, as the service provided is that of allowing customers to change bookings.

Amounts paid by 'no-show' customers are recognised as seat revenue when the booked service is provided as such customers are not generally entitled to change flights or seek refunds once a flight has departed.

Unearned revenue represents flight seats, including the provision of checked baggage and allocated seating, sold but not yet flown and is held in the statement of financial position until it is realised in the income statement when the service is provided.

Non-seat revenue arises from commissions earned from services sold on behalf of partners and is recognised when the service is provided. This is generally when the related flight takes place. In the case of commission earned from travel insurance, revenue is recognised at the time of booking as the Company acts solely as appointed representative of the insurance company.

Operating lease revenue arises from the rental of aircraft to other group companies and is recognised on the date that the right to receive consideration occurs.

#### Goodwill and other intangible assets

Goodwill is stated at cost less any accumulated impairment losses. It has an indefinite expected useful life and is tested for impairment at least annually or where there is any indication of impairment.

Landing rights are stated at cost less any accumulated impairment losses. They are considered to have an indefinite useful life as they will remain available for use for the foreseeable future provided minimum utilisation requirements are observed, and are tested for impairment at least annually or where there is any indication of impairment.

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

	Expected useful life
Computer software	3 years
Contractual rights	Over the length of the related contracts

---

Computer software	3 years
Contractual rights	Over the length of the related contracts

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#### Property, plant and equipment

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

	Expected useful life
Aircraft	23 years
Aircraft spares	14 years
Aircraft – prepaid maintenance	7-10 years
Leasehold improvements	5-10 years or the length of lease if shorter
Fixtures, fittings and equipment	3 years or length of lease of property where equipment is used if shorter
Computer hardware	5 years

---

Aircraft	23 years
Aircraft spares	14 years
Aircraft – prepaid maintenance	7-10 years
Leasehold improvements	5-10 years or the length of lease if shorter
Fixtures, fittings and equipment	3 years or length of lease of property where equipment is used if shorter
Computer hardware	5 years

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Aircraft held under finance leases are depreciated over the shorter of the lease term and their expected useful lives, as shown above.



# easyJet Airline Company Limited

## Notes to the accounts

### 1 Significant accounting policies (continued)

Residual values, where applicable, are reviewed annually against prevailing market rates at the date of the statement of financial position for equivalently aged assets and depreciation rates adjusted accordingly on a prospective basis. The carrying value is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

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

Pre-delivery and option payments made in respect of aircraft are recorded in property, plant and equipment at cost. These amounts are not depreciated.

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

#### Impairment of non-current assets

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

#### Leases

The Company enters into sale and leaseback transactions whereby it sells either new or mid-life aircraft to a third party and immediately leases it back under an operating lease. Surpluses arising on disposal, where the price that the aircraft is sold for is above fair value, are recognised in deferred income and amortised in the income statement on a straight-line basis over the expected lease term.

In some operating sale and leaseback arrangements, receipt of part of the proceeds is deferred until the end of the lease, the amount of which is recorded as deferred consideration within non-current or current assets as appropriate.

Additionally, in some cases, receipt of part of the sales proceeds due is exchanged for a reduction in future lease rentals, which consequently are below market price. As a result, the proceeds received on sale and leaseback are lower than the fair value of the aircraft sold. The resulting shortfall is deferred within non-current or current assets as appropriate, and amortised on a straight-line basis in the income statement over the expected lease term.

Non-contingent operating lease rentals are charged to the income statement on a straight-line basis over the life of the lease. A number of operating leases require the Company to make contingent rental payments based on variable interest rates; these are expensed as incurred.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are recognised at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Any directly attributable costs of entering into financing sale and leasebacks are included in the value of the asset recognised. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in interest payable and other financing charges.

#### 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.

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

#### Non-derivative financial assets

Non-derivative financial assets are recorded at amortised cost and include trade receivables and cash and money market deposits. Investments in equity instruments are carried at cost where fair value cannot be reliably measured due to significant variability in the range of reasonable fair value estimates.

Cash and cash equivalents comprise cash held in bank accounts with no access restrictions and money market deposits, bank deposits and tri-party repos repayable on demand or maturing within three months of inception. Interest income on cash and money market deposits is recognised using the effective interest method. 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.

Impairment losses are recognised on financial assets carried at amortised cost where there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows, discounted at the original effective interest rate.

If, subsequently, the amount of the impairment loss decreases, and the decrease can be related objectively to an event that occurred after the impairment was recognised, the appropriate portion of the loss is reversed. Both impairment losses and reversals are recognised in the income statement as components of net finance charges.

# easyJet Airline Company Limited

## Notes to the accounts

### 1 Significant accounting policies (continued)

#### *Non-derivative financial liabilities*

Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost and include trade and other payables, borrowings and provisions. 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 date of the statement of financial position.

#### *Derivative financial instruments and cash flow hedging*

Derivative financial instruments are measured at fair value. Hedge accounting is applied to those derivative financial instruments that are designated as cash flow hedges.

The Company uses foreign currency forward exchange contracts to hedge foreign currency risks on transactions denominated in US dollars, euros, Swiss francs and South African rand. These transactions primarily affect revenue, fuel, aircraft dry leasing costs, and the carrying value of owned aircraft. The Company uses jet fuel forward contracts to hedge fuel price risks.

Gains and losses arising from changes in the fair value of these forward contracts are recognised in other comprehensive income and deferred in the hedging reserve to the extent that the hedges are determined to be effective. All other changes in fair value are recognised immediately in the income statement.

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

In the event that a hedged forecast transaction is no longer considered highly probable, any related gains and losses are immediately transferred from the hedging reserve and recognised in the income statement.

Hedge accounting is discontinued when a hedging instrument is derecognised (e.g. through expiry or disposal), or no longer qualifies for hedge accounting. Where the hedged item remains a highly probable forecast transaction, the related gains and losses remain deferred in the hedging reserve until the transaction takes place.

#### **Financial guarantees**

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

#### **Tax**

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

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 the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets represent amounts recoverable in future periods in respect of deductible temporary differences, losses and tax credits carried forward. Deferred tax assets are recognised to the extent that it is probable that there will be suitable taxable profits from which they can be deducted.

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.

# easyJet Airline Company Limited

## Notes to the accounts

### 1 Significant accounting policies (continued)

#### Aircraft maintenance provisions

The accounting for the cost of providing major airframe and certain engine maintenance checks for owned and finance-leased aircraft is described in the accounting policy for property, plant and equipment.

The Company has contractual obligations to maintain aircraft held under operating leases. Provisions are created over the term of the lease based on the estimated future costs of major airframe checks, engine shop visits and end of lease liabilities. These costs are discounted to present value where the amount of the discount is considered material.

Where an aircraft is sold and leased back, other than when first delivered to the Company, a liability to undertake future maintenance activities, resulting from past flying activity, arises at the point the lease agreement is signed. This liability is treated as part of the surplus or shortfall arising on the sale and leaseback, the accounting treatment of which is described in the leases accounting policy.

A number of leases also require the Company to pay recoverable supplemental rent to the lessor. The purpose of these payments is to provide the lessor with collateral should an aircraft be returned in a condition that does not meet the requirements of the lease. This recoverable supplemental rent is included in trade and other receivables within current assets and other non-current assets, as applicable, and is refunded when qualifying heavy maintenance is performed, or is offset against the costs incurred at the end of the lease.

#### Employee benefits

The Company contributes to defined contribution pension schemes for the benefit of employees and 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. Contributions are charged to the income statement in the year in which they are incurred.

The expected cost of compensated holidays is recognised at the time that the related employees' services are provided.

#### Share-based payments

easyJet plc has a number of equity-settled share incentive schemes. The fair value of share options granted under the Discretionary and Save As You Earn schemes are measured at the date of grant using the Binomial Lattice option pricing model. The fair value grants under the Long Term Incentive Plan is measured at the date of grant using the Black-Scholes model for awards based on ROCE performance targets, and the Stochastic model (also known as the Monte Carlo model) for awards based on total shareholder return (TSR) performance targets. The fair value of all other awards is the share price at the date of grant.

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

The social security obligations payable in connection with grant of the share options is an integral part of the grant itself and the charge is treated as a cash-settled transaction.

#### Investments in subsidiaries

Investments in subsidiaries are stated at cost, less any provision for impairment.

#### Segmental disclosures

The Company has one operating segment, being its route network, based on management information provided to the Executive Management Team, which is easyJet's Chief Operating Decision Maker. Resource allocation decisions are made for the benefit of the route network as a whole, rather than for individual routes within the network. Performance of the network is assessed based on the consolidated profit or loss before tax for the year.

Revenue is allocated to geographic segments on the following bases:

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

# easyJet Airline Company Limited

## Notes to the accounts

### 1 Significant accounting policies (continued)

#### Impact of new standards and interpretations

The following standards and interpretations issued by the International Accounting Standards Board have been implemented for the year ended 30 September 2015:

IAS 36 'Impairment of Assets' – Amendments arising from Recoverable Amount Disclosure for Non-Financial Assets

IAS 39 'Financial Instruments: Recognition and measurement' – Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting

Annual Improvements to IFRS 2010-2012 Cycle

Annual Improvements to IFRS 2011-2013 Cycle

IFRIC 21 'Levies'

The adoption of these standards and interpretations has not led to any changes in accounting policies, or had a material impact on the Company's accounts.

#### New and revised standards and interpretations not applied

The following new or revised standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these accounts as their effective dates fall in periods beginning on or after 1 October 2015:

#### *Effective for the year ending 30 September 2017 (not yet EU endorsed)*

IAS 1 'Presentation of Financial Statements' – Amendments relating to the Disclosure Initiative

IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – Amendments relating to Clarification of Acceptable Methods of Depreciation and Amortisation

IAS 27 'Separate Financial Statements' – Amendments relating to Equity Method in Separate Financial Statements

IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' – Amendments relating to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRS 11 'Joint Arrangements' – Amendments relating to Acquisitions of Interests in Joint Operations

Annual Improvements to IFRS 2012-2014 Cycle

#### *Effective for the year ending 30 September 2019 (not yet EU endorsed)*

IFRS 9 'Financial Instruments' – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition

IFRS 15 'Revenue from Contracts with Customers'

The Directors do not anticipate that the adoption of the standards and interpretations above will have a material impact on the Company's accounts. Certain of these standards and interpretations will, when adopted, require addition to, or amendment of, disclosures in the accounts.

#### *Effective for the year ending 30 September 2020 (not yet EU endorsed)*

IFRS 16 'Leases' – IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. Requirements relating to bringing most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases

The Directors are currently assessing the impact of the revised standard.

# easyJet Airline Company Limited

## Notes to the accounts

### 2 Net finance charges

	2015 £ million	2014 £ million
<b>Interest receivable and other financing income</b>		
Interest income from fellow group undertakings	-	(2)
External interest income	(3)	(4)
Net exchange gains on monetary assets and liabilities	(1)	(4)
	(4)	(10)
<b>Interest payable and other financing charges</b>		
Interest payable to fellow group undertakings	17	19
Interest payable on bank loans	4	5
Interest payable on finance lease obligations	3	3
Other interest payable	1	-
	25	27
<b>Net finance charges</b>	<b>21</b>	<b>17</b>

### 3 Profit before tax

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

	2015 £ million	2014 £ million
<b>Depreciation of property, plant and equipment</b>		
Owned assets	91	76
Assets held under finance leases	4	4
<b>Operating lease rentals</b>		
Aircraft - dry leases	241	240
Other assets	5	4

### Auditors' remuneration

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

	2015 £ million	2014 £ million
Company audit fee	0.3	0.3
Fees for other assurance services	0.1	0.1
	0.4	0.4

Fees for other assurance services represent the audit fees of other group entities.

# easyJet Airline Company Limited

## Notes to the accounts

### 4 Employees

Average monthly number of persons employed	2015 Number	2014 Number
Flight and ground operations	8,311	7,622
Sales, marketing and administration	647	558
	<b>8,958</b>	<b>8,180</b>
<b>Employee costs</b>	<b>2015 £ million</b>	<b>2014 £ million</b>
Wages and salaries	401	381
Social security costs	65	70
Pension costs	37	34
Share-based payments	15	21
	<b>518</b>	<b>506</b>
<b>Key management compensation</b>	<b>2015 £ million</b>	<b>2014 £ million</b>
Short-term employee benefits	6	6
Share-based payments	3	6
	<b>9</b>	<b>12</b>
<b>Directors' emoluments</b>	<b>2015 £ million</b>	<b>2014 £ million</b>
Remuneration	6	6
	<b>6</b>	<b>6</b>

The members of the Executive Management Team are key management as they have collective authority and responsibility for planning, directing and controlling the business. All of the Directors are members of the Executive Management Team.

Two directors (one of which resigned during the year) have reached the pension fund Lifetime Allowance limit and therefore receive a taxable payment in lieu of employer pension contributions. All other Directors accrue retirement benefits under the easyJet Group defined contribution pension scheme.

The highest paid director received remuneration totalling £1.7 million (2014: £1.8 million). The highest paid director has reached the pension fund Lifetime Allowance limit and therefore receives a taxable payment in lieu of employer pension contributions. The highest paid director exercised 789,977 shares during the year, relating to long term service plans.

### 5 Tax charge

Tax on profit on ordinary activities:

	2015 £ million	2014 £ million
<b>Current tax</b>		
United Kingdom corporation tax	88	79
Prior year adjustments	(1)	(6)
	<b>87</b>	<b>73</b>
<b>Deferred tax</b>		
Temporary differences relating to property, plant and equipment	29	26
Prior year adjustments	-	8
Change in tax rate	(1)	(3)
	<b>28</b>	<b>31</b>
	<b>115</b>	<b>104</b>

# easyJet Airline Company Limited

## Notes to the accounts

### 5 Tax charge (continued)

#### Reconciliation of the total tax charge

The tax for the year is higher (2014: higher) than the standard rate of corporation tax in the UK as set out below:

	2015 £ million	2014 £ million
Profit on ordinary activities before tax	469	420
Tax charge at 20.5% (2014: 22.0%)	96	92
Expenses not deductible for tax purposes	2	2
Group relief claimed for nil consideration	-	(1)
Share-based payments	19	12
Adjustments in respect of prior years - current tax	(1)	(6)
Adjustments in respect of prior years - deferred tax	-	8
Change in tax rate	(1)	(3)
	115	104

#### Tax on items recognised directly in other comprehensive income or shareholders' equity:

	2015 £ million	2014 £ million
<b>Credit/(charge) to other comprehensive income</b>		
Deferred tax on change in fair value of cash flow hedges	56	(10)
<b>Credit/(charge) to shareholders' equity</b>		
Current tax credit on share-based payments	14	7
Deferred tax (charge)/credit on share-based payments	(9)	2
	5	9

#### Deferred tax

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

	Accelerated capital allowances £ million	Fair value gains £ million	Share-based payments £ million	Total £ million
At 1 October 2014	122	10	(24)	108
Charged to income statement	28	(1)	1	28
Credited to other comprehensive income	-	(56)	-	(56)
Charged to shareholders' equity	-	-	9	9
<b>At 30 September 2015</b>	<b>150</b>	<b>(47)</b>	<b>(14)</b>	<b>89</b>

	Accelerated capital allowances £ million	Fair value gains £ million	Share-based payments £ million	Total £ million
At 1 October 2013	89	-	(20)	69
Charged/(credited) to income statement	33	-	(2)	31
Charged to other comprehensive income	-	10	-	10
Credited to shareholders' equity	-	-	(2)	(2)
<b>At 30 September 2014</b>	<b>122</b>	<b>10</b>	<b>(24)</b>	<b>108</b>

It is estimated that deferred tax assets of approximately £61 million (2014: £24 million) will reverse during the next financial year. There are no unrecognised deferred tax assets.

# easyJet Airline Company Limited

## Notes to the accounts

### 6 Dividends

During the year the Company declared in-specie dividends totalling £180 million (2014: £322 million), equivalent to £0.2353 per share (2014: £1.5069 per share), settled by the cancellation by the sole member of the Company of part of a debt owed to the Company. Dividend distributions are recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

### 7 Goodwill and other intangible assets

	Goodwill £ million	Landing rights £ million	Contractual rights £ million	Other intangible assets	
				Computer software £ million	Total £ million
<b>Cost</b>					
At 1 October 2014	367	94	-	38	132
Transferred from property, plant and equipment	-	-	-	27	27
Disposals	-	-	-	(5)	(5)
<b>At 30 September 2015</b>	<b>367</b>	<b>94</b>	<b>-</b>	<b>60</b>	<b>154</b>
<b>Amortisation</b>					
At 1 October 2014	-	-	-	19	19
Charge for the year	-	-	-	13	13
Disposals	-	-	-	(5)	(5)
<b>At 30 September 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>27</b>
<b>Net book value</b>					
<b>At 30 September 2015</b>	<b>367</b>	<b>94</b>	<b>-</b>	<b>33</b>	<b>127</b>
At 1 October 2014	367	94	-	19	113

	Goodwill £ million	Landing rights £ million	Contractual rights £ million	Other intangible assets	
				Computer software £ million	Total £ million
<b>Cost</b>					
At 1 October 2013	367	81	1	34	116
Additions	-	13	-	-	13
Transferred from property, plant and equipment	-	-	-	10	10
Disposals	-	-	(1)	(6)	(7)
<b>At 30 September 2014</b>	<b>367</b>	<b>94</b>	<b>-</b>	<b>38</b>	<b>132</b>
<b>Amortisation</b>					
At 1 October 2013	-	-	-	14	14
Charge for the year	-	-	1	11	12
Disposals	-	-	(1)	(6)	(7)
<b>At 30 September 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>19</b>
<b>Net book value</b>					
<b>At 30 September 2014</b>	<b>367</b>	<b>94</b>	<b>-</b>	<b>19</b>	<b>113</b>
At 1 October 2013	367	81	1	20	102



# easyJet Airline Company Limited

## Notes to the accounts

### 7 Goodwill and other intangible assets (continued)

The Company has one cash generating unit, being its route network. The recoverable amount of goodwill and other assets with indefinite expected useful lives has been determined based on value in use calculations of the route network.

Pre-tax cash flow projections have been derived from the strategic plan presented to the Board for the period up to 2020, using the following key assumptions:

Pre-tax discount rate (derived from weighted average cost of capital)	12%
Fuel price (US dollars per metric tonne)	650 - 1,000
Exchange rates:	
US dollar	1.50
Euro	1.30
Swiss franc	1.40

Both fuel price and exchange rates are volatile in nature, and the assumptions used represent management's view of reasonable average rates. Operating margins are sensitive to significant changes in these rates.

Cash flow projections beyond the forecast period have been extrapolated using growth rate scenarios ranging from zero up to an estimated average of long-term economic growth rates for the principal countries in which the Company operates. No impairment resulted from any of these scenarios.

No reasonably possible combination of changes to the key assumptions above would result in the carrying value of the cash-generating unit exceeding its recoverable amount.

### 8 Property, plant and equipment

	Aircraft and spares £ million	Other £ million	Total £ million
<b>Cost</b>			
At 1 October 2014	2,403	36	2,439
Additions	450	36	486
Transfer to fellow group undertaking	(8)	-	(8)
Transfer to intangible assets	-	(27)	(27)
Transfer to maintenance provisions	(40)	-	(40)
Disposals	(1)	(1)	(2)
<b>At 30 September 2015</b>	<b>2,804</b>	<b>44</b>	<b>2,848</b>
<b>Depreciation</b>			
At 1 October 2014	337	11	348
Charge for the year	92	3	95
Disposals	-	(1)	(1)
<b>At 30 September 2015</b>	<b>429</b>	<b>13</b>	<b>442</b>
<b>Net book value</b>			
<b>At 30 September 2015</b>	<b>2,375</b>	<b>31</b>	<b>2,406</b>
<b>At 1 October 2014</b>	<b>2,066</b>	<b>25</b>	<b>2,091</b>

# easyJet Airline Company Limited

## Notes to the accounts

### 8 Property, plant and equipment (continued)

	Aircraft and spares £ million	Other £ million	Total £ million
<b>Cost</b>			
At 1 October 2013	2,054	30	2,084
Additions	406	17	423
Transfer to fellow group undertaking	(18)	-	(18)
Transfer to intangible assets	-	(10)	(10)
Transfer to maintenance provisions	(37)	-	(37)
Disposals	(2)	(1)	(3)
<b>At 30 September 2014</b>	<b>2,403</b>	<b>36</b>	<b>2,439</b>
<b>Depreciation</b>			
At 1 October 2013	261	9	270
Charge for the year	77	3	80
Disposals	(1)	(1)	(2)
<b>At 30 September 2014</b>	<b>337</b>	<b>11</b>	<b>348</b>
<b>Net book value</b>			
<b>At 30 September 2014</b>	<b>2,066</b>	<b>25</b>	<b>2,091</b>
At 1 October 2013	1,793	21	1,814

The net book value of aircraft includes £275 million (2014: £322 million) relating to advance and option payments for future deliveries of aircraft. This amount is not depreciated.

Aircraft with a net book value of £343 million (2014: £358 million) are mortgaged to lenders as loan security.

The Company holds five (2014: five) aircraft under finance leases, with a net book value of £80 million (2014: £83 million).

The Company is contractually committed to the acquisition of 150 (2014: 170) Airbus A320 family aircraft, with a total list price of US\$13.0 billion (2014: US\$14.6 billion) before escalations and discounts for delivery in 2016 (20 aircraft), between 2017 and 2018 (30 aircraft) and between 2017 and 2022 (100 new generation aircraft).

On 16 November 2015, the Company secured an agreement with Airbus to take delivery of an additional 36 aircraft (of which 30 are new generation) with a total list price of \$3.2 billion, based on January 2012 list prices.

The 'other' category mainly comprises leasehold improvements, computer hardware, and fixtures, fittings and equipment.

### 9 Investments in subsidiary undertakings

	2015 £ million	2014 £ million
At 1 October and at 30 September	1	1

A list of the Company's subsidiaries is detailed below.

	Country of incorporation	Principal activity	Percentage of ordinary shares held
Dawn Licensing Holdings Limited	Malta	Holding company	100
Dawn Licensing Limited	Malta	Graphic design	100

### 10 Other non-current assets

	2015 £ million	2014 £ million
Deferred consideration and deposits held by aircraft lessors	81	76
Leased aircraft - shortfall on sale and leaseback	35	55
Recoverable supplemental rent (pledged as collateral)	4	13
Other	3	6
	<b>123</b>	<b>150</b>

# easyJet Airline Company Limited

## Notes to the accounts

### 11 Trade and other receivables

	2015 £ million	2014 £ million
Trade receivables	61	62
Less: provision for impairment	(3)	(4)
	58	58
Prepayments and accrued income	85	89
Leased aircraft - shortfall on sale and leaseback	20	20
Recoverable supplemental rent (pledged as collateral)	7	3
Other receivables	35	22
	205	192

Trade and other receivables of £14m (2014: £17m) are up to three months past due but not impaired.

With respect to trade receivables that are neither impaired nor past due, there are no indications at the reporting date that the payment obligations will not be met. Amounts due from trade receivables are short-term in nature and largely comprise credit card receivables due from financial institutions with credit ratings of at least A and, accordingly, the possibility of significant default is considered to be unlikely.

### 12 Cash and money market deposits

	2015 £ million	2014 £ million
Cash and cash equivalents (original maturity less than three months)	650	422
Money market deposits (original maturity more than three months)	289	561
Current restricted cash	6	23
Non-current restricted cash	6	9
	951	1,015

Interest rates on money market deposits and restricted cash are re-priced within 185 days based on prevailing market rates of interest. Carrying value is not significantly different from fair value.

Restricted cash comprises:

	2015 £ million	2014 £ million
Pledged as collateral to third parties:		
Security deposits	-	23
Aircraft operating lease deposits	12	9
	12	32

### 13 Trade and other payables

	2015 £ million	2014 £ million
Trade payables	96	125
Amounts owed to group undertakings	942	1,442
Accruals	302	292
Leased aircraft - surplus on sale and leaseback	12	13
Taxes and social security	18	20
Other payables	55	58
	1,425	1,950

# easyJet Airline Company Limited

## Notes to the accounts

### 14 Borrowings

	Current £ million	Non-current £ million	Total £ million
<b>At 30 September 2015</b>			
Bank loans	47	151	198
Finance lease obligations	7	94	101
	<b>54</b>	<b>245</b>	<b>299</b>
<b>At 30 September 2014</b>			
Bank loans	43	189	232
Finance lease obligations	6	93	99
	<b>49</b>	<b>282</b>	<b>331</b>

Bank loans, which bear interest at variable rates linked to LIBOR, were drawn down to finance the acquisition of aircraft that have been mortgaged to the lender to provide security. None of the agreements contain financial covenants to be met.

Finance lease obligations relate to aircraft and bear interest partly at fixed rates and partly at variable rates linked to LIBOR.

The maturity profile of borrowings is set out in note 22.

On 10 February 2015 the Company signed a \$500 million revolving credit facility with a minimum five-year term. As at 11 February 2016 no amounts had been drawn down under this facility.

### 15 Non-current deferred income

The balance comprises the non-current surplus of sale proceeds over fair value of aircraft that have been sold and leased back under operating leases. This balance will be realised in the income statement over the next seven years.

### 16 Provisions for liabilities and charges

	Maintenance provisions £ million	Other provisions £ million	Total £ million
<b>At 1 October 2014</b>	162	15	177
Exchange adjustments	8	-	8
Charged to income statement	36	37	73
Transfer to fellow group undertakings	8	-	8
Transferred from property, plant and equipment	(40)	-	(40)
Utilised	(18)	(31)	(49)
<b>At 30 September 2015</b>	<b>156</b>	<b>21</b>	<b>177</b>

Amounts transferred from property, plant and equipment relate to aircraft life-limited parts used in engine restoration in the year.

Other provisions comprise liabilities for amounts payable to customers who make claims in respect of flight delays and cancellations, and refunds of air passenger duty or similar charges, previously included in accruals and other payables.

Provisions are analysed as follows:

	2015 £ million	2014 £ million
Current	47	70
Non-current	130	107
	<b>177</b>	<b>177</b>

Maintenance provisions are expected to be utilised within eight years. Other provisions are expected to be utilised within one year.

# easyJet Airline Company Limited

## Notes to the accounts

### 17 Share capital

	Number		Nominal value	
	2015 million	2014 million	2015 £ million	2014 £ million
<b>Allotted, called up and fully paid - Ordinary shares of £1 each</b>				
At 1 October	214	214	214	214
Issued in the year	551	-	551	-
<b>At 30 September</b>	<b>765</b>	<b>214</b>	<b>765</b>	<b>214</b>

During the year the Company allotted and issued 551 million ordinary shares of £1.00 each, to parent entity easyJet plc, in consideration of the Company being released from its obligation to pay debts of the same amount (£551 million) owed by it to easyJet plc.

### 18 Share incentive schemes

The Company operates the following share incentive schemes, all of which are settled in the equity of its parent, easyJet plc. Further details are given in easyJet plc's published Annual report and accounts for the year ended 30 September 2015.

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

Grant date	1 October 2014 million	Granted million	Forfeited million	Exercised million	30 September 2015 million
<b>Discretionary schemes</b>					
8 December 2004	0.4	-	-	(0.4)	-
<b>Long Term Incentive Plan</b>					
31 March 2011	1.3	-	-	(1.3)	-
4 January 2012	2.5	-	-	(2.4)	0.1
18 December 2012	1.2	-	(0.3)	-	0.9
17 December 2013	0.7	-	(0.2)	-	0.5
19 December 2014	-	0.7	-	-	0.7
<b>Save As You Earn scheme</b>					
1 July 2011	0.2	-	-	(0.2)	-
1 July 2012	0.8	-	(0.1)	(0.6)	0.1
1 July 2013	0.6	-	-	-	0.6
1 July 2014	0.8	-	-	-	0.8
1 July 2015	-	1.2	-	-	1.2
<b>Share Incentive Plan</b>	<b>4.9</b>	<b>0.7</b>	<b>(0.1)</b>	<b>(1.5)</b>	<b>4.0</b>
	<b>13.4</b>	<b>2.6</b>	<b>(0.7)</b>	<b>(6.4)</b>	<b>8.9</b>

Weighted average exercise prices are as follows:

	1 October 2014 £	Granted £	Forfeited £	Exercised £	30 September 2015 £
Discretionary schemes	1.84	-	-	1.84	-
Save As You Earn scheme	8.01	13.23	4.18	3.75	11.85

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

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

	Price (£)		Number (million)	
	2015	2014	2015	2014
Discretionary schemes	-	1.84	-	0.4
Long Term Incentive Plan	-	-	0.1	1.3
Save As You Earn scheme	4.18	2.88	0.1	0.2
			0.2	1.9

# easyJet Airline Company Limited

## Notes to the accounts

### 18 Share incentive schemes (continued)

The weighted average remaining contractual life for each class of share at 30 September 2015 is as follows:

	Years
Long Term Incentive Plan	8.0
Save As you Earn scheme	2.3

#### Discretionary schemes

All awards have a three year vesting period and performance conditions based on growth in earnings per share. All options expired this year, ten years after grant.

#### Long Term Incentive Plan

The plan is open, by invitation, to Executive Directors and senior management, and provides for annual awards of Performance Shares worth up to 250% (200% up to 31 December 2014) of salary each year and matching shares linked to the investment of up to 50% of annual bonus in easyJet shares. Matching Share Awards will no longer operate for Executive Directors from the 2016 financial year onwards and LTIP awards will be made as Performance shares only. For awards granted in the 2015 financial year, the vesting of these shares is dependent on return on capital employed (ROCE) targets and total shareholder return (TSR) targets compared to FTSE 31-130 ranked companies at the start of the performance period. For awards made prior to the 2015 financial year, the vesting of these shares is dependent on return on capital employed (ROCE) targets and a positive total shareholder return (TSR) compared to FTSE51-150 companies performance conditions measured over the three financial years ended 30 September 2015.

#### 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 (2014: £350 per month) under a three year savings contract. An option is granted by the Company to buy shares at a discount of 20% from market price at the time of the grant. At the end of the savings period the option becomes exercisable for a period of six months.

Employees who are not paid through the UK payroll may save under similar terms and conditions, albeit without the same tax benefits.

#### Share Incentive Plans

The plan is open to all employees on the UK payroll. Participants may invest up to £1,800 (2014: £1,800) of their pre-tax salary each year to purchase partnership shares in easyJet. For each partnership share acquired easyJet purchases a matching share up to a maximum value of £1,500 per annum. Employees must remain with easyJet for three years from the date of purchase of each partnership share in order to qualify for the matching share, and for five years for the shares to be transferred to them tax free. The employee is entitled to dividends and to vote at shareholder meetings.

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

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

Grant date	Share price £	Exercise price £	Expected volatility %	Option life years	Risk-free interest rate %	Fair value £
<b>Long term incentive plan</b>						
31 March 2011	3.41	-	-	-	-	3.41
4 January 2012	3.92	-	-	-	-	3.92
18 December 2012 - ROCE	7.37	-	-	-	-	6.92
18 December 2012 - TSR	7.37	-	33	3.0	0.44	5.16
17 December 2013 - ROCE	14.99	-	-	-	-	14.99
17 December 2013 - TSR	14.99	-	31	3.0	0.76	9.83
19 December 2014 - ROCE	16.52	-	-	-	-	16.52
19 December 2014 - TSR	16.52	-	29	3.0	0.78	11.65
<b>Save As You Earn scheme</b>						
1 July 2011	3.60	2.88	46	3.5	1.45	1.37
1 July 2012	5.23	4.18	35	3.5	0.24	1.77
1 July 2013	12.11	9.69	34	3.5	0.32	3.54
1 July 2014	16.62	13.30	33	3.5	1.64	5.03
1 July 2015	16.54	13.23	31	3.5	0.95	4.42

# easyJet Airline Company Limited

## Notes to the accounts

### 18 Share incentive schemes (continued)

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

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

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

Levels of early exercises and forfeitures are estimated using historical averages.

The weighted average fair value of matching shares granted under the Share Incentive Plan during the year was £16.69 (2014: £14.61).

For grants under the Save As You Earn scheme after 30 September 2011, the dividend yield assumption is calculated based on the actual yield at the date the options were granted. For the options granted in 2012 to 2014, the dividend yield assumption was 2% and this increased to 2.75% in 2015.

### 19 Reconciliation of operating profit to cash generated from operations

	2015 £ million	2014 £ million
Operating profit	490	437
<b>Adjustments for non-cash items:</b>		
Depreciation	95	80
Loss on disposal of property, plant and equipment	1	1
Amortisation of intangible assets	13	12
Share-based payments	15	21
<b>Changes in working capital and other items of an operating nature:</b>		
(Increase)/decrease in trade and other receivables	(3)	149
Decrease in trade and other payables	(159)	(337)
Increase in unearned revenue	47	25
Increase in provisions	24	22
Decrease in other non-current assets	23	24
Decrease in derivative financial instruments	(2)	(2)
Decrease in non-current deferred income	(15)	(5)
	<b>529</b>	<b>427</b>

### 20 Reconciliation of net cash flow to movement in net cash

	1 October 2014 £ million	Exchange differences £ million	Net cash flow £ million	30 September 2015 £ million
Cash and cash equivalents	422	34	194	650
Money market deposits	561	5	(277)	289
	983	39	(83)	939
Bank loans	(232)	(11)	45	(198)
Finance lease obligations	(99)	(7)	5	(101)
	(331)	(18)	50	(299)
<b>Net cash</b>	<b>652</b>	<b>21</b>	<b>(33)</b>	<b>640</b>

# easyJet Airline Company Limited

## Notes to the accounts

### 21 Financial instruments

#### Carrying value and fair value of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying value at each reporting date are as follows:

		Amortised cost	Held at fair value			
	Loans and receivables	Financial liabilities	Cash flow hedges	Other	Carrying value	Fair value
	£ million	£ million	£ million	£ million	£ million	£ million
<b>30 September 2015</b>						
Other non-current assets	85	-	-	38	123	123
Trade and other receivables	136	-	-	69	205	205
Trade and other payables	-	(1,329)	-	(96)	(1,425)	(1,425)
Derivative financial instruments	-	-	(297)	-	(297)	(297)
Restricted cash	12	-	-	-	12	12
Money market deposits	289	-	-	-	289	289
Cash and cash equivalents	650	-	-	-	650	650
Borrowings	-	(299)	-	-	(299)	(304)

		Amortised cost	Held at fair value			
	Loans and receivables	Financial liabilities	Cash flow hedges	Other	Carrying value	Fair value
	£ million	£ million	£ million	£ million	£ million	£ million
<b>30 September 2014</b>						
Other non-current assets	89	-	-	61	150	150
Trade and other receivables	113	-	-	79	192	192
Trade and other payables	-	(1,847)	-	(103)	(1,950)	(1,950)
Derivative financial instruments	-	-	(21)	-	(21)	(21)
Restricted cash	32	-	-	-	32	32
Money market deposits	561	-	-	-	561	561
Cash and cash equivalents	422	-	-	-	422	422
Borrowings	-	(331)	-	-	(331)	(335)

For the financial instruments for which fair value is disclosed in the tables above, the fair value is classified as level 2 of the IFRS13 'Fair Value Measurement' fair value hierarchy. Level 2 is defined as being the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) and which are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is classified as level 2.

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

#### Fair value calculation methodology

Derivative financial instruments are forward contracts that are valued based on market rates and market-accepted models. Fair value for financial instruments held at amortised cost has been estimated by discounting cash flows at prevailing interest rates and by applying year end exchange rates.



# easyJet Airline Company Limited

## Notes to the accounts

### 21 Financial instruments (continued)

#### Fair value of derivative financial instruments

	Quantity million	Non-current assets £ million	Current assets £ million	Current liabilities £ million	Non-current liabilities £ million	Total £ million
<b>30 September 2015</b>						
Designated as cash flow hedges						
US dollar	2,614	18	71	(1)	(2)	86
Euro	2,360	23	55	(3)	(4)	71
Swiss franc	329	2	2	(1)	(1)	2
South African rand	479	-	-	-	-	-
Jet fuel	3	1	-	(363)	(94)	(456)
		44	128	(368)	(101)	(297)

	Quantity million	Non-current assets £ million	Current assets £ million	Current liabilities £ million	Non-current liabilities £ million	Total £ million
<b>30 September 2014</b>						
Designated as cash flow hedges						
US dollar	3,358	17	8	(33)	(3)	(11)
Euro	990	16	39	-	-	55
Swiss franc	238	3	6	-	-	9
Jet fuel	3	-	-	(54)	(20)	(74)
		36	53	(87)	(23)	(21)

For foreign currency forward exchange contracts, quantity represents the nominal value of currency contracts held, disclosed in the contract currency. For jet fuel forward contracts, quantity represents contracted metric tonnes.

The hedged transactions are expected to occur on various dates mainly within the next two years. Accumulated gains and losses deferred in the hedging reserve will be recognised in the income statement in the periods that the hedged transaction affects the income statement. This will generally be within two years of the end of the reporting period save where the gain or loss is included in the initial amount recognised for the purchase of aircraft in which case recognition will be over a period of up to 23 years in the form of depreciation of the purchased asset.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements.

	Gross amount £ million	Amount not set off £ million	Net amount £ million
<b>30 September 2015</b>			
Derivative financial instruments			
Assets	172	(145)	27
Liabilities	(469)	145	(324)
	(297)	-	(297)

	Gross amount £ million	Amount not set off £ million	Net amount £ million
<b>30 September 2014</b>			
Derivative financial instruments			
Assets	89	(69)	20
Liabilities	(110)	69	(41)
	(21)	-	(21)

All financial assets and liabilities are presented gross on the face of the statement of financial position as the conditions for netting specified in IAS 32 'Financial Instruments Presentation' are not met.

# easyJet Airline Company Limited

## Notes to the accounts

### 22 Financial risk and capital management

All financial risk management activities are carried out at Group level according to policies approved by the Board of Directors of easyJet plc and are described in easyJet's published Annual report and accounts for the year ended 30 September 2015. The Company is exposed to the same financial risks as the Group.

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

	Within 1 year	1-2 years	2-5 years	Over 5 years
	£ million	£ million	£ million	£ million
<b>At 30 September 2015</b>				
Borrowings	58	52	161	52
Trade and other payables	1,329	-	-	-
Derivative contracts - receipts	(2,193)	(1,667)	(73)	-
Derivative contracts - payments	2,433	1,727	69	-
	Within 1 year	1-2 years	2-5 years	Over 5 years
	£ million	£ million	£ million	£ million
<b>At 30 September 2014</b>				
Borrowings	54	56	148	104
Trade and other payables	1,847	-	-	-
Derivative contracts - receipts	(1,826)	(1,173)	(69)	-
Derivative contracts - payments	1,861	1,159	69	-

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

#### Market risk sensitivity analysis

Financial instruments affected by market risk include borrowings, money market deposits, trade and other receivables, trade and other payables and derivative financial instruments. The following analysis illustrates the sensitivity of such financial instruments to changes in relevant foreign exchange rates, interest rates and fuel prices. It should be noted that the analysis reflects the impact on profit or loss after tax for the year and other comprehensive income on financial instruments held at the reporting date. It does not reflect changes in revenue or costs that may result from changing currency rates, interest rates or fuel prices. Sensitivity is calculated based on all other variables remaining constant. The analysis is considered representative of the Company's exposure over the 12 month period.

The currency sensitivity analysis is based on the Company's foreign currency financial instruments held at each statement of financial position date taking into account forward exchange contracts that offset effects from changes in currency exchange rates.

The interest rate analysis assumes a 1% change in interest rates over the reporting year applied to end of year financial instruments.

The fuel price sensitivity analysis is based on the Company's fuel related derivative financial instruments held at the end of each reporting period.

The impact of a 1% increase in interest rates and a 10% increase in the fuel price is disclosed. A corresponding decrease results in an equal and opposite impact on the income statement and other comprehensive income in both reporting periods.

# easyJet Airline Company Limited

## Notes to the accounts

### 22 Financial risk and capital management (continued)

Sensitivities are calculated based on a reasonably possible change in the rate applied to the value of financial instruments held at each statement of financial position date.

	Currency rates				Interest rates 1% increase £ million	Fuel price 10% increase £ million
	US dollar +10% <sup>(1)</sup> £ million	US dollar -10% <sup>(2)</sup> £ million	Euro +10% <sup>(1)</sup> £ million	Euro -10% <sup>(2)</sup> £ million		
<b>At 30 September 2015</b>						
Income statement impact: gain / (loss)	30	(25)	10	(8)	6	-
Impact on other comprehensive income: increase / (decrease)	109	(89)	24	(20)	-	79

	Currency rates				Interest rates 1% increase £ million	Fuel price 10% increase £ million
	US dollar +10% <sup>(1)</sup> £ million	US dollar -10% <sup>(2)</sup> £ million	Euro +10% <sup>(1)</sup> £ million	Euro -10% <sup>(2)</sup> £ million		
<b>At 30 September 2014</b>						
Income statement impact: gain / (loss)	34	(28)	7	(5)	6	-
Impact on other comprehensive income: increase / (decrease)	173	(142)	(69)	56	-	115

(1) GBP weakened

(2) GBP strengthened

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

### 23 Leasing commitments

#### Commitments under operating leases

	Aircraft		Other	
	2015 £ million	2014 £ million	2015 £ million	2014 £ million
<b>Total commitments under non-cancellable operating leases due:</b>				
Not later than one year	142	150	3	1
Later than one year and not later than five years	338	400	5	3
Later than five years	35	81	4	3
	515	631	12	7

The Company holds 97 aircraft (2014: 96 aircraft) under operating leases, including those with other group undertakings, with initial lease terms ranging from five to ten years. It is contractually obliged to carry out maintenance on these aircraft, and the cost of this is provided based on the number of flying hours and cycles operated. Further details are given in the critical accounting policies section of note 1.

#### Commitments under finance leases

	2015 £ million	2014 £ million
<b>Present value of minimum lease payments fall due as follows:</b>		
Not later than one year	8	7
Later than one year and not later than five years	62	31
Later than five years	45	77
	115	115
Future finance charges	(14)	(16)
	101	99

The Company holds five aircraft (2014: five aircraft) under finance leases with ten year initial terms. Further details are given in note 14.

# easyJet Airline Company Limited

## Notes to the accounts

### 24 Contingent liabilities

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

Having reviewed the information currently available, management considers that the ultimate resolution of these claims, disputes and litigation is unlikely to have a material effect on the Company's results, cash flows or financial position.

At 30 September 2015 the Company had outstanding letters of credit, guarantees and performance bonds totalling £44 million (2014: £39 million), of which £33 million (2014: £34 million) expires within one year. The fair value of these instruments at each year end was negligible.

No amount is recognised in 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.

easyJet plc has given a formal undertaking to the Civil Aviation Authority to guarantee the payment and discharge of all liabilities of the Company. The guarantee is required for the 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 financing the acquisition of aircraft;
- payment obligations for the lease of aircraft from lessors outside of the Group;
- bank letters of credit;
- \$500m revolving credit facility; and
- brand licence agreement with easyGroup Limited (approved by the shareholders of easyJet plc on 10 December 2010).

On 7 January 2016, the UK Listing Authority approved a prospectus relating to the establishment of a £3,000 million Euro Medium Term Note Programme of easyJet plc, which is unconditionally and irrevocably guaranteed by easyJet Airline Company Limited. Under this programme, on 9 February 2016 easyJet plc issued notes amounting to €500 million for a seven year term with a fixed annual coupon rate of 1.750%. On the same date an intercompany loan was issued by easyJet plc to easyJet Airline Company Limited for the same amount and under the same conditions. easyJet Airline Company Limited has entered into a cross currency interest rate swap to swap the EUR cash flows with a fixed interest rate to GBP cash flows with a floating interest rate.

### 25 Related party transactions

Transactions with easyJet Group undertakings are carried out on an arm's length basis. Outstanding balances are placed on intercompany accounts (note 13) with no specified credit period, are unsecured, and bear market rates of interest.

Significant transactions are as follows:

- dry lease and other operating costs for leasing aircraft;
- dry lease revenue from sub-leasing aircraft; and
- balance sheet hedges.

Charges for the years ended 30 September 2015 and 2014 are as follows:

	2015 £ million	2014 £ million
Charges to the Company	270	241
Charges by the Company	50	42

During the current year, amounts relating to aircraft life-limited parts were transferred at net book value to easyJet Switzerland SA totalling £9 million (2014: £18 million).

Amounts included in the income statement for the year ended 30 September 2015 due under the Brand Licence and other agreements with easyGroup Limited and others, detailed within note 26 to the Group accounts, amounted to £12.9 million (2014: £12.6 million). Royalty payments within this total were £11.7 million (2014: £11.3 million).

At 30 September 2015, £1.0 million (2014: £0.8 million) was included in trade and other payables in relation to the Brand Licence and other agreements.

### 26 Ultimate controlling company

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

The only group in which the results of the Company are consolidated is headed by easyJet plc, the Annual report and accounts of which can be obtained from easyJet plc, Hangar 89, London Luton Airport, Luton, Bedfordshire, LU2 9PF and at [www.corporate.easyjet.com](http://www.corporate.easyjet.com).