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easyJet Leasing Limited

Financial Statements
Year ended 30 September 2011

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Statement of directors' responsibilities

The directors are responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies in note 1 The directors must not approve the non-statutory financial statements unless they are satisfied that they have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 1 to the non-statutory financial statements In preparing these non-statutory financial statements, the directors have

- selected suitable accounting policies and then applied them consistently,
- made judgements and accounting estimates that are reasonable and prudent,
- stated the basis of preparation and accounting polices applied,
- prepared the non-statutory financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for 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 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 persons who is a director at the date of the approval of these non statutory financial statements 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' report to the directors of easyJet Leasing Limited

We have audited the non-statutory financial statements of easyJet Leasing Limited for the year ended 30 September 2011 which comprise the Income statement, Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and the related notes These non-statutory financial statements have been prepared on the basis of preparation and accounting policies in note 1 to the non-statutory financial statements

Respective responsibilities of the directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 1 the directors are responsible for the preparation of the non-statutory financial statements in accordance with the basis of preparation and accounting policies in note 1 to the non-statutory financial statements Our responsibility is to audit the non-statutory financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinion, has been prepared for and only for the directors for management purposes in accordance with our engagement letter dated 7 November 2011 and for no other purpose We do not, in giving this opinion, 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 including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing

Scope of the audit of the non-statutory financial statements

An audit involves obtaining evidence about the amounts and disclosures in the non-statutory financial statements sufficient to give reasonable assurance that the non-statutory financial statements 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 non-statutory financial statements

Opinion on non-statutory financial statements

In our opinion the non-statutory financial statements for the year ended 30 September 2011 have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 1 to the non-statutory financial statements

PricewaterhouseCoopers LLP
Chartered Accountants
St Albans, Hertfordshire
United Kingdom
24 May 2012

Income statement

Year ended 30 September	Note	2011 £ 000	Restated 2010 £ 000
Revenue	17	**129,579**	188,134
Other operating income / (costs)	2	**20,945**	(130)
Earnings before interest, tax and depreciation (Restated – see note 5)		**150,524**	188,004
Depreciation	7	**(38,842)**	(52,055)
Operating profit		**111,682**	135,949
Interest receivable and other financing income		**16,371**	10,960
Interest payable and other financing charges (Restated – see note 5)		**(24,664)**	(29,901)
Net exchange gains / (losses) on financing items		**33,872**	(33,500)
Net finance income / (charges)	5	**25,579**	(52,441)
Profit before tax	2	**137,261**	83,508
Tax charge	6	**(3,617)**	(30,862)
Profit for the year		**133,644**	52,646

There has been a change in the accounting policy in respect of the treatment of exchange gains and losses on financing items, in accordance with IAS8 Please refer to note 5 for further details

Statement of comprehensive income

Year ended 30 September	2011 £ 000	2010 £ 000
Profit for the year	**133,644**	52,646
Other comprehensive income		
Cash flow hedges		
Transfers to property, plant and equipment	-	(2)
	-	(2)
Total comprehensive income for the year	**133,644**	52,644

Statement of financial position

At 30 September	Note	2011 £ 000	2010 £ 000
Non-current assets			
Property, plant and equipment	7	**481,081**	981,182
Restricted cash	9	**1,143**	1,133
		482,224	982,315
Current assets			
Trade and other receivables	8	**1,235,510**	1,128,104
Derivative financial instruments	14	**6,180**	-
Cash and cash equivalents	9	**1,087**	8
		1,242,777	1,128,112
Current liabilities			
Trade and other payables	10	**(933,056)**	(955,482)
Borrowings	11	**(59,948)**	(87,254)
Derivative financial instruments	14	**-**	(1,916)
Current tax liabilities	6	**(3,055)**	-
		(996,059)	(1,044,652)
Net current assets		**246,718**	83,460
Non-current liabilities			
Borrowings	11	**(406,927)**	(860,701)
Accruals and deferred income		**(130,438)**	(147,703)
Deferred tax liabilities	6	**(52,478)**	(51,916)
		(589,843)	(1,060,320)
Net assets		**139,099**	5,455
Shareholders' equity			
Share capital	12	**-**	-
Retained earnings		**139,099**	5,455
		139,099	5,455

The financial statements on pages 3 to 20 were approved by the Board of Directors and authorised for issue on 17 May 2012 and signed on behalf of the Board

Chris Kennedy
Director

Statement of changes in equity

	Share capital £ 000	Hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2010	**-**	**-**	**5,455**	**5,455**
Total comprehensive income	**-**	**-**	**133,644**	**133,644**
At 30 September 2011	**-**	**-**	**139,099**	**139,099**

	Share capital £ 000	Hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2009	-	2	(47,191)	(47,189)
Total comprehensive income	-	(2)	52,646	52,644
At 30 September 2010	-	-	5,455	5,455

Statement of cash flows

Year ended 30 September	Note	2011 £ 000	Restated 2010 £ 000
Cash flows from operating activities			
Cash generated from operations	13	**75,144**	180,960
Net interest and other financing charges received		**24,375**	26,334
Net cash generated from operating activities		**99,519**	207,294
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,245)**	(242,916)
Net cash used by investing activities		**(2,245)**	(242,916)
Cash flows from financing activities			
Proceeds from drawdowns of bank loans		**-**	139,873
Repayment of bank loans		**(93,044)**	(101,765)
Repayment of capital elements of finance leases		**(4,057)**	(3,897)
Increase in restricted cash		**(4)**	(6)
Net cash (used by) / generated from financing activities		**(97,105)**	34,205
Effect of exchange rate changes		**910**	1,423
Net increase in cash and cash equivalents		**1,079**	6
Cash and cash equivalents at beginning of year		**8**	2
Cash and cash equivalents at end of year	9	**1,087**	8

There has been a change in the accounting policy in respect of the treatment of exchange gains and losses on financing items, in accordance with IAS8 Please refer to note 13 for further details

1 Accounting policies

Statement of compliance

The registered office of the Company is FCM Limited, Governors' Square, West Bay Road #1-205, P O Box 1982 Grand Cayman, KY1-1104, Cayman Islands and its Company number is 113232

The principal activity of the Company is aircraft trading and leasing

The Company is incorporated in the Cayman Islands Its financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) taking into account International Financial Reporting Interpretations Committee (IFRIC) interpretations

Basis of preparation

These financial statements are prepared on the historical cost convention except for 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 financial statements

These financial statements are prepared on the going concern basis, which the directors consider appropriate, as the ultimate holding company, easyJet plc, has confirmed its intention to provide the necessary financial support for the foreseeable future

Significant judgements and estimates

The preparation of financial statements 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 financial statements and the reported amounts of income and expenses during the reporting period Although these estimates are based on management's best knowledge 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 policy is considered a critical accounting policy as it requires a significant amount of management judgement and the results are material to the Company's financial statements

Tax (Note 6)

In drawing up the financial statements, estimates are made of current and deferred tax assets and liabilities These estimates are affected by transactions and calculations where the ultimate tax determination was uncertain at the time the financial statements were finalised The issues involved are often complex and may take an extended period to resolve Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made

Foreign currencies

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 balance sheet date 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

Revenues represent amounts (excluding value added tax) derived from the rental of aircraft to other group companies Revenue is recognised on the date that the right to receive consideration occurs

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 improvements	3-7 years
Aircraft – prepaid maintenance	3-10 years

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

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date 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 three 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

The cost of new aircraft comprises the invoiced price of the aircraft from the supplier less the estimated value of other assets received by the Company for nil consideration These assets principally comprise cash (recognised as an asset) and aircraft spares and service credits

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

Gains and losses on disposals 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 assets are only reversed where changes in the estimates used result in an increase in recoverable amount

Leases

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, cash and money market deposits

Restricted cash comprises cash deposits which have restrictions governing their use and is classified as a current or non-current asset based on the estimated remaining length of the restriction Cash and cash equivalents comprise cash held in bank accounts with no access restrictions and bank or money market deposits 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

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 income / (charges)

Non-derivative financial liabilities
Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost

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 balance sheet date

Interest expense on borrowings is recognised using the effective interest method

Derivative financial instruments
Derivative financial instruments are measured at fair value

Derivative financial instruments designated as cash flow hedges are used to mitigate operating and investing transaction exposures to movements in currency exchange rates Hedge accounting is applied to these instruments

Changes in intrinsic fair value are recognised in other comprehensive income to the extent that the cash flow hedges are determined to be effective All other changes in fair value are recognised immediately in the income statement Where the hedged item results in a non financial asset or liability the accumulated gains and losses previously recognised in other comprehensive income form part of the initial carrying amount of the asset or liability Otherwise accumulated gains and losses are recognised in the income statement in the same period in which the hedged items affect 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 is a highly probable forecast transaction, the related gains and losses remain in other comprehensive income until the transaction takes place

When a hedged future transaction is no longer expected to occur, any related gains and losses previously recognised in shareholders' equity are immediately recognised in the income statement

Tax

Tax expense in the income statement consists of current and deferred tax 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 Tax is recognised in the income statement except when it relates to items credited or charged directly to other comprehensive income, in which case it is recognised in other comprehensive 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
- deferred tax arising on investments in subsidiaries, associates and joint ventures, 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 measured on an undiscounted basis 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 balance sheet date

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

Prior year adjustment

In previous years, exchange gains and losses on monetary assets and liabilities were reported partly in other costs and partly in net finance charges, in line with the nature of the underlying assets and liabilities

With effect from this year, all exchange gains and losses are reported in net finance charges The revised presentation better reflects the risk management approach adopted by the company as the exposures on the underlying assets and liabilities are managed on a net basis across the easyJet group Comparative figures have been restated accordingly

Impact of new International Financial Reporting Standards

The following standards and interpretations have been implemented for the year ended 30 September 2011

New and revised standards

IAS 24 Related Party Disclosures

Amendments to standards

IAS 32 Financial Instruments Presentation (Classification of Rights Issues)
IFRS 1 First-time Adoption of IFRS (Additional Exemptions for First-time Adopters)
IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRS 2 Share-based Payment (Group cash-settled share-based payment transactions)
Improvements to IFRS (2009) – items with an effective date of 1 January 2010

New and revised interpretations

IFRIC 14 Prepayments of Minimum Funding Requirements
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of these standards and interpretations has not led to any changes in accounting policies

New standards and interpretations not applied

The following standards and interpretations have not been applied in preparing these accounts as their effective dates fall in periods beginning after 1 October 2011

Effective for the year ending 30 September 2012

Amendments to standards and interpretations

IAS 1 Presentation of Items of Other Comprehensive Income
IAS 12 Deferred Tax (Recovery of Underlying Assets)
IFRS 1 First-time Adoption of IFRS (Hyperinflation and Removal of Fixed Dates for First-time Adopters)
IFRS 7 Financial Instruments Disclosures

Effective for the year ending 30 September 2013

New and revised standards

IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IFRS 9 Financial Instruments
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosures of Interests in Other Entities
IFRS 13 Fair Value Measurement

Amendments to standards and interpretations

IAS 19 Employee Benefits

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

2 Profit before tax

The future minimum lease payments receivable under non-cancellable intercompany leases are as follows

	2011	2010
	£ 000	£ 000
Not later than one year	**76,757**	137,502
Later than one year and not later than five years	**269,791**	530,908
Later than five years	**76,892**	356,465
	423,440	1,024,875

The Company's original operating lease terms are for between seven and ten years

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

	2011	2010
	£ 000	£ 000
Depreciation of property, plant and equipment		
Owned assets	**35,563**	48,808
Under finance leases	**3,279**	3,247

Auditors' remuneration for the years ended 30 September 2011 and 2010 has been borne by another easyJet group company

£21m other operating income arose from the release of accrued maintenance obligations following the sale of five aircraft by easyJet Leasing Limited and their subsequent leaseback by another group company

3 Directors' remuneration

None of the directors received any remuneration in respect of their services to the company (2010 £nil) The services provided by the directors to the Company were of negligible value related to their service provided to the group

4 Employees

The Company employed no staff in the current or the prior year

5 Net finance income / (charges)

	2011 £ 000	Restated 2010 £ 000
Interest receivable and other financing income		
Interest receivable from group undertakings	**16,369**	10,942
Interest income	**2**	18
	16,371	10,960
Interest payable and other financing charges		
Interest payable on bank borrowings	**(11,051)**	(15,917)
Interest payable on finance lease obligations	**(2,306)**	(2,392)
Interest payable to group undertakings	**(11,307)**	(11,592)
	(24,664)	(29,901)
Net exchange gains / (losses) (note 14)	**33,872**	(33,500)
	25,579	(52,441)

In previous years, exchange gains and losses on monetary assets and liabilities were reported partly in earnings before interest, tax and depreciation, and partly in net finance charges, in line with the nature of the underlying assets and liabilities

With effect from this year, all exchange gains and losses are reported in net finance income/(charges) The revised presentation better reflects the risk management approach adopted by the company as the exposures on the underlying assets and liabilities are managed on a net basis across the easyJet group

This has resulted in 'Earnings before interest, tax and depreciation' being restated by £31 3 million to £188 0 million (2010 £156 7 million), and 'Interest payable and other financing charges' being restated by £2 2 million to £29 9 million (2010 £32 1 million) The net effect of these exchange losses/gains amounts to £33 5 million, and this has been presented as a separate line under net finance income/(charges)

6 Tax charge

a) Tax on profit on ordinary activities.

	2011 £ 000	2010 £ 000
Current tax		
United Kingdom corporation tax	**3,055**	-
	3,055	-
Deferred tax		
Temporary differences relating to property, plant and equipment	**2,132**	20,133
Prior year adjustments	**3,572**	11,673
Change in tax rate	**(5,142)**	(944)
	562	30,862
	3,617	30,862

b) Reconciliation of the total tax charge

The tax for the year is lower (2010 higher) than the standard rate of corporation tax in the UK as set out below

	2011 £ 000	2010 £ 000
Profit on ordinary activities before tax	**137,261**	83,508
Tax at 27% (2010 28%)	**37,060**	23,382
Group relief received for nil consideration	**(31,873)**	(3,249)
Adjustments in respect of prior periods - deferred tax	**3,572**	11,673
Change in tax rate	**(5,142)**	(944)
	3,617	30,862

c) Deferred tax

The deferred tax included in the balance sheet is as follows

	Accelerated Capital Allowances £ 000
At 1 October 2010	51,916
Charged to the income statement	562
At 30 September 2011	**52,478**

	Accelerated Capital Allowances £ 000
At 1 October 2009	21,054
Charged to the income statement	30,862
At 30 September 2010	51,916

7 Property, plant and equipment

	Aircraft £ 000
Cost	
At 1 October 2010	1,100,930
Additions	2,245
Assets transferred to easyJet Airline Company Limited	(448,314)
Disposals	(69,694)
At 30 September 2011	585,167
Depreciation	
At 1 October 2010	119,748
Charge for the year	38,842
Depreciation on assets transferred to easyJet Airline Company Limited	(36,009)
Depreciation eliminated on disposals	(18,495)
At 30 September 2011	104,086
Net book value	
At 30 September 2011	**481,081**
At 1 October 2010	981,182

	Aircraft £ 000
Cost	
At 1 October 2009	1,455,488
Additions	212,862
Assets transferred to easyJet Airline Company Limited	(515,675)
Disposals	(51,745)
At 30 September 2010	1,100,930
Depreciation	
At 1 October 2009	104,036
Charge for the year	52,055
Depreciation on assets transferred to easyJet Airline Company Limited	(35,975)
Depreciation eliminated on disposals	(368)
At 30 September 2010	119,748
Net book value	
At 30 September 2010	981,182
At 1 October 2009	1,351,452

The net book value of aircraft held under finance leases at 30 September 2011 was £64,993,000 (2010 £67,853,000) £3,279,000 of the related accumulated depreciation was charged in the year ended 30 September 2011 (2010 £3,247,000)

As at 30 September 2011, aircraft with a net book value of £400,439,000 (2010 £844,676,000) were mortgaged to lenders as security for loans

8 Trade and other receivables

	2011 £ 000	2010 £ 000
Amounts owed by group undertakings (note 17)	1,235,510	1,127,965
Other receivables	-	139
	1,235,510	1,128,104

Concentrations of credit risk with respect to trade and other receivables are limited and default is unlikely as they are due from group companies

9 Cash and cash equivalents

	2011 £ 000	2010 £ 000
Cash and cash equivalents	1,087	8
Non-current restricted cash	1,143	1,133
	2,230	1,141

10 Trade and other payables

	2011 £ 000	2010 £ 000
Amounts owed to group undertakings (note 17)	932,234	953,093
Accruals and deferred income	822	2,389
	933,056	955,482

11 Borrowings

At 30 September 2011	Current £ 000	Non-current £ 000	Total £ 000
Bank loans	55,536	306,869	362,405
Finance lease obligations	4,412	100,058	104,470
	59,948	406,927	466,875

At 30 September 2010	Current £ 000	Non-current £ 000	Total £ 000
Bank loans	83,152	756,763	839,915
Finance lease obligations	4,102	103,938	108,040
	87,254	860,701	947,954

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 the borrowings is set out in note 15

12 Share capital

	2011 Number	2010 Number
Authorised		
Ordinary shares of US $1 each	**50,000**	50,000
Allotted, called up and fully paid		
Ordinary shares of US $1 each	**2**	2

13 Reconciliation of operating profit to cash generated from operations

	2011 £ 000	Restated 2010 £ 000
Operating profit	**111,682**	135,949
Adjustments for		
Depreciation	**38,842**	52,055
Changes in working capital		
Increase in trade and other receivables	**(16,487)**	74,271
Decrease in trade and other payables	**(41,180)**	(91,734)
(Decrease) / increase in other non-current liabilities	**(17,713)**	10,419
	75,144	180,960

Due to the change in accounting policies in respect of exchange gains and losses (see note 5), this has resulted in Operating profit being restated by £31 3 to £135 9 million (2010 £104 7 million) The net effect of this restatement on the adjusted cash generated from operations results in an increase of £25,000

14 Financial instruments

Carrying value and fair value of financial assets and financial liabilities

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

At 30 September 2011		Amortised cost	Held at fair value			
	Loans and receivables £ 000	Financial liabilities £ 000	Held for trading £ 000	Non financial instruments £ 000	**Carrying value £ 000**	Fair value £ 000
Restricted cash	1,143	-	-	-	**1,143**	1,143
Derivative financial assets	-	-	6,180	-	**6,180**	6,180
Trade and other receivables	1,235,510	-	-	-	**1,235,510**	1,235,510
Cash and cash equivalents	1,087	-	-	-	**1,087**	1,087
Trade and other payables	-	(933,056)	-	-	**(933,056)**	(933,056)
Borrowings	-	(466,874)	-	-	**(466,874)**	(462,634)

At 30 September 2010	Amortised cost		Held at fair value			
	Loans and receivables £ 000	Financial liabilities £ 000	Held for trading £ 000	Non financial instruments £ 000	**Carrying value £ 000**	Fair value £ 000
Restricted cash	1,133	-	-	-	**1,133**	1,133
Trade and other receivables	1,128,104	-	-	-	**1,128,104**	1,128,104
Cash and cash equivalents	8	-	-	-	**8**	8
Trade and other payables	-	(955,482)	-	-	**(955,482)**	(955,482)
Derivative financial liabilities	-	-	(1,916)	-	**(1,916)**	(1,916)
Borrowings	-	(947,955)	-	-	**(947,955)**	(902,694)

Fair value calculation methodology
Derivative financial instruments comprise forward contracts, detailed in the fair value analysis below, and are valued based on market rates and market-accepted models

Where carrying value does not equal fair value, the fair value has been estimated by discounting cash flows at prevailing interest rates and by applying year end exchange rates For all other financial instruments fair value approximates to carrying value

Non-financial instruments represent amounts recognised in the statement of financial position for the line items disclosed above that do not meet the definition of a financial instrument and are disclosed in order to provided sufficient information to permit reconciliation of the carrying values above those presented in the balance sheet

Financial instruments are revalued based on exchange rates at the year end date Amounts recorded in the income statement are as follows

	2011 £ 000	2010 £ 000
Unrealised (gains) / losses on derivatives	**(6,180)**	25,184
Unrealised revaluation losses on other monetary assets and liabilities	**17,255**	3,550
Unrealised revaluation (gains) / losses on non-derivative financial instruments	**(13,083)**	47,681
Realised foreign exchange losses on financial instruments	**-**	12
Realised gains on derivatives	**(31,864)**	(42,927)
	(33,872)	33,500

Fair value of derivative financial instruments

At 30 September 2011	Quantity USD million	Assets £ 000	Liabilities £ 000
Designated as held for trading			
Forward US dollar contracts	955	6,180	-
	955	6,180	-

At 30 September 2010	Quantity USD million	Assets £ 000	Liabilities £ 000
Designated as held for trading			
Forward US dollar contracts	1,570	-	1,916
	1,570	-	1,916

Quantity represents the nominal value of current contracts held, disclosed in the contract currency

easyJet Airline Company Limited, a group undertaking, maintains relationships in the financial markets on behalf of the group and acts as agent for other group companies In this capacity easyJet Airline Company Limited has entered into a number of contracts on behalf of easyJet Leasing Limited The purpose of these contracts is to hedge the company's transaction currency risk and manage exposure to non-group financial liabilities denominated in US dollars

All derivative financial instruments are in level 2 of the IFRS 7 fair value hierarchy

Derivatives designated as held for trading

The group has US dollar net monetary liabilities at the year end date of $1,209 million (2010 $1,083 million) In accordance with IAS 21, monetary assets and liabilities are revalued using exchange rates at the year end date The group manages this exposure to the use of forward foreign exchange contracts Gains and losses on these contracts are allocated to group companies in proportion to their shares of the group's exposure

The net US dollar position at each balance sheet for the Company was as follows

	2011	2010
	$ 000	$ 000
Cash and cash equivalents	**1,701**	13
Net amount owed to group undertakings	**(1,180,917)**	(602,914)
Borrowings	**(669,416)**	(1,429,489)
Accruals and deferred income	**(203,591)**	(234,273)
Net monetary liabilities	**(2,052,223)**	(2,266,662)
Forward US dollar contracts	**955,000**	1,570,000
	(1,097,223)	(696,662)

15 Financial risk and capital management

easyJet is exposed to financial risks including fluctuations in exchange rates, jet fuel prices and interest rates These risks are managed at Group level using the policies described in easyJet plc's Annual report and accounts for the year ended 30 September 2011

The Company is exposed to fluctuations in exchange rates (US dollar) and interest rates As this exposure is contained within the easyJet group, no Company-specific risk management activities are carried out

Financial instruments affected by market risks include borrowings, deposits, payables and derivative financial instruments The following sensitivity analysis illustrates the sensitivity of such financial instruments to changes in relevant foreign exchange rates It should be noted that the sensitivity analysis reflects the impact on profit or loss after tax 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 Each sensitivity is calculated based on all other variables remaining constant The analysis below 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 balance sheet date taking into account forward exchange contracts that offset effects from changes in the US dollar The increased sensitivity in the US dollar rate represents sterling weakening against the US dollar with the -10% sensitivity showing a stronger sterling sensitivity The sensitivity applied to currency rates is based on reasonably possible change in the rate applied to the value of financial instruments at the balance sheet date

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

At 30 September 2011	Currency rates usd + 10% £ 000	usd - 10% £ 000	Interest rates 1% increase £ 000
Income statement impact gain/(loss)	79,049	(96,615)	(1,194)

At 30 September 2010	usd + 10% £ 000	usd - 10% £ 000	Interest rates 1% increase £ 000
Income statement impact gain/(loss)	84,663	(103,477)	(5,558)

The impact of a 1% increase in interest rates is disclosed above A corresponding decrease in the interest rate results in an equal and opposite impact on the income statement in both reporting periods

easyJet manages its capital structure at group level using the policies described in easyJet plc's Annual report and accounts for the year ended 30 September 2011 No Company-specific capital management activities are carried out

Liquidity risk is managed at a Group level using the policies described in easyJet plc's Annual report and accounts for the year ended 30 September 2011 The maturity profile of the Company's financial liabilities based on the remaining contractual maturities is set out below The analysis represents undiscounted gross anticipated future cashflows

30 September 2011	Within 1 year £ 000	1-2 years £ 000	2 - 5 years £ 000	Over 5 years £ 000
Borrowings	66,110	65,328	261,584	101,418
Trade and other payables	933,056	-	-	-
Derivative contracts - receipts	(610,110)	-	-	-
Derivative contracts - payments	603,930	-	-	-

30 September 2010	Within 1 year £ 000	1-2 years £ 000	2 - 5 years £ 000	Over 5 years £ 000
Borrowings	102,157	114,867	337,448	472,506
Trade and other payables	955,482	-	-	-
Derivative contracts - receipts	(998,220)	-	-	-
Derivative contracts - payments	1,000,136	-	-	-

16 Commitments

Minimum lease payments under finance leases fall due as follows

	2011 £ 000	2010 £ 000
Not later than one year	**6,316**	6,510
Later than one year but not more than five years	**108,622**	28,869
More than five years	**-**	85,871
	114,938	121,250
Future finance charges on finance leases	**(10,468)**	(13,210)
Finance lease obligations	**104,470**	108,040

17 Related parties

The Company had transactions in the ordinary course of business during the financial year under review with related parties

	2011 £ 000	2010 £ 000
Revenue and other gains from group undertakings	**165,721**	231,074
Purchases and other charges from group undertakings	**14**	25,197
Amounts owed by group undertakings	**1,235,510**	1,127,965
Amounts owed to group undertakings	**932,234**	953,093

Transactions with group companies are carried out on an arm's length basis Outstanding balances that relate to trading balances are placed on intercompany accounts with no specified credit period Intercompany balances owed to and from the Company by group companies are unsecured, bear market rates of interest in accordance with intercompany loan agreements (note 5) and have no specific repayment terms Revenue from group companies relate to lease income arising from the dry lease of aircraft to other group companies Purchases from group undertakings relate to realised losses on derivative contracts

In addition, during the year, 28 aircraft were transferred to easyJet Airline Company Limited for a total consideration of £412 million (comprising net book value), which has been left outstanding on the intercompany account This is a non-cash transaction which accordingly has been excluded from the statement of cash flows

£21 million other operating income arose from the release of accrued maintenance obligations following the sale of five aircraft by easyJet Leasing Limited and their subsequent leaseback by another group company

easyJet plc has guaranteed the repayment of borrowings that financed the acquisition of aircraft by the Company easyJet plc has also guaranteed the payment of obligations for the lease of aircraft by the Company

18 Ultimate controlling company

The Company's parent and ultimate controlling company is easyJet plc, incorporated in England and Wales (registered number 3959649)

The only group in which the results of the company are consolidated is that headed up by easyJet plc, financial statements of which can be obtained from easyJet plc, Hangar 89, London Luton Airport, Luton LU2 9PF, United Kingdom