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easyJet Leasing Limited

Financial Statements
Year ended 30 September 2010

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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 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

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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 2010 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 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 23 June 2010 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 2010 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

PricewaterhouseCoopers LLP
Chartered Accountants
St Albans, Hertfordshire
United Kingdom
16 February 2011

easyJet Leasing Limited
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Income statement

Year ended 30 September	Note	2010 £ 000	2009 £ 000
Revenue	17	**188,134**	145,756
Revaluation losses on monetary assets and liabilities	14	**(31,271)**	(63,939)
Other operating (costs) / income		**(130)**	429
Earnings before interest, tax and depreciation		**156,733**	82,246
Depreciation	7	**(52,055)**	(39,225)
Operating profit		**104,678**	43,021
Interest receivable and other financing income		**10,960**	2,378
Interest payable and other financing charges		**(32,130)**	(40,607)
Net finance charges	5	**(21,170)**	(38,229)
Profit before tax	2	**83,508**	4,792
Tax (charge) / credit	6	**(30,862)**	16,261
Profit for the year		**52,646**	21,053

Statement of comprehensive income

Year ended 30 September	2010 £ 000	2009 £ 000
Profit for the year	**52,646**	21,053
Other comprehensive income		
Cash flow hedges		
Fair value gains in year	**-**	55,067
Transfers to property, plant and equipment	**(2)**	(85,906)
Related tax (note 6)	**-**	8,635
	(2)	(22,204)
Total comprehensive income for the year	**52,644**	(1,151)

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Statement of financial position

At 30 September	Note	2010 £ 000	2009 £ 000
Non-current assets			
Property, plant and equipment	7	**981,182**	1,351,452
Restricted cash	9	**1,133**	1,106
		982,315	1,352,558
Current assets			
Trade and other receivables	8	**1,128,104**	642,443
Derivative financial instruments	14	-	23,270
Cash and cash equivalents	9	**8**	2
		1,128,112	665,715
Current liabilities			
Trade and other payables	10	**(955,482)**	(1,018,699)
Borrowings	11	**(87,254)**	(81,784)
Derivative financial instruments	14	**(1,916)**	-
		(1,044,652)	(1,100,483)
Net current assets / (liabilities)		**83,460**	(434,768)
Non-current liabilities			
Borrowings	11	**(860,701)**	(810,190)
Accruals and deferred income		**(147,703)**	(133,735)
Deferred tax liabilities	6	**(51,916)**	(21,054)
		(1,060,320)	(964,979)
Net assets / (liabilities)		**5,455**	(47,189)
Shareholders' equity / (deficit)			
Share capital	12	-	-
Hedging reserve		-	2
Retained earnings		**5,455**	(47,191)
		5,455	(47,189)

The financial statements on pages 3 to 22 were approved by the Board of Directors and authorised for issue on 4 February 2011 and signed on behalf of the Board

Chris Kennedy
Director

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Statement of changes in equity

	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**

	Share capital £ 000	Hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2008	-	22,206	(68,244)	(46,038)
Total comprehensive income	-	(22,204)	21,053	(1,151)
At 30 September 2009	-	2	(47,191)	(47,189)

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Statement of cash flows

Year ended 30 September	Note	2010 £ 000	2009 £ 000
Cash flows from operating activities			
Cash generated from operations	13	**180,935**	41,615
Net interest and other financing charges received / (paid)		**26,359**	(33,542)
Net cash generated from operating activities		**207,294**	8,073
Cash flows from investing activities			
Purchase of property, plant and equipment		**(242,916)**	(506,978)
Net cash used by investing activities		**(242,916)**	(506,978)
Cash flows from financing activities			
Proceeds from drawdowns of bank loans		**139,873**	543,059
Repayment of bank loans		**(101,765)**	(40,481)
Repayment of capital elements of finance leases		**(3,897)**	(3,662)
Increase in restricted cash		**(6)**	(23)
Net cash generated from financing activities		**34,205**	498,893
Effect of exchange rate changes		**1,423**	2
Net increase / (decrease) in cash and cash equivalents		**6**	(10)
Cash and cash equivalents at beginning of year		**2**	12
Cash and cash equivalents at end of year	9	**8**	2

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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

1 Accounting policies (continued)

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 expense

1 Accounting policies (continued)

Financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions

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 interest payable and other financing 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 loans 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 shareholders' equity 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 shareholders' equity 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 shareholders' equity 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

1 Accounting policies (continued)

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 or shareholders' equity, in which case it is recognised in other comprehensive income or shareholders' equity

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

Impact of new International Financial Reporting Standards

The following standards and interpretations have been implemented for the year ended 30 September 2010

New and revised standards

IAS 1 Presentation of Financial Statements (Revised)
IAS 23 Borrowing Costs (Revised)
IAS 27 Consolidated and Separate Financial Statements (Revised)
IFRS 1 First Time Adoption of IFRS (Revised)
IFRS 3 Business Combinations (Revised)
IFRS 8 Operating Segments

Amendments to standards

IAS 1 Presentation of Financial Statements (Puttable Financial Instruments and Obligations Arising on Liquidation)
IAS 32 Financial Instruments Presentation (Puttable Financial Instruments and Obligations Arising on Liquidation)
IAS 39 Financial Instruments Recognition and Measurement (Eligible Hedged Items)
IAS 39 Financial Instruments Recognition and Measurement (Embedded Derivatives)
IFRS 1 First-time Adoption of IFRS (Investment in Subsidiaries)
IFRS 2 Share-based Payment (Vesting Conditions and Cancellations)
IFRS 7 Financial Instruments Disclosures (Improving Disclosures about Financial Instruments)
Improvements to IFRS (2007)
Improvements to IFRS (2009) – items with an effective date of 1 July 2009

1 Accounting policies (continued)

New and revised interpretations

IFRIC 9 Reassessment of Embedded Derivatives (Amended)
IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 17 Distribution of Non-Cash Assets to Owners
IFRIC 18 Transfers of Assets from Customers

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

As a consequence of the adoption of the revised IAS 1, a consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity, together with a separate consolidated statement of comprehensive income

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 2009

Effective for the year ending 30 September 2011

Amendments to standards and interpretations

IAS 24 Related Party Disclosures
IAS 32 Financial Instruments Presentation (Classification of Rights Issues)
IFRS 1 First-time Adoption of IFRS (Additional Exemptions for First-time Adopters)
IFRS 2 Share-based Payment (Group cash-settled share-based payment transactions)
IFRIC 14 Prepayments of a Minimum Funding Requirement
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRS (2009) – items with an effective date of 1 January 2010

Effective for the year ending 30 September 2012

Amendments to standards

Improvements to IFRS (2010)
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

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2 Profit before tax

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

	2010 £ 000	2009 £ 000
Not later than one year	**137,502**	175,773
Later than one year and not later than five years	**530,908**	660,799
Later than five years	**356,465**	542,216
	1,024,875	1,378,788

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

The following have been included in arriving at profit before tax

	2010 £ 000	2009 £ 000
Depreciation of property, plant and equipment		
Owned assets	**48,808**	36,008
Under finance leases	**3,247**	3,217

Auditors' remuneration for the years ended 30 September 2010 and 2009 has been borne by another easyJet group company

3 Directors' remuneration

None of the directors received any remuneration in respect of their services to the company (2009 £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 charges

	2010 £ 000	2009 £ 000
Interest receivable and other financing income		
Interest receivable from group undertakings	**10,942**	2,123
Interest income	**18**	255
	10,960	2,378
Interest payable and other financing charges		
Interest payable on bank borrowings	**(15,917)**	(16,685)
Interest payable on finance lease obligations	**(2,392)**	(3,889)
Interest payable to group undertakings	**(11,592)**	(7,927)
Net exchange losses on financing items (note 14)	**(2,229)**	(12,106)
	(32,130)	(40,607)
	(21,170)	(38,229)

6 Tax charge / (credit)

a) Tax on profit on ordinary activities

	2010 £ 000	2009 £ 000
Deferred tax		
Temporary differences relating to property, plant and equipment	**20,133**	(10,009)
Prior year adjustments	**11,673**	(6,252)
Change in tax rate	**(944)**	-
	30,862	(16,261)

b) Reconciliation of the total tax charge

The tax for the year is higher (2009 lower) than the standard rate of corporation tax in the UK as set out below

	2010 £ 000	2009 £ 000
Profit on ordinary activities before tax	**83,508**	4,792
Tax at 28%	**23,382**	1,342
Group relief received for nil consideration	**(3,249)**	(11,351)
Adjustments in respect of prior periods - deferred tax	**11,673**	(6,252)
Change in tax rate	**(944)**	-
	30,862	(16,261)

In the year the group resolved a number of historic tax issues with HMRC The taxable profits generated by this agreement were sheltered by the surrendering of losses for the relevant period for nil consideration These losses were generated by claiming the capital allowances resulting in the prior year deferred tax charge

6 Tax charge / (credit) (continued)

c) Deferred tax

The deferred tax included in the balance sheet is as follows

	Fair value losses/(gains) £ 000	Accelerated capital allowances £ 000	Total £ 000
At 1 October 2009	-	21,054	21,054
Charged to the income statement	-	30,862	30,862
At 30 September 2010	-	51,916	51,916

	Fair value losses/(gains) £ 000	Accelerated capital allowances £ 000	Total £ 000
At 1 October 2008	8,635	37,315	45,950
Credited to the income statement	-	(16,261)	(16,261)
Credited to other comprehensive income	(8,635)	-	(8,635)
At 30 September 2009	-	21,054	21,054

7 Property, plant and equipment

	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

	Aircraft £ 000
Cost	
At 1 October 2008	880,563
Additions	506,978
Transfer from assets held for sale	67,947
At 30 September 2009	1,455,488
Depreciation	
At 1 October 2008	51,843
Charge for the year	39,225
Transfer from assets held for sale	12,968
At 30 September 2009	104,036
Net book value	
At 30 September 2009	1,351,452
At 1 October 2008	828,720

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7 Property, plant and equipment (continued)

The net book value of aircraft at 30 September 2010 includes £nil (2009 £148,460,000) relating to advance and option payments for future delivery of aircraft This amount is not depreciated

At 30 September 2010, the Company is contractually committed to the acquisition of nil (2009 72) Airbus A320 family aircraft with a total list price of US$nil (2009 US$3 3billion) before escalations and discounts

The net book value of aircraft held under finance leases at 30 September 2010 was £67,853,000 (2009 £71,099,000) £3,247,000 of the related accumulated depreciation was charged in the year ended 30 September 2010 (2009 £3,217,000)

As at 30 September 2010, aircraft with a net book value of £844,676,000 (2009 £769,518,000) were mortgaged to lenders as security for loans

8 Trade and other receivables

	2010 £ 000	2009 £ 000
Amounts owed by group undertakings (note 17)	**1,127,965**	633,951
Other receivables	**139**	8,353
Prepayments and accrued income	-	139
	1,128,104	642,443

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

	2010 £ 000	2009 £ 000
Cash and cash equivalents	**8**	2
Non-current restricted cash	**1,133**	1,106
	1,141	1,108

10 Trade and other payables

	2010 £ 000	2009 £ 000
Amounts owed to group undertakings (note 17)	**953,093**	1,015,978
Accruals and deferred income	**2,389**	2,721
	955,482	1,018,699

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11 Borrowings

At 30 September 2010	Current £ 000	Non-current £ 000	Total £ 000
Bank loans	83,152	756,763	839,915
Finance lease obligations	4,102	103,939	108,040
	87,254	860,701	947,955

At 30 September 2009	Current £ 000	Non-current £ 000	Total £ 000
Bank loans	78,021	704,092	782,113
Finance lease obligations	3,763	106,097	109,860
	81,784	810,190	891,974

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

	2010 Number	2009 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

	2010 £ 000	2009 £ 000
Operating profit	**104,678**	43,021
Adjustments for		
Depreciation	**52,055**	39,225
Unrealised foreign exchange differences	**31,246**	64,992
Changes in working capital		
Increase in trade and other receivables	**74,271**	(480,800)
(Decrease) / increase in trade and other payables	**(91,734)**	326,339
Increase in other non-current liabilities	**10,419**	48,838
	180,935	41,615

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 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)**	(941,750)

At 30 September 2009		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	1,106	-	-	-	**1,106**	1,106
Derivative financial assets	-	-	23,270	-	**23,270**	23,270
Trade and other receivables	635,441	-	-	7,002	**642,443**	642,443
Cash and cash equivalents	2	-	-	-	**2**	2
Trade and other payables	-	(1,018,699)	-	-	**(1,018,699)**	(1,018,699)
Borrowings	-	(891,974)	-	-	**(891,974)**	(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

14 Financial instruments (continued)

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

	2010 £ 000	2009 £ 000
Operating profit		
Unrealised revaluation losses on non-derivative financial instruments	**27,696**	58,648
Unrealised revaluation losses on other monetary assets and liabilities	**3,550**	6,344
Realised foreign exchange losses / (gains) on financial instruments	**12**	(535)
Realised losses / (gains) on derivatives	**13**	(518)
	31,271	63,939
Financing costs		
Unrealised losses / (gains) on derivatives	**25,184**	(20,598)
Unrealised revaluation losses on non-derivative financial instruments	**19,985**	17,248
Realised (gains) / losses on derivatives	**(42,940)**	15,456
	2,229	12,106
	33,500	76,045

Fair value of derivative financial instruments

At 30 September 2010	Quantity USD million	Assets £000	Liabilities £000
Designated as held for trading			
Forward US dollar contracts	1,570 0	-	1,916
	1,570.0	**-**	**1,916**

At 30 September 2009	Quantity USD million	Assets £000	Liabilities £000
Designated as held for trading			
Forward US dollar contracts	1,512 0	23,270	-
	1,512.0	**23,270**	**-**

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

14 Financial instruments (continued)

Derivatives designated as held for trading

The group has US dollar net monetary liabilities at the year end date of $1,082 7 million (2009 $794 9 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

	2010	2009
	$000	$000
Cash and cash equivalents	13	3
Net amount owed (to) / by group undertakings	(602,914)	137,951
Borrowings	(1,429,489)	(1,385,325)
Maintenance provisions and other	(234,273)	(204,890)
Net monetary liabilities	(2,266,662)	(1,452,261)
Forward US dollar contracts	1,570,000	1,512,000
	(696,662)	59,739

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 2010

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 shareholders' equity 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 and Euro 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

15 Financial risk and capital management (continued)

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

At 30 September 2009	usd + 10% £000	usd - 10% £000	Interest rates 1% increase £000
Income statement impact gain/(loss)	112,782	(137,845)	(9,165)

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 2010 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 2010 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 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	-	-	-

30 September 2009	Within 1 year £000	1-2 years £000	2 - 5 years £000	Over 5 years £000
Borrowings	98,637	117,803	293,043	476,205
Trade and other payables	1,018,699	-	-	-
Derivative contracts - receipts	(944,059)	-	-	-
Derivative contracts - payments	920,788	-	-	-

16 Commitments

Minimum lease payments under finance leases fall due as follows

	2010 £000	2009 £000
Not later than one year	**6,510**	6,623
Later than one year but not more than five years	**28,869**	28,719
More than five years	**85,871**	92,280
	121,250	127,622
Future finance charges on finance leases	**(13,210)**	(17,761)
Finance lease obligations	**108,040**	109,861

17 Related parties

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

	2010 £ 000	2009 £ 000
Revenue and other gains from group undertakings	**231,074**	164,231
Purchases and other charges from group undertakings	**25,197**	15,455
Amounts owed by group undertakings	**1,127,965**	633,951
Amounts owed to group undertakings	**953,093**	1,015,978

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, 27 aircraft were transferred to easyJet Airline Company Limited for a total consideration of £479 7 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

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

easyJet plc has guaranteed the contractual obligations of the Company in respect of its contracted obligations to Airbus SAS related to its supply of Airbus 320 family aircraft

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