17 November 2020

easyJet plc

Results for the year ending 30 September 2020

This announcement contains inside information

With its unmatched network, leaner cost base, most trusted brand and strong liquidity, after raising more than £3.1 billion to date, easyJet is strongly positioned to be a leader in the recovery of the European airline industry

Commenting on the results, Johan Lundgren, easyJet Chief Executive said:

"I am immensely proud of the performance of the easyJet team in facing the challenges of 2020. We responded robustly and decisively, minimising losses, reducing cash burn and launching the largest Cost Out and restructuring programme in our history – all while raising more than £3.1 billion in liquidity to date.

"easyJet has not only withstood the impact of the pandemic, but now has an unparalleled foundation upon which to emerge strongly from the crisis. Our unmatched short haul network and trusted brand will see customers choose easyJet when returning to the skies.

"While we expect to fly no more than 20% of planned capacity for Q1 2021, maintaining our disciplined approach to cash generative flying over the winter, we retain the flexibility to rapidly ramp up when demand returns.

"We know our customers want to fly with us and underlying demand is strong, as evidenced by the 900% increase in sales in the days following the lifting of quarantine for the Canary Islands in October. We responded with agility adding 180,000 seats within 24 hours to harness the demand.

"And last week we saw the welcome news about a possible imminent vaccine roll out.

"I would like to thank everyone at easyJet for their work which has left us well positioned and expecting to bounce back strongly."

Summary

- In the year ending 30 September 2020, through its disciplined and prudent approach, easyJet has:
  - Focused on cash generative flying
  - Successfully cut operating costs and capex in order to reduce cash burn
  - Raised over £2.4 billion in liquidity
  - Retained strong customer satisfaction scores
- Due to the impact of COVID-19, passenger numbers for the year ending 30 September 2020 decreased by 50.0% to 48.1 million (2019: 96.1 million)
- Capacity[1] decreased by 47.5%
- Load factor only decreased by 4.3 percentage points to 87.2% due to a prudent approach to capacity

- Total revenue decreased by 52.9% to £3,009 million (2019: £6,385 million). Total Airline revenue per seat[2] decreased by 10.6% to £54.35 (2019: £60.81). Airline revenue per seat at constant currency[3] for the year ending 30 September 2020 decreased by 10.3%, reflecting growth of 10.2% in H1 and contraction of 27.5% in H2
- Headline Airline cost per seat excluding fuel at constant currency[3] increased by 30.2% to £56.33, mainly due to the volume impact of the H2 capacity decrease. Headline Airline cost per seat increased by 21.7% to £69.03 (2019: £56.74)
- Largest cost-out programme launched in easyJet's history
- 100% of CO_2 from fuel and operations were fully offset, as easyJet remains the only major airline to operate fully carbon neutral flying on all flights
- Non-headline costs of £438 million (2019: £3 million positive). Total Airline cost per seat, including the impact of non-headline items was £77.01 (2019: £56.71)
- Headline loss before tax of £835 million (2019: £427 million profit), within the guidance range of £815 to £845 million
- Reported loss before tax of £1,273 million (2019: £430 million profit)
- Headline ROCE for the year decreased to (19.9)% (2019: 11.4%)
- Robust balance sheet strength, with total liquidity raised during COVID-19 of £3.1 billion, a net debt position of £1.1 billion (2019: net debt of £326 million) and investment grade credit ratings
- The board will not be recommending the payment of a dividend, in light of the loss for the year (2019: 43.9p per share dividend paid)

Outlook

- Based on current travel restrictions in the markets in which we operate, easyJet expects to fly no more than c.20% of planned capacity for Q1 financial year 2021
- We remain focused on cash generative flying over the winter season in order to minimise losses during the first half. We retain the flexibility to rapidly ramp up capacity when we see demand return
- Capital expenditure for the financial year to 30 September 2021 is expected to be around £600 million
- easyJet has been operating since March 2019 such that it is ready for all possible Brexit outcomes. We are structured as a pan-European airline group with three Air Operator Certificates based in Austria, Switzerland and the UK. Around 45% of our equity capital is held by qualifying European nationals
- At this stage, given the continued level of short-term uncertainty, it would not be appropriate to provide any further financial guidance for the 2021 financial year

	2020	2019	Change Favourable/(adverse)
Capacity (millions of seats)	**55.1**	105.0	(47.5) %
Load factor (%)	**87.2**	91.5	(4.3) ppts
Passengers (millions)	**48.1**	96.1	(50.0) %
Total revenue (£ million)	**3,009**	6,385	(52.9) %
Headline (loss)/profit before tax (£ million)	**(835)**	427	(295.6) %
Total (loss)/profit before tax (£ million)	**(1,273)**	430	(395.9) %
Headline basic (loss)/earnings per share (pence)	**(178.1)**	88.7	(300.8) %
Airline revenue per seat (£)	**54.35**	60.81	(10.6) %
Airline revenue per seat at constant currency[3] (£)	**54.52**	60.81	(10.3) %
Airline headline cost per seat (£)	**69.03**	56.74	(21.7) %
Airline headline cost per seat excluding fuel at constant currency[3] (£)	**56.33**	43.26	(30.2) %
Proposed ordinary dividend per share (pence)	**N/A**	43.9	(43.9)
Headline return on capital employed (%)	**(19.9)**	11.4	(31.3) ppts

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Conference call

There will be an analyst presentation at 09:15am GMT on 17 November 2020. Given the UK Government's current guidance on non-essential travel and restrictions on public gatherings in place at the date of this announcement, we regret that it will not be possible for analysts or investors to attend in person.

A webcast of the presentation will be available both live and for replay. Please note that participants will not be able to ask questions via the webcast. Please register on the following link:
https://webcasting.brrmedia.co.uk/broadcast/5fad206bbe1fd642a3ef0e39

Telephone dial-in:
UK & International: +44 (0) 330 336 9411
Confirmation code: 5300200

Overview

During the 11-week grounding in spring/summer and the restart easyJet took quick and decisive actions to cut operating costs and capex, to maximise liquidity and to develop processes to manage our return to flying. easyJet remains extremely disciplined and since the grounding has focused on flying which generates a positive contribution. During the first half of the year easyJet delivered strong underlying trading, benefitting from our own and market capacity consolidation from October to February, particularly in the UK and Germany, with yield initiatives and network optimisations further capitalising on strong demand for our routes.

Revenue

Total revenue decreased by 52.9% to £3,009 million (2019: £6,385 million) as capacity was severely reduced by 47.5% to 55.1 million seats (2019: 105.0 million) as a result of COVID-19. Total Airline revenue per seat decreased by 10.6% to £54.35 (2019: £60.81). Airline revenue per seat at constant currency[3] decreased by 10.3%, reflecting growth of 10.2% in H1 and contraction of 27.5% in H2.

Passenger revenue decreased by 54.0%. The key driver of this was government travel restrictions in most of the markets where easyJet operates, including full national lockdowns during Q2 which led us to ground the entire easyJet fleet for 11 weeks. Whilst there was some recovery in demand as travel restrictions eased during the summer, widespread quarantine measures introduced in September once again eroded demand and consumer confidence to travel. All regions saw passenger revenue decline substantially year on year although there was some relative strength in Switzerland, Portugal and UK domestics. Ancillary revenue decreased by 48.7% to £706 million (2019: £1,376 million). This reflected the reduction in passenger volumes during H2.

Cost

easyJet's underlying cost performance was strong in the 2020 financial year. Group headline costs excluding fuel were reduced by 30.8% at constant currency[3] as management achieved material savings across many areas of the business, including airport fees, ground handling, crew and maintenance costs.

The cost per seat performance was driven overwhelmingly by the impact of COVID-19, which led to dramatic capacity reductions, as described above. Headline Airline cost per seat including fuel increased by 21.7% to £69.03 (2019: £56.74). Headline Airline cost per seat at constant currency[3] increased by 22.9% to £69.72 (2019: £56.74). Headline Airline cost per seat excluding fuel increased by 30.2% at constant currency[3] to £56.33 (2019: £43.26).

Fuel cost per seat decreased by 2.9% to £13.09 (2019: £13.48) and by 0.7% at constant currency[3].

Non-headline items

easyJet incurred £438 million in non-headline costs during the 2020 financial year (2019: £3 million net benefit). Non-headline items are material non-recurring items or are items which do not reflect the trading performance of the business. These costs are separately disclosed and further detail can be found in the notes to the accounts. These include:

- £38 million gain as a result of the sale and leaseback of 33 aircraft in the period (2019: gain of £2 million)
- £123 million charge related to restructuring (2019: nil)

- £37 million charge related to impairment on leased aircraft (2019: nil)
- £311 million charge related to hedge discontinuation and fair value adjustments (2019: £1 million gain due to hedge ineffectiveness)
- £5 million charge from the retranslation of balance sheet monetary assets and liabilities (2019: £2 million gain)
- £0.4 million charge for ongoing organisational and legal costs associated with easyJet's Brexit-mitigation programme (2019: £4 million charge)

Strategic progress

easyJet maintains a number of structural advantages which create an unparalleled foundation on which to build as the travel market recovers:

- Network positions
- Business model
- Our people
- Trusted brand
- Strong relative cost position

These structural advantages alongside our continued focus on operational and digital safety, provide easyJet the tools to achieve industry-leading returns and resilience.

Network Positions

easyJet has a strong network of leading number one and number two positions in primary airports, which has proven during COVID-19 to be amongst the highest yielding in the market and which enables us to be efficient with our network choices, with an emphasis on maximising returns. We will seek to strengthen and defend these positions as the competitive landscape evolves. The scale and flexibility of our network will provide us with opportunities to take advantage of changes in the competitive landscape during the recovery phase. easyJet will act quickly to selectively acquire attractive slots made available in locations where the opportunity arises.

As part of the restructuring programme easyJet has closed its bases in Southend, Stansted and Newcastle, although Stansted and Newcastle continue to be served on an inbound flying basis. To better capture summer leisure demand, easyJet will be opening seasonal bases in Malaga and Faro during summer '21.

easyJet remains extremely disciplined in focusing on flying which generates a positive contribution. We typically thin our route frequencies during winter and will do so more significantly this year. Our operations, financial and commercial teams have been working on dynamic schedule updates, with a two to four week lead time, in order to capitalise on all available demand. During Q4 easyJet flew 38% of planned capacity. Customer demand shifted rapidly over the summer amongst our many different leisure destinations, influenced largely by which countries and regions which are quarantine-free. Flying peaked in August and then tapered significantly during September when customer demand was materially affected by changes in government travel guidance and quarantine rules. Customers are booking at a very late stage and visibility remains limited.

easyJet's response to market changes has been extremely agile. Within 24 hours of the UK government's announcement in late October that quarantine to/from the Canary Islands was being lifted, easyJet had added 180,000 seats of additional capacity. This was supported by updated homepage and app banners, email marketing notifications to 8.5 million accounts, as well as social media activity. The result was an 876% increase in sales over five days.

Our focused network strategy can be summarised as follows:

1. Lead in our Core Markets
   easyJet prioritises slot-constrained airports because they are where customers want to fly from, we are able to achieve cost leadership and preserve our scale. We provide a balanced network portfolio across domestic, city and leisure destinations. Our scale enables us to provide market leading networks and schedules. We are maintaining our focus on country leadership in the UK, France and Switzerland and our city focus in the Netherlands, Italy and Germany.
2. Build on our strength in Destination Leaders
   We will build on our existing leading position in Western Europe's top leisure destinations and add new bases to provide network breadth and flexibility. This will also unlock cost benefits, enabling us to manage seasonality and support the growth of easyJet holidays. It also ensures that easyJet remains top of mind for customers and is seen as the 'local airline' for governments and hoteliers looking to lend their support.
3. Potential future growth in Focus Cities
   easyJet is building a network of key cities, broadening our presence across Europe. This is a low-risk way of serving large origin markets. We will base assets in Focus Cities where it makes sense from a cost perspective.

Winning Business Model

easyJet's low cost model, which serves predominantly short haul leisure travellers, offering excellent value for money and a customer-centric approach, is ideally positioned to be at the leading edge of European aviation's recovery from COVID-19. This is because, firstly, the recovery from the pandemic will emerge first through pent up demand for leisure travel as customers look to take holidays again and visit friends and families[4] in short haul markets where there is likely to be greater alignment in government travel restrictions. They will also gravitate towards value and short haul trips, where the perceived risks of consumers are lower and the financial commitment is lower. Additionally easyJet retains substantial flexibility within its cost base, ensuring our costs are aligned to the level of demand in the market.

easyJet maintains high and growing market shares in the most important leisure airports, having increased our positions in 2020 by 1.1 percentage points to 13.6% of capacity in the top 20 European leisure airports[1]. This market share will grow further with the opening in summer '21 of our seasonal bases in Malaga and Faro.

easyJet is well positioned to capture more business traffic when that market recovers. During the global financial crisis 56% of corporates moved to value-oriented airlines such as easyJet when purchasing corporate travel products[6]. We expect that any economic weakness following the COVID-19 pandemic will play to easyJet's strengths and strong value-for-money credentials, resulting in a market share increase.

The unrivalled flexibility of easyJet's business model has enabled us to be the fastest in the market to react to recent changes in UK quarantine restrictions. When restrictions were lifted for UK travellers to the Canary Islands, our prompt action to re-launch the Canaries as a destination resulted in an 876% increase in sales over the following five days. This was achieved as a result of immediately updating our digital assets (website homepage and app banner) and launching email push notifications; adding 180,000 seats within 24 hours from all UK bases; operating additional seats within 48 hours of announcement; a proactive social media strategy on both Facebook and Instagram; and a creative trade strategy for easyJet holidays.

Customer Excellence

As part of our winning business model, easyJet aims to deliver a seamless and digitally enabled customer journey at every stage:

- Prior to travel – our ‘direct is best’ strategy is led by our digital channels, with an app/mobile-first mindset. Initiatives include rebuilding our web booking interface; driving app usage and improving the overall experience; enhancing self-service booking management such as changing passenger details or baggage booking; improving online redemption management such as vouchers; developing full pre-order capability for retail onboard; and payments innovation.
- In airport – moving customers from kerb to aircraft without the need for human interaction. This involves improving boarding in order to improve CSAT and reducing queuing; streamlining the boarding experience, improving the automatic gates process, pushing for 100% digital boarding passes; developing ‘virtual boarding’; building the London Gatwick ‘Model Customer Journey’ and expanding this to other big cities; reducing the need for check-in.
- In flight – our warm welcome and personal service to get you to your destination on time. We are committed to improving On-Time Performance (OTP) – on time, every time – by managing suppliers, empowering crew, implementing pre-tactical planning and strategic ATC planning, carrying out base operating reviews, building a customer-level data view to enable targeted offers such as inflight retail and reviewing the CRM lifecycle for more relevant customer engagement.
- Support – we aim to give customers the digital tools to easily self-serve when things do not go to plan, or to engage after their flight. As part of this initiative we will deliver Self-Service Disruption Management (SSDM) to let customers quickly self-serve in disruption; we are launching a new social strategy to engage with our customers, we are building a hub of ‘Voice of Customer’ insights, creating an ‘always on’ feedback loop and shifting focus from CSAT to life time value of the customer.

Together these initiatives will improve ease, value and reliability by delivering the core product and digitalising the customer experience.

On-Time Performance

In the year to 30 September 2020, OTP increased by 9 percentage points to 84%. This reflects the temporary decrease in congestion of European airspace and the strides we are taking towards leaving ‘on time, every time’.

OTP % arrivals within 15 minutes[7]	Q1	Q2	Q3	Q4	Full year
2020 Network	80%	82%	83%	94%	84%
2019 Network	79%	82%	74%	66%	75%

easyJet holidays

easyJet holidays is a key differentiating factor of our business model. From the customer’s perspective, easyJet holidays has a leading value proposition as a result of our low cost base which is reinforced by our unique access to flight inventory and direct access to existing easyJet customers. Our new ‘Protection Promise’ is also driving customer value, confidence and retention, alongside offering unparalleled flexibility, with the ability to leverage the scale of the airline and relationships with key partners to give customers more weekend flying and handpicked hotels. Our scalable technology platform allows us to introduce this flexibility in an efficient and customer-centric way.

easyJet holidays has a low risk, scalable business model which supports price leadership. Its key benefits are:

- Low overheads – Over 93% of the cost base of easyJet holidays is variable and it has an efficient and scalable organisational structure. Simplified pricing models and refined customer focus reduces complexity and marketing spend.

- Digitally delivered – Our digitally-led customer experience significantly reduces the operational headcount and cost base – we have no tour reps. This provides a low cost, scalable and attractive customer proposition.
- No commitments – This is a low risk approach, with no hotel commitments.
- Proposition agility – Our business model and technology platform allows us to quickly adjust our proposition to changes in the demand environment. Our technology platform and overall business model are highly scalable.
- Strategic relationships – we are building long-term strategic relationships (with hotels, destination management companies and trade/tourism boards) in order to drive lower costs.

The package holiday market is expected to recover more quickly than flight-only bookings[8] and many customers will seek a package deal that provides them with more certainty in the current environment. Our summer '21 booking position is significantly ahead of previous years at this point. Many of our competitors are under pressure, with traditional tour operators struggling due to their large fixed cost base and financial obligations. Many Online Travel Agents (OTAs) have struggled to cope with the customer service levels required during COVID-19 and a number of smaller travel companies have failed.

Sustainability

Despite the impact of the pandemic, the airline has continued to reaffirm its commitment to sustainability, which is of significant and growing importance to our customers. 72% of consumers say that the sustainable behaviour of a company is now a more important factor in a purchase decision since the global outbreak of COVID-19[9]. The likelihood of consumers choosing easyJet over another airline as a direct result of our carbon offsetting policy continues to increase steadily, rising to over 47% by September 2020[10].

In November 2019 we established our new Sustainability Strategy, focused on driving down our environmental impact. Our strategy has three pillars: tackling our carbon emissions; stimulating carbon innovation; and going beyond carbon.

- Tackling carbon emissions
  We are the world's first and only major airline to operate carbon neutral flying across our entire network, and we continue to work tirelessly to minimise carbon emissions across our operations.
  We continue to operate a fleet of modern, fuel efficient aircraft and are always looking for more ways to be fuel efficient and emit less carbon. This year we commissioned the Carbon Trust to complete a carbon footprinting assessment across easyJet, so we can better understand emissions throughout our value chain and how to tackle these. Alongside our continued efficiency efforts, we believe that radical action to address the impact of climate change is also needed. Last year we became the only major airline worldwide to offset all our organisation's direct carbon emissions (scope 1 and 2), through programs that plant trees or avoid the release of additional carbon dioxide. Since then we have retired 3.1 million carbon credits from high quality projects to provide carbon neutral flights to our customers at no additional cost to them. We remain committed to our approach on carbon offsetting and have continued to offset all our flights through the pandemic. We also continue to advocate smarter regulation for aviation that rewards carbon efficiency.

- Stimulating carbon innovation
  We are supporting the development of new technologies to reinvent aviation as quickly as possible. Offsetting can only be an interim solution, while zero emissions technology is developed. We are collaborating with several industry leaders to support technological step change: Wright Electric in their development of 'Wright 1' – an all-electric 186-seater; and a strategic partnership with Airbus in their ambition to develop a zero-emission commercial aircraft by 2035. We are excited to see the growing

momentum behind these disruptive technologies such as all electric, hybrid and hydrogen. There is significant potential for these technologies, particularly on short-haul networks such as our own. We are also seeking to be an informed adopter of Sustainable Aviation Fuels and advanced carbon capture technologies when available and commercially viable.

- Going beyond carbon
  We are constantly looking for more ways to take action outside of carbon reductions including having taken steps to reduce the amount of plastic used for our onboard service, and to date we have already removed over 25 million individual items of plastic from our inflight retail. We are also aiming to reduce waste and plastic at easyJet and within our supply chain. We are creating a culture where employees can champion sustainability and in the future we will focus our charitable efforts on environmental sustainability. We are also particularly pleased that easyJet's long term work with our charity partner UNICEF, who we have supported through on-board collections since 2012, has contributed to the achievement this year of the eradication of wild polio in Africa. The efforts of our cabin crew and the generosity of our customers have helped UNICEF deliver the work needed to achieve this important milestone.

Despite easyJet and the aviation industry facing many challenges from the pandemic, we remain absolutely committed to operating more sustainably now and in the future. We will continue to take the lead in tackling our own carbon emissions and helping to drive the technological changes necessary to decarbonise aviation in the critical decades ahead.

Our People

Despite the challenges of COVID-19 and resulting restructuring, easyJet still has a strong reputation as a large employer, having been voted as the #16 Glassdoor Best Place to Work 2020. This is the highest in the aviation industry and enables us to continue attracting the best customer-facing talent.

The high calibre of our people is a key source of differentiation for easyJet compared to other LCCs and full service carriers, driving CSAT and customer loyalty. Our strong employer reputation attracts and retains engaged crew, with the spirit to deliver excellent service. On Board CSAT is the highest relative to other customer journey touchpoints, which highlights our crew as a strength in our overall customer proposition.

easyJet's Airline Management Board is able to draw upon heavyweight industry expertise, including:

- Johan Lundgren, Chief Executive Officer – former Deputy CEO, TUI Travel
- Kenton Jarvis, incoming Chief Financial Officer (as of 3/2/21) – former CEO, TUI Aviation
- Peter Bellew, Chief Operating Officer – former COO, Ryanair and CEO, Malaysia Airlines
- Stuart Birrell, Chief Data & Information Officer – former CIO, Heathrow Airport and CIO, Gatwick Airport
- Robert Carey, Chief Commercial & Customer Officer – former Partner, McKinsey transport practice

Such in-depth knowledge of the aviation and travel industry is crucial as we navigate the recovery from COVID-19.

As part of its major restructuring programme easyJet launched an employee consultation process on proposals to reduce staff numbers by up to 30%, including optimising our network and bases, improving productivity and promoting more efficient ways of working. This will position the business to emerge from the pandemic in an even more competitive position for the long term.

The restructuring in the UK has already been completed, with agreements having been reached with unions, the affected staff already having left the business and the targeted cost savings having been achieved. Union or Works Council agreements have now also been finalised in Germany, the Netherlands and Portugal while discussions have started in other territories. Discussions with the relevant unions and works councils were constructive and have resulted in greatly increased seasonal and flexible working patterns whilst avoiding the need for compulsory redundancies. These agreements will result in a step change in costs and a more seasonally-matched cost profile.

Trusted Brand

easyJet entered the pandemic with a leading brand relative to other low cost carriers (LCCs) and has been able to maintain its advantage in key markets despite the disruption many of our customers have experienced during 2020. Our 'first choice brand' score saw improvement across all major markets (UK, France, Germany, Switzerland, Italy), as did our brand trust. Customer satisfaction saw an improvement year on year of 14 percentage points in Q4 to 83%. Strong customer loyalty is significant, since returning customers are less expensive to attract and typically buy twice as many flights per year compared to new customers. This year 87% of our seats were booked by returning customers, up 9% compared to 2019.

We believe that in times of uncertainty customers look to brands they can trust and which offer them the best value. easyJet has a leading position in 'price vs worth' metrics and is perceived as the best value LCC in the UK, France, Switzerland and Italy[11]. As customers look to return to travel, easyJet's proven track record for value for money and its customer-focused approach will be critical during the recovery in demand.

easyJet will ensure it leverages its existing brand strength by ensuring customers have the flexibility which gives them the confidence to book, while continuing to provide great value for money and providing a differentiated, digital-first experience coupled with our leading position on sustainability which is another key competitive advantage.

Strong Relative Cost Position

easyJet continues to have a significant cost advantage compared to legacy carriers, where we have the greatest route overlap, coupled with considerable cost flexibility, which enables us to align cost to demand through the COVID-19 recovery and beyond.

easyJet has launched a major restructuring programme in order to position the business to emerge from the pandemic in an even more competitive position for the long term. This is the largest cost out programme in easyJet's history. Savings are targeted across all areas of the business and are expected to be captured through the 2021 financial year, with more savings to come in the 2022 financial year.

Decisive action in the early stages of the pandemic included utilising European-wide furlough arrangements, terminating all discretionary spend, deferring non-essential maintenance costs and initiating the restructuring programme.

As part of the cost efficiency programme, headcount costs are expected to be cut by up to 30%. The restructuring in the UK has already been completed, with agreements having been reached with unions and the affected staff already having left the business. Union or Works Council agreements have now also been finalised in Germany, the Netherlands and Portugal, while discussions have started in other territories. Agreement has also been reached on a two-year pay freeze across six countries and 10% of our UK crew have already moved to seasonal contracts to operate in the peak months only. These agreements will result in a step change to a materially more seasonal cost profile and will help to increase crew productivity, where we target a 20% uplift.

In order to reduce our fuel costs we have taken steps to use shorter flight routing plans, fly slower to save fuel and reduce usage of ground power units. These measures improve our sustainability, and help noise abatement as well as saving costs on fuel.

Our cost discipline on ground handling has increased with simpler contracts to drive greater value and focus on punctuality. We continue to negotiate volume- and growth-based deals at our key airports where many legacy carriers have retrenched. We are also targeting a 50% reduction in events which lead to EU 261 costs.

Some of our key maintenance providers are exiting European markets and we are bringing line maintenance in-house where it saves us cost and we can provide better quality. We continue to extend some of our lowest cost engineering contracts.

Brexit

easyJet is well prepared for the end of the Brexit transition period on 31 December 2020 (the "Transition Period") and has been operating in a 'no deal' Brexit environment since March 2019.

Since March 2019, easyJet has been structured as a pan-European airline group with three airlines based in Austria, Switzerland and the UK. This ensures that easyJet will continue to be able to operate flights both across the EU and domestically within EU countries after the end of the Transition Period, irrespective of whether there is any future agreement between the EU and UK on aviation matters.

To allow continued flying within Europe after the end of the Transition Period, easyJet is required to ensure ongoing compliance with European ownership and control requirements. Our level of ownership by EU nationals[12] is currently 45.2%. If easyJet's level of EU ownership remains below the required level of 50% plus one share at the end of the Transition Period, easyJet's board stands ready to activate existing provisions of easyJet's Articles of Association to ensure that easyJet will be able to continue to comply following the end of the Transition Period. This would be achieved by exercising easyJet's existing powers to suspend voting rights of certain UK and non-EU nationals. For the period of any such suspension, the relevant shareholders would not be permitted to attend, speak or vote at shareholder meetings in respect of the shares subject to the suspension.

Any suspension of voting rights would be applied on a last-in first-out basis, meaning it would affect shares most recently acquired by UK and non-EU nationals first. A suspension of voting rights would apply only while EU ownership is below 50% plus one share. Further information regarding the possible suspension of voting rights can be found on easyJet's website at: https://corporate.easyjet.com/investors/shareholder-services/eu-share-ownership.

easyJet expects to keep the position under review following the end of the Transition Period. If EU ownership remained below the required level over time, easyJet retains the right to activate the provisions of its existing Articles of Association, which permit the Company to compel non-EU national shareholders to sell their easyJet shares to EU nationals.

Annual General Meeting

The Company's next AGM will be brought forward to 23 December 2020, to provide shareholders with an opportunity to engage with the Board prior to the end of the Brexit transition period on 31 December 2020 and in advance of any actions the Company might need to take to continue to comply with European ownership and control requirements, including disenfranchisement, as set out above. Details of the matters to be considered at the AGM will be set out in the Notice of AGM which will be published shortly.

Board

As announced on 7 October 2020, Moya Greene DBE will not be standing for re-election at the AGM. Charles Gurassa was due to step down from the Board on 31 December 2020, having served nine years on the Board, but as a result of the AGM being brought forward he will not put himself forward for re-election and will step down from the Board at the conclusion of the AGM on 23 December 2020. We have also announced today that David Robbie will be joining the Board and will become a member of the Audit, Finance and Remuneration Committees with effect from 17 November 2020.

Fleet

easyJet's fleet is a major component of its business model and a competitive advantage. easyJet's total fleet as at 30 September 2020 comprised 342 aircraft (2019: 331 aircraft) with the increase driven by the addition of new aircraft from the A320 family. The average gauge of the fleet is now 177 seats per aircraft, an increase from 175 seats at 30 September 2019. The average age of the fleet increased slightly to 8.0 years (2019: 7.4 years). During the year easyJet's asset utilisation across the network decreased to an average 5.0 block hours per day (2019: 10.9 hours).

Fleet as at 30 September 2020:

	Owned	Leased	**Total**	% of fleet	Changes since Sep-19	Future deliveries	Purchase options	Unexercised purchase rights
A319	52	70	**122**	36%	(3)	-	-	-
A320 180 seat	-	14	**14**	4%	(26)	-	-	-
A320 186 seat	125	30	**155**	45%	26	-	-	-
A320 neo	31	6	**37**	11%	6	85	20	58
A321 neo	7	7	**14**	4%	8	16	-	-
	215	**127**	**342**		**11**	**101**	**20**	**58**
Percentage of total fleet	*63%*	*37%*						

Our flexible fleet plan allows us to expand or contract the size of the fleet depending upon the demand outlook. Between now and the 2023 financial year the fleet plan affords c.31% flexibility between the minimum and maximum scenarios. The reduction to 302 is dependent on commercial negotiations currently in progress. Through the 2021 financial year, easyJet will be storing eight leased aircraft on behalf of their respective lessors. These are held at zero rent unless flown and are therefore not included within the 302.

Number of aircraft	FY20	FY21	FY22	FY23
Current contractual minimum	342	302	285	272
Base case	**342**	**302**		
Current contractual maximum	342	322	334	356
Expected deliveries		0	8-13	7-29

Capital Expenditure

Capex for the current year has been approximately halved compared to prior expectations. Aircraft deliveries have been deferred and easyJet will take no new aircraft deliveries in the 2021 financial year. Over the next three years easyJet's gross capital expenditure is expected to be as follows:

Year	2021	2022	2023
Gross capital expenditure (£ million)	c.600	c.600-800	c.600-1,000

Sale and leaseback transactions

easyJet regularly executes sale and leaseback transactions of aircraft to manage residual value risk and maintain flexibility, with ten such aircraft having been transacted on in December 2019.

In order to maximise liquidity in response to COVID-19, easyJet completed the sale and leaseback of 23 aircraft during the 2020 financial year, generating gross proceeds of £608 million. Since the end of the financial year sale and leasebacks of a further 20 aircraft were transacted, raising an additional £436 million.

easyJet today announces the sale and leaseback of a further ten A320 family aircraft with SMBC Aviation Capital Limited. The transactions generate total cash proceeds of $368.8 million (approximately £280.2 million), which will be used to maximise liquidity and strengthen easyJet's financial position. The transaction creates lease obligations of approximately £223.1 million. The net book value of the aircraft at the date of transaction was approximately £191.0 million. The average incremental net annual headline cost in easyJet's income statement will be approximately £14.8 million, which is driven by increases in interest charges and depreciation. Following this transaction, we retain ownership of 55% of the total fleet, with 37% unencumbered. We are not currently considering any further sale and leaseback transactions on the scale of those undertaken in recent months.

Liquidity

easyJet has taken swift and decisive action to raise over £3.1 billion in cash to date since the beginning of the COVID-19 pandemic, from a diversified range of funding sources. Liquidity raised during the 2020 financial year comprised £400 million from drawing down an existing Revolving Credit Facility, £400 million from two term loans, £600 million from the UK Government's Covid Corporate Financing Facility, £608 million in sale and leaseback transactions and £409 million in new equity issuance. Since the end of the financial year sale and leasebacks of a further 30 aircraft have been transacted, raising an additional £717 million. Following completion of these transactions we retain ownership of 55% of our fleet, with 37% unencumbered.

We are pleased to announce today that following discussions with the Bank of England and HMT, easyJet is planning to extend its borrowing under the COVID Corporate Financing Facility (CCFF). Implementing the proposed extension will lead to a staggered repayment profile with £300 million repaid in March 2021 and £300 million in November 2021. This is part of a wider financing strategy to refinance all upcoming maturities in a structured manner.

These measures have further underpinned easyJet's liquidity position and credit metrics whilst also enhancing our robust balance sheet to provide a significant liquidity buffer. Our cash position at 30 September 2020 of £2.3 billion is more than double the average level over the prior three years. As previously indicated, easyJet will continue to review its liquidity position on a regular basis and will continue to assess further funding opportunities, should the need arise.

This robust balance sheet, combined with the actions which we are taking on thinning our routes in Q1 and removing cost, will enable us to conserve cash over the winter months. Total cash burn of £774 million during Q3 was reduced to £651 million during Q4. Cash refunds paid to customers in H2 totalled £863 million. During the pandemic easyJet has sought to offer its customers increased flexibility and options including refunds and vouchers or the ability to move flights without fees. The amount of flight vouchers currently in issuance is approximately £250 million.

Balance sheet

easyJet's funding position remains robust with net debt at 30 September 2020 of £1,125 million (2019: net debt of £326 million), which comprised cash and cash equivalents of £2,316 million (2019: £1,576 million), borrowings of £2,731 million[14] (2019: £1,324 million) and lease liabilities of £710 million[15] (2019: £578 million).

Liquidity per 100 seats was £4.0 million (2019: £3.6 million), representing material headroom compared to our target of a liquidity buffer of £2.6 million per 100 seats, defined as cash plus Business Interruption insurance.

Headline return on capital employed (ROCE) fell to negative 19.9% (2019: 11.4%). Total ROCE fell to negative 23.0% (2019: 11.4%).

Outlook

Based on current travel restrictions in the markets in which we operate, easyJet expects to fly no more than c.20% of planned capacity for the first quarter of the 2021 financial year. The European slot waiver mechanism in place for this winter will enable easyJet to best match our capacity against the lower demand that currently exists. We remain focused on cash generative flying over the winter season in order to minimise losses during the first half. We retain the flexibility to ramp up capacity quickly when we see demand return.

At this stage, given the continued level of short-term uncertainty, it would not be appropriate to provide any further financial guidance for the 2021 financial year.

Fuel & FX

Due to the full grounding of the fleet on 30 March 2020 and the lower capacity thereafter, easyJet became significantly over-hedged from both a jet fuel and FX perspective. This had an adverse effect on easyJet's financial statements, due to the recording of hedge accounting discontinuation and ineffectiveness, which has led to a non-headline charge of £311 million. To mitigate the effects of over-hedging, a number of actions have been taken including putting jet fuel hedging on hold for time periods through to October 2021. Jet fuel hedging continues for later time periods. Excluding those hedges that are ineffective, our expected 2021 financial year jet fuel requirement is currently around 77% hedged at $605 per metric tonne and our expected 2022 financial year jet fuel requirement is currently around 44% hedged at $490 per metric tonne.

Footnotes

(1) Represents the number of earned seats flown. Earned seats include seats which are flown whether or not the passenger turns up, as easyJet is a no-refund airline and once a flight has departed, a no-show customer is generally not entitled to change flights or seek a refund. Earned seats also include seats provided for promotional purposes and to staff for business travel.
(2) easyJet holidays forms a separate operating segment to the Airline. Therefore all per seat metrics are for the Airline business only, as the inclusion of hotel-related revenue and costs from the Holidays business will distort the revenue per seat and cost per seat metrics as these are not directly correlated to the seats flown by the Airline business
(3) Constant currency is calculated by comparing 2020 financial year performance translated at the 2019 financial year effective exchange rate to the 2019 financial year reported performance, excluding foreign exchange gains and losses on balance sheet revaluations.
(4) and (5) OAG
(6) BCG Consumer Sentiment Survey, Europe, 2005-2008
(7) On-time performance is defined as the percentage of flights which arrive within 15 minutes of the scheduled arrival time and is measured by internal easyJet systems
(8) DC Travel sector insight report July 2020
(9) GWI Coronavirus Research July 2020
(10) easyJet customer insight survey
(11) Millward Brown Brand Tracker
(12) 'EU nationals' refers to nationals of EU member states plus Switzerland, Norway, Iceland, Liechtenstein, but excludes the UK.
(13) The information relating to the transaction with SMBC contained under the heading 'Sale and leaseback transactions' above and to the rollover of the CCFF under the heading 'Liquidity' above is considered inside information. For the purposes of MAR, the person responsible for arranging the release of this announcement is Maaike de Bie, Company Secretary.
(14) Borrowings due within one year is £987 million
(15) Lease liabilities due within one year is £224 million

OUR FINANCIAL RESULTS

Due to the impact of COVID-19, in the 2020 financial year easyJet flew only 48.1 million passengers (2019: 96.1 million), down 50% on the prior year. As a result, Group headline loss before tax was £835 million for the year ended 30 September 2020 (2019: profit of £427 million) and Group total reported loss before tax for the year was £1,273 million (2019: profit of £430 million). Group total reported loss before tax included a £311 million net charge related to fuel and foreign exchange hedge discontinuation as a result of significantly reduced flying and a £123 million charge relating primarily to redundancy costs associated with a business-wide restructuring programme.

During November 2019, the easyJet holidays business was launched with the first holidays commencing in January 2020. easyJet holidays forms a separate operating segment to the Airline. Therefore all per seat metrics are for the Airline business only as the inclusion of hotel-related revenue and costs from the holidays business will distort the revenue per seat and cost per seat metrics as these are not directly correlated to the seats flown by the Airline business. The segmental note within the consolidated financial statements shows the contribution of each operating segment towards the Group’s performance. All seats flown relate directly to the Airline business and are therefore included in total for the per seat metrics. The overall contribution of the holidays segment to the financial performance of the consolidated Group for the year ended 30 September 2020 was not significant. As a result, presenting the Airline-only financial performance metrics below does not materially distort the financial performance of the Group as a whole.

Amounts presented at constant currency are an alternative performance measure and not determined in accordance with International Financial Reporting Standards but provide relevant and comparative reporting for users.

FINANCIAL OVERVIEW

£ million (Reported) - Group	**2020**	2019
Group revenue	**3,009**	6,385
Headline costs excluding fuel	**(3,123)**	(4,542)
Fuel	**(721)**	(1,416)
Group headline (loss)/profit before tax	**(835)**	427
Headline tax credit/(charge)	**110**	(78)
Group headline (loss)/profit after tax	**(725)**	349
Non-headline items	**(438)**	3
Non-headline tax credit/(charge)	**84**	(3)
Group total (loss)/profit after tax	**(1,079)**	349

£ per seat - Airline only	**2020**	2019
Airline revenue	**54.35**	60.81
Headline costs excluding fuel	**(55.94)**	(43.26)
Fuel	**(13.09)**	(13.48)
Airline headline (loss)/profit before tax	**(14.68)**	4.07
Headline tax credit/(charge)	**1.92**	(0.75)
Airline headline (loss)/profit after tax	**(12.76)**	3.32
Non-headline items	**(7.98)**	0.03
Non-headline tax credit/(charge)	**1.52**	(0.02)
Airline total (loss)/profit after tax	**(19.22)**	3.33

Group revenue for the full year decreased by 52.9% to £3,009 million (2019: £6,385 million), and Airline revenue per seat for the year fell 10.6% to £54.35 (2019: £60.81), and by 10.3% at constant currency.

During the first half of the year easyJet delivered strong underlying trading, benefitting from our own and market capacity consolidation from October to February, particularly in the UK and Germany, with yield initiatives and network optimisation further capitalising on strong demand for our routes. In spite of the initial impact of COVID-19 through March, first half results showed improved revenue performance with year-on-year Airline revenue per seat increasing 10.2% at constant currency, and load factors 0.2 percentage points higher at 90.3%.

However, the restrictions on travel imposed by governments in response to COVID-19 have had a devastating impact on air travel. Due to European-wide lockdowns we grounded our fleet for all but two weeks of the third quarter, and in the fourth quarter we were operating at less than 40% of our previously planned capacity.

As a result of reduced flying and the significantly softer macro-level demand in the second half of the year, Group revenue for the full year decreased by 52.9% to £3,009 million (2019: £6,385 million), and Airline revenue per seat for the year fell 10.6% to £54.35 (2019: £60.81), and by 10.3% at constant currency.

Group headline costs for the full year fell by 35.5% to £3,844 million (2019: 5,957 million), mainly as a result of the reduced flying. Airline headline cost per seat excluding fuel increased by 29.3% to £55.94 (2019: £43.26), and increased by 30.2% at constant currency, as a result of fixed operating costs being spread across less flying capacity.

During the year, easyJet took decisive action in order to remove cost and non-critical expenditure from the business at every level, which included stopping all non-essential investment, non-critical recruitment, promotion and pay freezes across the network. We also began the implementation of a major restructuring and cost-out programme. The costs associated with the restructuring programme have been recognised as a non-headline item, in line with our policy.

Group fuel costs of £721 million were £695 million lower than the 2019 financial year (2019: £1,416 million) primarily as a result of reduced flying. Airline fuel cost per seat of £13.09 (2019: £13.48) was 2.9% lower than last year and 0.7% lower at constant currency. Whilst there was an underlying decrease in the market price of fuel, due to the operation of easyJet's fuel and US dollar hedging this meant that the effective fuel price movement saw an increase of 7% to £489 per tonne (2019: £458 per tonne).

A Group non-headline loss of £438 million (2019: £3 million gain) was recognised in the year. This consisted of a £311 million net charge related to hedge discontinuation reflecting reduced flying in the financial year and reductions in planned flying in the following financial year; a £123 million charge in relation to our restructuring programme; a £37 million impairment charge as a result of placing 34 aircraft into storage until the end of their lease term; a £5 million loss on balance sheet foreign exchange revaluations; partially offset by a £38 million gain as a result of the sale and leaseback of 33 aircraft during the year.

The Group total tax credit for the year was £194 million (2019: £81 million charge). The effective rate for the year was 15.3% (2019: 18.9%). The rate is lower due to the impact of the cancellation of the previously announced Corporation Tax rate reduction and a restricted gain on the sale and leaseback of aircraft.

(Loss)/earnings per share and dividends per share

	2020	2019	
	Pence per share	Pence per share	Change in pence per share
Basic headline (loss)/earnings per share	**(178.1)**	88.7	(266.8)
Basic total (loss)/earnings per share	**(264.9)**	88.6	(353.5)
Diluted headline (loss)/earnings per share	**(178.1)**	87.8	(265.9)
Proposed ordinary dividend per share	**-**	43.9	(43.9)

Basic headline loss per share was 178.1 pence (2019: earnings per share 88.7 pence) and basic total loss per share was 264.9 pence (2019: earnings per share 88.6 pence) driven by the losses for the year. Weighted average shares in issue in the 2020 financial year were 407 million (diluted 412 million) (2019: 393 million, diluted 397 million).

easyJet paid a final dividend for the year ended 30 September 2019 of 43.9 pence per share on 20 March 2020. The payment of the dividend became legally binding following approval by shareholders at the Annual General Meeting on 6 February 2020, before the outbreak of COVID-19 in Europe.

In line with easyJet's dividend policy of a pay-out ratio of 50% of headline profit after tax, the board is not recommending the payment of a dividend in respect of the year to 30 September 2020 due to the loss incurred in the year.

Return on capital employed (ROCE)

	2020	2019
Headline Return on capital employed	**(19.9%)**	11.4%
Total Return on capital employed	**(23.0%)**	11.4%

Headline ROCE for the period was (19.9)%, a decline of 31.3 percentage points on the prior year, driven by the loss for the year. Total ROCE for the period was (23.0)%, a decline of 34.4 percentage points against last year. The higher total ROCE decline is mainly driven by the non-headline restructuring charge impact on operating profit.

ROCE is calculated by taking operating loss/profit, less tax at the prevailing UK corporation tax rate at the end of the financial year, divided by average capital employed. Capital employed is Shareholders' equity less net debt.

Exchange rates

The proportion of revenue denominated in currencies other than Sterling remained broadly consistent year on year. The proportion of costs by currency has changed significantly year on year as a result of lower fuel costs which are denominated in US dollar. Average effective exchange rates include the impact of hedging.

	Revenue		**Costs**	
	2020	2019	**2020**	2019
Sterling	**42%**	43%	**50%**	30%
Euro	**47%**	46%	**31%**	38%
US dollar	**1%**	1%	**13%**	26%
Other (principally Swiss franc)	**10%**	10%	**6%**	6%

Average exchange rates

	2020	2019
Euro – revenue	**€1.13**	€1.13
Euro – costs	**€1.15**	€1.13
US dollar	**$1.39**	$1.32
Swiss franc	**CHF 1.26**	CHF 1.27

The Group's foreign currency risk management policy aims to reduce the impact of fluctuations in exchange rates on future cash flows; however, the timing of cash flows can be different to the timing of recognition within the income statement resulting in foreign exchange movements.

As a result of the full grounding of the fleet within the year and a lower expected flying capacity for several months thereafter, easyJet was, and continues to be in an over-hedged position on its operating foreign exchange hedges. Over-hedged derivative amounts determined during the year and at 30 September 2020 have been discontinued from hedge accounting with their full fair valuation recorded in the income statement as a non-headline item.

To minimise the effects of over-hedging going forward, easyJet temporarily paused its normal rolling foreign exchange programme in March 2020 of hedging between 65% to 85% of the next 12 months and 45% to 65% of month's 13-24 forecast operating cash flows. Before the end of the financial year the hedging programme for future operating USD exposures had recommenced with the expectation over time that USD hedging levels will be gradually brought back to within normal policy levels. Once there is greater certainty on the expected exposures of other foreign currencies, easyJet's regular policy is anticipated to resume for these as well. Throughout the period easyJet has continued to hedge a proportion of its future lease liability payments using foreign exchange derivatives.

In addition, following an agreement with Airbus to defer aircraft deliveries, certain foreign exchange contracts used to hedge these purchases have also become ineffective and were discontinued during the year due to the delay. The Group will look to re-hedge these cash flows as appropriate a minimum of 12 months before delivery in line with existing hedging policy.

Headline exchange rate impact

Favourable/(adverse)	**Euro** **£ million**	**Swiss franc** **£ million**	**US dollar** **£ million**	**Other** **£ million**	**Total** **£ million**
Total revenue	(9)	3	-	(3)	(9)
Fuel	2	-	14	-	16
Headline costs excluding fuel	23	(5)	(4)	8	22
Headline total before tax	**16**	**(2)**	**10**	**5**	**29**

Non-headline exchange rate impact

Favourable/(adverse)	**Euro** **£ million**	**Swiss franc** **£ million**	**US dollar** **£ million**	**Other** **£ million**	**Total** **£ million**
Non-headline costs excluding prior year balance sheet revaluations	(2)	-	(12)	(4)	(18)
Prior year balance sheet revaluations	3	1	(4)	(2)	(2)
Non-headline total before tax	**1**	**1**	**(16)**	**(6)**	**(20)**

There was a £9 million favourable (2019: £8 million adverse) impact on total loss due to the year-on-year changes in exchange rates. A £29 million favourable (2019: £14 million adverse) impact on headline profit was partially offset by a £20 million adverse (2019: £6 million favourable) impact on the non-headline items.

FINANCIAL PERFORMANCE

Revenue

	2020		2019	
	Group £ million	**Airline £ per seat**	Group £ million	Airline £ per seat
Passenger revenue	**2,303**	**41.78**	5,009	47.71
Ancillary revenue	**706**	**12.57**	1,376	13.10
Total revenue	**3,009**	**54.35**	6,385	60.81

The total number of passengers carried decreased by 50.0% to 48.1 million (2019: 96.1 million), driven by a reduction in seats flown of 47.5% to 55.1 million seats (2019: 105.0 million) as a result of significant cancellations due to the outbreak of COVID-19. There were a total of 302,912 flight cancellations, of which 99.2% were as a result of COVID-19. This compares to 3,699 cancellations in 2019. Load factor decreased by 4.3 percentage points to 87.2% (2019: 91.5%).

During the first half of the year easyJet delivered strong underlying trading, benefitting from our own and market capacity consolidation from October to February, particularly in the UK and Germany. Our revenue “self-help” initiatives carried over from 2019, such as our focus on leveraging data to optimise yield and load factor, and maximising late yield performance, meant that, in spite of the initial impact of COVID-19 through March, first half results showed improved revenue performance with Airline revenue per seat increasing 10.2% at constant currency, and load factors 0.2 percentage points higher at 90.3%.

However, the restrictions on travel imposed by governments in response to COVID-19 have had a devastating impact on air travel. We grounded our fleet for all but two weeks of the third quarter, and in the fourth quarter we operated less than 40% of our previously planned capacity.

During the fourth quarter, our dynamic capacity management and revenue forecasting allowed us to closely align to customer sentiment, whilst introducing market leading policies around flexibility and ability to change flights, giving customers the reassurance to book. Leveraging our focus on data, we were able to rapidly build new schedules, which allowed us to react to the latest demand trends. We also continued to adjust our ancillary models to optimise pricing in the COVID-19 environment.

However, as a result of the reduced flying and the significantly softer macro-level demand, Group revenue for the full year decreased by 52.9% to £3,009 million (2019: £6,385 million), and Airline revenue per seat for the year fell 10.6% to £54.35, and by 10.3% at constant currency.

Headline costs excluding fuel

Airline headline cost per seat excluding fuel increased by 29.3% to £55.94 (2019: £43.26) and increased by 30.2% at constant currency.

	2020		2019	
	Group £ million	**Airline £ per seat**	Group £ million	Airline £ per seat
Operating costs and income				
Airports, ground handling and other operating costs	**938**	**16.88**	1,845	17.57
Crew	**629**	**11.42**	859	8.18
Navigation	**206**	**3.74**	409	3.89
Maintenance	**278**	**5.04**	302	2.88
Selling and marketing	**107**	**1.70**	157	1.50
Other costs	**426**	**7.38**	456	4.36
Other Income	**(23)**	**(0.42)**	(29)	(0.27)
	2,561	**45.74**	3,999	38.11
Ownership costs				
Aircraft dry leasing	**1**	**0.02**	5	0.05
Depreciation	**485**	**8.81**	484	4.61
Amortisation	**18**	**0.30**	15	0.14
Net finance charges	**58**	**1.07**	39	0.35
	562	**10.20**	543	5.15
Headline costs excluding fuel	**3,123**	**55.94**	4,542	43.26

Operating costs and income

Group headline costs excluding fuel were £3,123 million, a decrease of 31.2% or £1,419 million on the prior year. The new holidays business contributed £45 million to headline costs in 2020, mainly driven by marketing spend, headcount costs and costs directly related to holidays provided in the year.

Airline headline cost per seat excluding fuel increased by 29.3% to £55.94, and increased by 30.2% at constant currency. The majority of the headline cost per seat adverse variance was driven by the significantly reduced flown capacity in 2020 financial year resulting in fixed costs being spread over fewer flown seats. easyJet utilised the UK Coronavirus Job Retention Scheme, and similar schemes provided by governments across Europe, and this relief has been offset within employee costs.

Group headline airports, ground handling and other operating costs decreased by 49.1% to £938 million. Airline cost per seat decreased by 4.0% to £16.88, and by 3.0% at constant currency driven by reduced load factors compared to last year.

Group headline crew costs decreased by 26.8% to £629 million, with Airline cost per seat increasing by 39.5% to £11.42, and by 40.1% at constant currency, partly driven by pre-agreed pay deals, but mainly reflecting significantly reduced productivity due to lower flying levels.

Group headline navigation costs decreased by 49.6% to £206 million, with Airline cost per seat decreasing by 4.0% to £3.74 and by 2.6% at constant currency, resulting from decreased rates.

Group headline maintenance costs decreased by 8% to £278 million, with Airline cost per seat increasing by 75.3% to £5.04, and by 76.9% at constant currency. In addition to the impact of reduced capacity, where fixed costs remain, there was a one-off catch up provision recognised in relation to future maintenance events required on our leased fleet, along with underlying increases in base maintenance costs.

Group headline other costs decreased by 7.2% to £426 million, with Airline cost per seat increasing by 70.0% to £7.38, and by 71.3% at constant currency. The significant driver in the increase in the cost per seat is a result of fixed costs being spread over lower flown capacity. In addition there was a loss on the sale of EU ETS (Emissions Trading System) assets in the year, and a number of write-offs as a result of ceasing certain projects to preserve cash in an uncertain macro environment.

Ownership costs

Group depreciation costs have remained broadly flat in the year at £485 million (2019: £484 million) primarily due to the application of the straight-line time-based deprecation policy on aircraft, which has not been impacted by our reduced flying in the year. Additional depreciation was incurred as a result of the annualisation of 22 new aircraft in the 2019 financial year and the acquisition of a further 14 aircraft in 2020. This was offset by lower maintenance related depreciation as a result of the reduction in flying volumes.

Group net finance charges have increased from £39 million in 2019 to £58 million in 2020, mainly due to increased interest payable from additional debt facilities and increased leased aircraft resulting in higher lease-related interest.

Fuel

	2020		2019	
	Group £ million	**Airline £ per seat**	Group £ million	Airline £ per seat
Fuel	**721**	**13.09**	1,416	13.48

Group headline fuel costs of £721 million were £695 million lower than 2019. Airline fuel cost per seat of £13.09 was 2.9% lower than last year, and by 0.7% at constant currency.

During the year the average market fuel price decreased by 11.8% to $575 per tonne from $652 per tonne last year. The operation of easyJet’s fuel and US dollar hedging meant that the effective fuel price movement saw an increase of 7% to £489 per tonne (2019: £458 per tonne).

The impact of the Sterling/US dollar exchange rate movement on fuel costs was £14 million favourable (2019: £54 million adverse).

The decrease in fuel costs also includes a benefit recognised in the year from settling the 2019 EU Emissions Trading System (EU ETS) liability primarily using free credits received during 2019 and 2020. easyJet participates in the EU ETS scheme which requires our carbon footprint to be offset by submitting carbon allowances to the relevant European Environment Agencies. easyJet receives certain free carbon allowances and purchases others from the market. In December 2019 easyJet purchased carbon credits with the intention of using these credits to settle the 2019 calendar year EU ETS liability. As a result of significantly reduced flying, easyJet sold some of these purchased carbon credits in March 2020 to realise cash, which resulted in an income statement loss on disposal of £12 million, recognised within Other costs. The sale of the assets resulted in a re-measurement of the liability which has reduced 2020 fuel costs in the income statement by £33 million.

The Group uses jet fuel derivatives to hedge against sudden and significant increases in jet fuel prices to mitigate volatility in the income statement in the short term. In order to manage the risk exposure, jet fuel derivative contracts are used in line with the Board approved policy to hedge between 65% and 85% of estimated exposures up to 12 months in advance, and to hedge between 45% and 65% of estimated exposures from 13 up to 24 months in advance.

As a result of the full grounding of the fleet and lower capacity flying experienced since, the Group's near term exposures for jet fuel and foreign currency were significantly reduced, causing a proportion of previously hedge accounted derivative financial instruments to be recorded as discontinued. These amounts have been recognised as a non-headline item.

During the year the Group paused Jet fuel hedging for periods from April 2020 through to October 2021. Jet fuel hedging continues for later periods related to FY22 onwards.

Non-headline items

Non-headline items are non-recurring items or items which are not considered to be reflective of the trading performance of the business.

	2020		2019	
	Group £ million	**Airline £ per seat**	Group £ million	Airline £ per seat
Impairment charge	**(37)**	**(0.68)**	-	-
Restructuring charge	**(123)**	**(2.22)**	-	-
Sale and leaseback gain	**38**	**0.69**	2	0.02
Brexit-related costs	**-**	**-**	(4)	(0.04)
Fair value adjustment	**(311)**	**(5.69)**	1	0.01
Commercial IT platform credit	**-**	**-**	2	0.02
Balance sheet foreign exchange (loss)/gain	**(5)**	**(0.08)**	2	0.02
Non-headline items before tax	**(438)**	**(7.98)**	3	0.03

Group non-headline loss before tax items of £438 million comprise:

- an impairment charge of £37 million as a result of placing 34 aircraft, which were nearing the end of their lease term, into storage and not using these again prior to their return to the lessor;
- a £123 million charge in relation to our restructuring programme launched in the second half of the year. The charge primarily relates to redundancy costs;
- a £38 million gain as a result of the sale and leaseback of 33 aircraft in the year (2019: £2 million gain as a result of the sale and leaseback of 10 A319 aircraft);
- a £0.4 million in relation to our Brexit-related preparation plans (2019: £4 million charge);
- a fair value adjustment relating to a £311 million net charge related to discontinued hedges (2019: £1 million gain due to hedge ineffectiveness); and
- a £5 million loss for balance sheet revaluations (2019: £2 million gain). This relates to foreign exchange gains or losses arising from the re-translation of monetary assets and liabilities held on the balance sheet.

Summary net debt reconciliation

	2020	2019	Change
	£ million	£ million	£ million
Operating (loss)/profit	**(899)**	466	(1,365)
Depreciation and amortisation	**503**	499	4
(Decrease)/increase in unearned revenue	**(455)**	105	(560)
Other net working capital movement	**263**	13	250
Net capital expenditure	**(695)**	(984)	289
Net proceeds from sale and leaseback of aircraft	**702**	121	581
Repayment of capital element of leases	**(230)**	(174)	(56)
Increase in lease liabilities	**(132)**	(47)	(85)
Loss on disposal of intangibles, property, plant and equipment	**30**	-	30
Commercial IT platform credit	**-**	(2)	2
Net tax received/(paid)	**13**	(58)	71
Net (increase)/decrease in restricted cash	**(15)**	7	(22)
Other (including the effect of exchange rates)	**(112)**	112	(224)
Net proceeds from issue of ordinary share capital	**409**	-	409
Purchase of own shares for employee share schemes	**(7)**	(16)	9
Ordinary dividend paid	**(174)**	(233)	59
Net increase in net debt	**(799)**	(191)	(608)
Net (debt)/cash at closing of the prior year	**(326)**	396	(722)
IFRS 16 implementation impact at 1 October 2018	**-**	(531)	531
Net debt at the beginning of the year	**(326)**	(135)	(191)
Net debt at end of year	**(1,125)**	(326)	(799)

Net debt as at 30 September 2020 was £1,125 million (30 September 2019: net debt £326 million) and comprised cash and money market deposits of £2,316 million (30 September 2019: £1,576 million), debt of £2,731 million (30 September 2019: £1,324 million) and lease liabilities of £710 million (30 September 2019: £578 million).

Debt increased by £1,407 million (of which £987 million due within one year) mainly as a result of securing two term loans totalling circa £400 million, issuing £600 million of Commercial Paper through the Covid Corporate Financing Facility (CCFF), and fully drawing down on a $500 million Revolving Credit Facility.

Unearned revenue decreased by £455 million reflecting reduced forward flying capacity and softer macro-economic demand resulting in lower booking levels. Upon cancellation of a flight, the associated unearned revenue balance is transferred from unearned revenue into trade and other payables to be classified as a financial liability until it is refunded to, or rebooked by a passenger.

The movement in Other net working capital of £263 million primarily relates to the increase in trade payables due to the transfer of a proportion of the unearned revenue balance into trade and other payables, as explained above, the optimisation of supplier payments and movements in the value of derivative financial instruments.

Net capital expenditure decreased by £289 million, and includes final delivery payments for the acquisition of 14 aircraft (2019: 22 aircraft), the purchase of life-limited parts used in engine restoration, and pre-delivery payments relating to aircraft purchases. The number of aircraft in the fleet increased from 331 as at 30 September 2019 to 342 as at 30 September 2020, which includes the 34 leased aircraft placed into storage.

Net proceeds of £702 million were received as a result of the sale and leaseback of 33 aircraft in the year (2019: £121 million).

Lease liabilities and capital repayments on lease liabilities have both increased during the year. This is driven by the increased sale and leasebacks completed in the year of 33 (2019: 10).

easyJet received corporation tax repayments totalling £13 million during the period (2019: £58 million payments).

The £224 million movement in Other includes a £111 million movement in FX (£61 million loss in 2020 compared to a £50 million gain last year).

New ordinary shares were issued during the 2020 financial year which equated to around 14.99% of the existing share capital. This share issue was transacted via an equity placing and raised £409 million net of associated costs.

easyJet paid a final dividend for the year ended 30 September 2019 of 43.9 pence per share on 20 March 2020. The payment of the dividend became legally binding following approval by shareholders at the Annual General Meeting on 6 February 2020, before the outbreak of COVID-19 in Europe.

Summary consolidated statement of financial position

	2020	2019	Change
	£ million	£ million	£ million
Goodwill and other non-current intangible assets	**597**	561	36
Property, plant and equipment (excluding RoU assets)	**4,409**	4,661	(252)
Right of use (RoU) assets	**644**	502	142
Derivative financial instruments	**(327)**	63	(390)
Equity investments	**33**	48	(15)
Other assets (excluding cash and money market deposits)	**364**	542	(178)
Unearned revenue	**(614)**	(1,069)	455
Trade and other payables	**(1,242)**	(1,050)	(192)
Other liabilities (excluding debt)	**(840)**	(947)	107
Capital employed	**3,024**	3,311	(287)
Cash and money market deposits*	**2,316**	1,576	740
Debt (excluding lease liabilities)	**(2,731)**	(1,324)	(1,407)
Lease liabilities	**(710)**	(578)	(132)
Net debt	**(1,125)**	(326)	(799)
Net assets	**1,899**	2,985	(1,086)

* Excludes restricted cash

Since 30 September 2019 net assets have decreased by £1,086 million. This reflects the loss for the year, the adverse mark-to-market movement in Jet fuel forward contracts, and increased net debt.

Goodwill and other intangible assets have increase predominately due to the acquisition of ex-Thomas Cook slots at Gatwick Airport and Bristol Airport for £36 million.

The net book value of property, plant and equipment excluding right of use assets, has decreased by £252 million due to the sale and leaseback of 33 aircraft during the year and depreciation more than offsetting the acquisition of aircraft and pre-delivery payments relating to future aircraft purchases.

At 30 September 2020, right of use assets amounted to £644 million. Leases amounted to £710 million (2019: £578 million) which reflects additions during the year as a result of aircraft sale and leasebacks, as well as the impact of the impairment of 34 leased aircraft, lease payments and extensions.

There has been a £390 million movement on net derivative financial instruments with a closing net liability balance of £327 million (2019: £63 million asset). This movement is largely due to mark-to-market losses on jet fuel contracts and foreign exchange derivatives where a proportion of in-the-money USD trades have matured during the year. This loss was partially offset by a gain on cross currency interest rate swaps.

The equity investment of £33 million (2019: £48 million) represents a 13.2% shareholding in a non-listed entity, The Airline Group Limited, which has a shareholding of 41.9% in NATS Holdings Limited – the provider of UK air traffic control services for the UK. This investment is held at fair value, with movements recognised in other comprehensive income.

Other assets have decreased by £178 million, mainly driven by lower trade and other receivables as a result of less activity, and lower carbon credits which were used in the year to settle the 2019 Emissions Trading System (ETS) liability.

Unearned revenue decreased by £455 million reflecting reduced forward flying capacity and softer macro-economic demand resulting in lower booking levels. Upon cancellation of a flight, the associated unearned revenue balance is transferred from unearned revenue into trade and other payables to be classified as a financial liability until it is refunded to or rebooked by a passenger.

Trade and other payables have increased by £192 million mainly as a result of flight cancellations where the customer balance has been transferred from unearned revenue to be classified as a financial liability, as above, partially offset by lower volumes as a result of reduced flying.

Other liabilities have decreased by £107 million, mainly driven by a reduced deferred tax liability more than offsetting an increase to the maintenance and restructuring provision. Other liabilities also include a £45 million post-employment benefit obligation in relation to a Swiss retirement benefit scheme (2019: £47 million).

Debt has increased by £1,407 million mainly as a result of securing two term loans totalling circa £400 million, issuing £600 million of Commercial Paper through the Covid Corporate Financing Facility (CCFF), and fully drawing down on a $500 million Revolving Credit Facility.

Key statistics

	2020	2019	Increase/ (decrease)
Operating measures			
Seats flown (millions)	**55.1**	105.0	(47.5%)
Passengers (millions)	**48.1**	96.1	(50.0%)
Load factor	**87.2%**	91.5%	(4.3ppt)
Available seat kilometres (ASK) (millions)	**62,380**	116,056	(46.3%)
Revenue passenger kilometres (RPK) (millions)	**58,914**	107,741	(45.3%)
Average sector length (kilometres)	**1,132**	1,105	2.4%
Sectors	**311,477**	605,899	(48.6%)
Block hours ('000)	**613**	1,184	(48.2%)
Number of aircraft owned/leased at end of year	**342**	331	3.3%
Average number of aircraft owned/leased during year	**337**	322	4.7%
Number of aircraft operated at end of year	**157**	317	(50.5%)
Average number of aircraft operated during year	**237**	297	(20.2%)
Operated aircraft utilisation (hours per day)	**5.0**	10.9	(54.1%)
Number of routes operated at end of year	**981**	1,051	(6.7%)
Number of airports served at end of year	**154**	159	(3.1%)
Financial measures			
Total return on capital employed	**(23.0%)**	11.4%	(34.4ppt)
Headline return on capital employed	**(19.9%)**	11.4%	(31.3ppt)
Liquidity per 100 seats (£m)	**4.0**	3.6	11.1%
Airline total (loss)/profit before tax per seat (£)	**(22.66)**	4.10	(651.2%)
Airline headline (loss)/profit before tax per seat (£)	**(14.68)**	4.07	(460.7%)
Airline total (loss)/profit before tax per ASK (pence)	**(2.04)**	0.37	(651.4%)
Airline headline (loss)/profit before tax per ASK (pence)	**(1.34)**	0.37	(462.2%)
Revenue			
Airline revenue per seat (£)	**54.35**	60.81	(10.6%)
Airline revenue per seat at constant currency (£)	**54.52**	60.81	(10.3%)
Airline revenue per ASK (pence)	**4.82**	5.50	(12.4%)
Airline revenue per ASK at constant currency (pence)	**4.84**	5.50	(12.0%)
Airline revenue per passenger (£)	**62.61**	66.47	(5.8%)
Airline revenue per passenger at constant currency (£)	**62.80**	66.47	(5.5%)
Costs			
Per seat measures			
Airline headline cost per seat (£)	**69.03**	56.74	21.7%
Airline non-headline cost/(income) per seat (£)	**7.98**	(0.03)	-
Airline total cost per seat (£)	**77.01**	56.71	35.8%
Airline headline cost per seat excluding fuel (£)	**55.94**	43.26	29.3%
Airline headline cost per seat excluding fuel at constant currency (£)	**56.33**	43.26	30.2%
Airline total cost per seat excluding fuel (£)	**63.92**	43.23	47.9%
Airline total cost per seat excluding fuel at constant currency (£)	**63.99**	43.23	48.0%
Per ASK measures			
Airline headline cost per ASK (pence)	**6.16**	5.13	20.0%
Airline non-headline cost per ASK (pence)	**0.70**	-	0.0%
Airline total cost per ASK (pence)	**6.86**	5.13	33.7%
Airline headline cost per ASK excluding fuel (pence)	**5.01**	3.91	28.1%
Airline headline cost per ASK excluding fuel at constant currency (pence)	**5.11**	3.91	30.7%
Airline total cost per ASK excluding fuel (pence)	**5.71**	3.91	46.0%
Airline total cost per ASK excluding fuel at constant currency (pence)	**5.79**	3.91	48.1%

Going Concern and Viability Statement

Assessment of prospects

In accordance with the requirements of the 2018 UK Corporate Governance Code, the Directors have assessed the long term prospects of the Group, taking into account its current position and a range of internal and external factors, including the principal risks. The Directors have determined that a three-year period is an appropriate timeframe for this viability assessment. In concluding on a three-year period, the Directors considered the reliability of forecast information, duration and impact of COVID-19 and longer-term management incentives.

The assessment of the prospects of the Group includes the following factors:

- The strategic plan – which takes into consideration market conditions, future commitments, cash flow, funding requirements and maturity of existing financing facilities
- The fleet plan – the plan retains some flexibility to adjust the size of the fleet in response to opportunities or risks
- Strength of the balance sheet and unencumbered assets – this sustainable strength gives us access to capital markets
- Brexit trade deal planning – with a multi-AOC structure already in place and a regular Brexit steering group easyJet is well prepared for a no deal Brexit
- Risk assessment

Impact of COVID-19

The impact of the global COVID-19 pandemic has created a level of uncertainty in the airline industry which has been significant and far reaching. easyJet's response to the pandemic has been quick and decisive in order to reduce costs and maximise cash retention, with liquidity and cost control continuing to be a key focus. The easyJet flying programme continues to evolve, factoring in customer demand and travel restriction guidance, in order to target positive contribution. The long term easyJet business model is robust, as demonstrated by the strong financial position before the pandemic. The consolidated easyJet plc Group continues to maintain unencumbered aircraft worth in excess of £1.9 billion, and a large and valuable slot portfolio.

easyJet has taken several measures to preserve cash, reduce costs and generate liquidity. These include signing two secured term loans totalling circa £400 million, issuing £600 million of Commercial Paper through the Covid Corporate Financing Facility (CCFF), and fully drawing down on a $500 million Revolving Credit Facility, which is secured against aircraft assets. Between June and September 2020, easyJet raised £608 million through the sale and leaseback of 23 aircraft and continues to engage with an active lessor market interested in acquiring further aircraft from our fleet on a sale and leaseback basis. Since 30 September further sales and leasebacks have been undertaken raising a further £717 million. In June 2020, easyJet also successfully raised net proceeds of £409 million through an equity placing of new shares. In total, easyJet has now raised more than £3.1 billion of cash since April 2020 to protect against the impact of COVID-19. easyJet has also taken decisive action to remove cost and non-critical expenditure from the business at every level. This includes delaying delivery of 24 aircraft. To reflect the reduced fleet, and proposals relating to the optimisation of our network and bases, easyJet is well progressed in a process to reduce staff numbers by up to 30%.

The Directors have reviewed the financial forecasts and funding requirements with consideration given to the potential impact of severe but plausible risks. easyJet has modelled a base case representing management's best estimation of how the business plans to increase flying which assumes a phased increase to the schedule over the forecast period, returning the 2019 financial year levels by the end of the 2023 financial year.

Stress testing

The corporate risk management framework facilitates the identification, analysis, and response to plausible risk, including emerging risks as our business evolves, in an increasingly volatile environment. Through our corporate risk management process, a robust assessment of the principal risks facing the organisation has been performed along with the controls and mitigations.

Due to the extreme level of uncertainty created by the global COVID-19 pandemic, there remains a risk that multiple and prolonged waves of the pandemic could affect our markets, leading to travel restrictions being imposed at short notice and reducing customer confidence in travel. Accordingly, easyJet has considered severe but plausible downside scenarios based on the potential impact of risk factors on the Group's future performance and liquidity, including combinations of a prolonged recovery period, decrease in forecast yields, increase in forecast costs, planned initiatives not being fully achieved, cash collateralisation of unearned revenue by card acquirers, adverse variations in fuel price, and unfavourable foreign exchange rate movements (see overleaf for results).

Individually these potential risks are unlikely to require significant additional management actions to support the business. The combination of some or all of these potential risks, or if the impact of the pandemic is significantly more prolonged or severe than modelled by the Directors, will result in management action being required to secure ongoing liquidity for the business.

Going concern statement

After reviewing the current liquidity position, financial forecasts, stress testing of potential risks and considering the uncertainties described below, and based on the current funding facilities outlined, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. For these reasons the Directors continue to adopt the going concern basis of accounting in preparing the Group financial statements.

Although the combination of severe but plausible downside potential risks are not considered likely, in the event that some or all of these occur the Group may need to secure additional funding to ensure the business meets its obligations for the next 12 months, which is not contractually committed at the date of this report. Sources of additional funding include the use of unencumbered aircraft to support further financing.

However, the occurrence of multiple downside potential risks, including cash collateralisation of unearned revenue by card acquirers and easyJet's ability to obtain additional funding represents a material uncertainty at 17 November 2020 that could cast significant doubt upon the Group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Viability Statement

Based on the assessment performed, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all liabilities as they fall due up to September 2023. In making this statement, the Directors have made the following key assumptions:

1. easyJet has access to a variety of funding options including capital markets, aircraft financing and bank or government debt. The downside stress testing demonstrates there are situations which could occur where easyJet will require additional funding or renew existing funding, which is not yet committed, in order to retain liquidity.
2. In assessing viability, it is assumed that the detailed risk management process captures all plausible risks, and that the mitigating actions are implemented on a timely basis and have the intended impact.
3. The impact of COVID-19 is not more prolonged or significant than the severe but plausible downside stress testing performed. More severe scenarios, either through multiple risks occurring concurrently or risks which are not able to be mitigated by management actions to the extent expected, do not occur.
4. There will not be another prolonged grounding of a substantial portion of the fleet.
5. The terms between the United Kingdom and the European Union are such that easyJet will be able to continue to operate over broadly the same network as at present.

Risk theme	**Impact on viability**	**Risks considered**	**Management action and Board considerations**
Asset efficiency and effectiveness	• Unavailability of slots or partial fleet • Supply chain challenges • Single fleet supplier	• Reduction in total revenue of 10% • Inefficient use of aircraft • Loss of market share	• Work closely with Airbus to retain some flexibility in fleet planning • Robust effective cross functional governance structures
Environment and sustainability	• Increased operational disruption caused by extreme weather patterns • Future environmental legislation • Reputational damage • Increased CO_2 emissions	• Closure of existing ETS scheme • Increase in disruption cost by 20% on forecast • Increased cost of carbon offsetting and introduction of eco-taxes	• Sustainability strategy and governance structure implemented • Disruption management measures • Emission reduction or offset programmes • Work with relevant industry bodies and stakeholders • More fuel efficient A320 and A321neo's and investing in electric plane initiatives
Legislative/regulatory landscape	• Brand licence impact • Failure to comply with requirements	• Loss of brand licence • Sustained adverse media coverage leading to reduction in revenue of 10% • Significant spike in costs operationally	• Regular engagement with easyGroup holdings and proactive management of brand-related issues • Compliance framework in place including mandatory training
Macro-economic and geopolitical	• Supply/demand imbalance including slower recovery from COVID-19 • Refinancing risk and access to alternative financing • Market price risk: increase in fuel price, foreign exchange rates, carbon prices and inflation rates • Restrictions in Europe following Brexit • Loss of investment grade credit rating	• Revenue reduction of 10% representing a slower return to previous flying levels to beyond FY'23. Impact of management initiatives • Modelling alternative funding options including access to capital markets, extension and replacement of existing financing based on maturity of borrowings • Fuel sensitivities from \$450 to \$650/MT, adverse foreign exchange rate movement by 30% and fluctuating carbon prices. Cost inflation estimates increased up to 3% • Brexit sensitivities modelling including reduction in revenue and increased costs • Access to capital markets, negative impact on working capital and higher financing costs	• Strategic planning to ensure flying schedules are responsive to demand and contribution positive • Consideration of various sensitivities and stress testing to the forecast presented to the Board on an on-going basis • Review funding requirements and opportunities in scenarios considered • Finance Committee regular monitoring of hedging policies to reduce exposure to market price exposures for fuel and foreign exchange • Brexit steering group in place, continually monitoring new developments and implementing actions where necessary • Regular reviews with credit rating agencies and strong relationships with suppliers

People	• Industrial action • Talent recruitment and retention within the Group	• Operation disruption and increase of costs • Sustained inability to deliver strategic initiatives by up to 100%	• Positive and on-going relationship with trade unions and employee workforce • Regular employee surveys and action groups to focus on well-being, talent and retention • Nominations committee considers the structure, size and composition of the Board including succession planning
Safety, security, and operations	• Major safety or security incident • Biosecurity measures	• Operational disruption and increase of costs • Significant media coverage and reduction in future revenue • Fines/regulatory sanctions • Reduction in revenue of 10%	• easyJet Safety Board meet monthly. Functional Safety Action Groups in place across the business • Hull and Liability insurance in place • Biosecurity measures are responsive to latest COVID-19 information and guidance
Technology and cyber	• Failure of critical technologies • A significant cyber attack • Data breach	• Material legal and settlement costs • Immediate loss of website and reduction in revenue • Reduction in revenue of 10%	• Regular Board updates on Cyber Security • Dedicated Information Security team • Ongoing monitoring of critical technologies and interdependencies • IT governance structure • IT major incident management team • Cross functional committee to address customers legal and regulatory concerns

Consolidated income statement

		Year ended 30 September 2020			Year ended 30 September 2019		
	Notes	**Headline £ million**	**Non-headline £ million**	**Total £ million**	Headline £	Non-headline £ million	Total £ million
Passenger revenue		**2,303**	**-**	**2,303**	5,009	-	5,009
Ancillary revenue		**706**	**-**	**706**	1,376	-	1,376
Total revenue	5	**3,009**	**-**	**3,009**	6,385	-	6,385
Fuel		**(721)**	**-**	**(721)**	(1,416)	-	(1,416)
Airports, ground handling and other		**(938)**	**-**	**(938)**	(1,845)	-	(1,845)
Crew		**(629)**	**-**	**(629)**	(859)	-	(859)
Navigation		**(206)**	**-**	**(206)**	(409)	-	(409)
Maintenance		**(278)**	**-**	**(278)**	(302)	-	(302)
Selling and marketing		**(107)**	**-**	**(107)**	(157)	-	(157)
Other costs		**(426)**	**(85)**	**(511)**	(456)	-	(456)
Other income		**23**	**-**	**23**	29	-	29
EBITDAR		**(273)**	**(85)**	**(358)**	970	-	970
Aircraft dry leasing		**(1)**	**-**	**(1)**	(5)	-	(5)
Impairment		**-**	**(37)**	**(37)**	-	-	-
Depreciation	7	**(485)**	**-**	**(485)**	(484)	-	(484)
Amortisation of intangible assets		**(18)**	**-**	**(18)**	(15)	-	(15)
Operating (loss)/profit		**(777)**	**(122)**	**(899)**	466	-	466
Interest receivable and other financing		**12**	**105**	**117**	21	3	24
Interest payable and other financing charges		**(70)**	**(421)**	**(491)**	(60)	-	(60)
Net finance (charges)/income		**(58)**	**(316)**	**(374)**	(39)	3	(36)
(Loss)/profit before tax		**(835)**	**(438)**	**(1,273)**	427	3	430
Tax credit/(charge)	3	**110**	**84**	**194**	(78)	(3)	(81)
(Loss)/profit for the year		**(725)**	**(354)**	**(1,079)**	349	-	349
(Loss)/earnings per share, pence							
Basic	4			**(264.9)**			88.6
Diluted	4			**(264.9)**			87.8

Consolidated statement of comprehensive income

	Notes	**Year ended 30 September 2020** **£ million**	Year ended 30 September 2019 £ million
(Loss) / profit for the year		**(1,079)**	349
Other comprehensive (expense)/income			
Items that may be reclassified to the income statement:			
Cash flow hedges			
Fair value losses in the year		**(628)**	**(214)**
Losses/(gains) transferred to income statement		**39**	**(165)**
Losses transferred to property, plant and equipment		**-**	**14**
Hedge discontinuation losses transferred to income statement		**284**	**-**
Related tax credit	3	**55**	**68**
Cost of hedging		**(8)**	**4**
Related tax credit		**1**	**1**
Items that will not be reclassified to the income statement:			
Remeasurement gain/(loss) of post-employment benefit obligations		**2**	**(17)**
Related deferred tax credit		**-**	**3**
Fair value loss on equity investment		**(14)**	**(6)**
		(269)	**(312)**
Total comprehensive (loss)/income for the year		**(1,348)**	**37**

Consolidated statement of financial position

	Notes	30 September 2020 £ million	30 September 2019* £ million
Non-current assets			
Goodwill		**365**	365
Other intangible assets		**232**	196
Property, plant and equipment	7	**5,053**	5,163
Derivative financial instruments		**89**	126
Equity investment		**33**	48
Restricted cash		**5**	4
Other non-current assets		**133**	142
		5,910	6,044
Current assets			
Trade and other receivables*		**193**	302
Intangible assets*		**12**	70
Derivative financial instruments		**21**	147
Current tax assets		**7**	24
Restricted cash		**14**	-
Money market deposits		**32**	291
Cash and cash equivalents		**2,284**	1,285
		2,563	2,119
Current liabilities			
Trade and other payables		**(1,242)**	(1,050)
Unearned revenue		**(614)**	(1,069)
Borrowings	8	**(987)**	-
Lease liabilities		**(224)**	(219)
Derivative financial instruments		**(352)**	(138)
Provisions for liabilities and charges	9	**(407)**	(192)
		(3,826)	(2,668)
Net current liabilities		**(1,263)**	(549)
Non-current liabilities			
Borrowings	8	**(1,744)**	(1,324)
Lease liabilities		**(486)**	(359)
Derivative financial instruments		**(85)**	(72)
Non-current deferred income		**(5)**	(6)
Post-employment benefit obligation		**(45)**	(47)
Provisions for liabilities and charges	9	**(332)**	(397)
Deferred tax	3	**(51)**	(305)
		(2,748)	(2,510)
Net assets		**1,899**	2,985
Shareholders' equity			
Share capital		**125**	108
Share premium		**1,051**	659
Hedging reserve		**(236)**	(4)
Cost of hedging reserve		**1**	8
Translation reserve		**(2)**	(1)
Retained earnings		**960**	2,215
Total equity		**1,899**	2,985

*Please refer to note 1 for details of our voluntary change in accounting policy.

Consolidated statement of changes in equity

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Cost of hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2019	**108**	**659**	**(4)**	**8**	**(1)**	**2,215**	**2,985**
Loss for the period	-	-	-	-	-	(1,079)	(1,079)
Other comprehensive loss	-	-	(250)	(7)	-	(12)	(269)
Total comprehensive loss	**-**	**-**	**(250)**	**(7)**	**-**	**(1,091)**	**(1,348)**
Transferred to property, plant and equipment	-	-	18	-	-	-	18
Dividends paid (note 6)	-	-	-	-	-	(174)	(174)
Proceeds from shares issued	17	392	-	-	-	-	409
Share incentive schemes							
Value of employee services	-	-	-	-	-	18	18
Related tax (note 3)	-	-	-	-	-	(1)	(1)
Purchase of own shares	-	-	-	-	-	(7)	(7)
Currency translation differences	-	-	-	-	(1)	-	(1)
At 30 September 2020	**125**	**1,051**	**(236)**	**1**	**(2)**	**960**	**1,899**

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Cost of hedging reserve £ million	Translation reserve £ million	£ million	Total £ million
At 1 October 2018	108	659	292	4	1	2,117	3,181
Profit for the period	-	-	-	-	-	349	349
Other comprehensive income/(loss)	-	-	(296)	4	-	(20)	(312)
Total comprehensive income/(loss)	-	-	(296)	4	-	329	37
Dividends paid (note 6)	-	-	-	-	-	(233)	(233)
Share incentive schemes							
Value of employee services	-	-	-	-	-	18	18
Purchase of own shares	-	-	-	-	-	(16)	(16)
Currency translation differences	-	-	-	-	(2)	-	(2)
At 30 September 2019	108	659	(4)	8	(1)	2,215	2,985

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. Included within the hedging reserve are amounts totalling a £46 million gain related to derivative hedge trades that were mutually early terminated with counterparty banks in the year, as these trades had an effective hedge relationship at the point of termination, the fixed fair value is held in the hedging reserve and recycled to the income statement in line with when the original hedge item also impacts the income statement.

Amounts held in the cost of hedging reserve relates to specific fair value elements of derivatives in a hedge accounting relationship where allowable through specific designation. At 30 September 2020 amounts in the reserve comprised of £4 million gain related to cross currency basis offset by a £3 million loss related to the time value of options.

Details of the restatement made to the opening retained earnings as at 1 October 2018 can be found in the Annual Report and Accounts for the year ended 30 September 2019.

Consolidated statement of cash flows

	Notes	**Year ended 30 September 2020 £ million**	Year ended 30 September 2019 £ million
Cash flows from operating activities			
Cash (used)/generated from operations	10	**(542)**	1,098
Ordinary dividends paid	6	**(174)**	(233)
Interest and other financing charges paid		**(71)**	(58)
Interest and other financing income received		**12**	12
Net tax received/(paid)		**13**	(58)
Net cash (used)/generated from operating activities		**(762)**	761
Cash flows from investing activities			
Purchase of property, plant and equipment		**(659)**	(954)
Purchase of non-current intangible assets		**(36)**	(30)
Net decrease in money market deposits		**259**	52
Net proceeds from sale and leaseback of aircraft		**702**	121
Net cash generated/(used) by investing activities		**266**	(811)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**409**	-
Purchase of own shares for employee share schemes		**(7)**	(16)
Proceeds from debt financing	8	**1,399**	443
Repayment of capital element of leases		**(230)**	(174)
(Increase)/decrease in restricted cash		**(15)**	7
Net cash generated from financing activities		**1,556**	260
Effect of exchange rate changes		**(61)**	50
Net increase in cash and cash equivalents		**999**	260
Cash and cash equivalents at beginning of year		**1,285**	1,025
Cash and cash equivalents at end of year		**2,284**	1,285

Notes to the accounts

1. Accounting policies, judgements and estimates

Statement of compliance

easyJet plc (the 'Company') and its subsidiaries ('easyJet' or the 'Group' as applicable) is a low-cost airline carrier operating principally in Europe. The Company is a public limited company (company number 03959649) whose shares are listed on the London Stock Exchange under the ticker symbol EZJ 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 accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, taking into account IFRS Interpretations Committee (IFRS IC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of preparation

This consolidated financial information has been prepared in accordance with the Listing Rules of the Financial Conduct Authority.

The financial information set out in this document does not constitute statutory accounts for easyJet plc for the two years ended 30 September 2020 but is extracted from the 2020 Annual Report and Accounts. The accounts have been prepared on a going concern basis. The occurrence of multiple downside potential risks, including cash collateralisation of unearned revenue by card acquirers and easyJet's ability to obtain additional funding represents a material uncertainty at 17 November 2020 that could cast significant doubt upon the Group's ability to continue as a going concern.

The Annual Report and Accounts for 2019 has been delivered to the Registrar of Companies.

The Annual Report and Accounts for 2020 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified. The Audit report included an emphasis of matter in relation to the going concern material uncertainty as described in the going concern statement. It did not include a statement under either section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

1a. Changes in significant accounting policies

Accounting policy for revenue

The revenue recognition policy has been updated to include revenue generated by the holidays business. There is no change to the previous accounting policy in relation to existing Airline revenues.

easyJet categorises total revenue earned on the face of the income statement between passenger and ancillary revenue. Passenger revenue arises from the sale of flight seats and administration fees and is measured as the price paid by the customer. Passenger revenue is recognised when the performance obligation has been completed. This is when the flight takes place. Amounts paid by 'no-show' customers are recognised as passenger revenue when the booked service is provided, as such customers are not generally entitled to change flights or seek refunds once a flight has departed.

Ancillary revenue includes revenue from the provision of checked baggage, allocated seating and change fees, package holidays revenue (excluding flights which are recognised as passenger revenue) and revenue arising from commissions earned from services sold on behalf of partners and inflight sales. It is measured as the price paid by the customer for the service booked. Ancillary revenue is recognised when the performance obligation is complete, which is generally when the related flight takes place, with the following exceptions:

- cancellation fees which are recognised when the cancellation requested by the customer is processed;

- in the case of commission earned from travel insurance, revenue is recognised at the time of booking as easyJet acts solely as appointed representative of the insurance company; and
- for practical reasons non-flight elements of package holiday revenue and related costs are recognised at the end of the holiday, on the inbound flight date as opposed to over time. The impact of this is not material.

Airline flights and package holiday deposits are paid for at the point of booking. Package holiday balances due from customers are offset against the customers deferred revenue until paid in full, due 60 days before departure. Unearned revenue from flights not yet flown is held in the statement of financial position until it is realised in the income statement when the performance obligation is complete. Unearned revenue also includes non-flight elements of package holidays for which the customer has paid but has not yet taken place, and is held in the statement of financial position until it is realised in the income statement when the performance obligation is complete. Vouchers issued by easyJet in lieu of refunds are held on the balance sheet in other payables until they are redeemed against a new booking, at which point they are recognised as unearned revenue.

If easyJet cancels a flight or holiday, unless a customer immediately re-books on an alternative flight or holiday, at the point of the cancellation the amount paid for the flight is derecognised from unearned revenue and a financial liability is recognised within Trade and other payables to refund the customer.

Some of the compensation payments made to customers (in respect of flight delays) are offset against revenues recognised up to the amount of the flight, with the excess compensation being recorded within expenses.

Revenue from easyJet plus cards is recognised evenly over time in line with when the performance obligations are expected to arise. Revenue from easyJet plus cards for the current financial year totalled £22 million (2019: £23 million).

Income statement cost presentation

A cost line has been amended in the consolidated income statement for Airports, ground handling and other operating costs, which now merges the existing airport and ground handling costs with holidays direct operating costs. The holidays direct operating costs represent all direct operating costs relating to package holidays excluding flight costs, which are eliminated on consolidation. Holidays direct costs are recognised at the end of the holiday, on the inbound flight date which is consistent with the non-flight elements of package holiday revenue. The impact of this is not material.

Segmental Reporting

easyJet previously had one operating segment, being its route network, under the direction of the Airline Management Board. In the 2020 financial year easyJet created a holidays business with a separate holidays Management Board. Under the new structure, the Chief Operating Decision Maker has been assessed as the easyJet plc Board, which receives regular reporting on the Airline and Holidays results in order to make resource allocation decisions. The holidays business has been identified as a separate operating segment meaning the Group now has two operating segments, being the Airline business which operates easyJet's route network and the holidays business, which sells holiday packages. Presentation of separate segmental reporting is included in note 5.

Geographic revenue is allocated on the following bases:

- revenue earned from customers 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.

Passenger revenue recognised within the Airline segment includes intra-segment sales of flights to the holidays segment. Passenger revenue is recognised in the Airline segment when the flight takes place.

Accounting policy for Carbon offsetting and Verified Emission Reductions

In November 2019 easyJet announced a voluntary policy to compensate for every tonne of carbon and carbon equivalents (collectively 'carbon') emitted from fuel used for all its flights, by investing in projects which will mean there is one tonne less in the atmosphere - whether by reducing carbon by physically removing it from the air or by avoiding the release of additional carbon.

easyJet purchases Verified Emission Reductions (VERs) arising from Gold Standard or Verified Carbon Standard (VCS) accredited projects to offset the carbon emitted from flights. The cost of purchasing VERs is recognised in the income statement when the flight occurs with a corresponding carbon offsetting liability. This is measured using the purchase price of VERs on a First In First Out basis, then a weighted average of expected future purchases where all purchased VERs have been allocated. VERs are recorded as an asset at historic cost when delivery into the easyJet registry account has taken place. At regular intervals the VERs are retired to settle the obligation, at which point the VER asset and carbon offsetting liability are derecognised.

Voluntary change in accounting policy – presentation of carbon assets

With the introduction of the voluntary carbon offset policy, easyJet has reviewed the most appropriate presentation for assets held to settle this liability, and the presentation of assets purchased and held to settle the requirements under the EU Emissions Trading System (ETS). It has been concluded that due to the nature of these assets, they would be more appropriately presented as current intangible assets in the statement of financial position. The prior year ETS asset balance of £70 million has therefore been reclassified from trade and other receivables to current intangible assets in the comparative statement of financial position as at 30 September 2019 to be consistent with this new presentation.

The cash flows associated with the purchase of carbon credit assets are classified as operating cash flows, as these are cash outflows for an activity which is treated as an operating expense in the consolidated income statement. This has resulted in a similar reclassification of the reconciliation of operating loss to cash generated from operations seen in note 22. The amount moved from changes in trade and other receivables to change in current intangible assets was £86 million.

The underlying accounting treatment remains unchanged for carbon assets. Free allocations received from the government under the EU ETS scheme are recognised at fair value on the date received with a corresponding liability. Purchased carbon credits are recognised at the purchase price and are not subsequently revalued as they are held for own use. Carbon assets are derecognised when they are used to offset the corresponding liability.

The impact on the 1 October 2018 balance sheet is as follows:

	As reported £m	Adjustment £m	Restated £m
Non-current assets	**4,994**	**-**	**4,994**
Trade and other receivables	406	(27)	379
Intangible assets	-	27	27
Current assets	**1,999**	**-**	**1,999**
Current liabilities	**(2,060)**	**-**	**(2,060)**
Non-current liabilities	**(1,700)**	**-**	**(1,700)**
Net assets	**3,233**	**-**	**3,233**
Equity	**3,233**	**-**	**3,233**

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Loans provided and/or guaranteed by governments that represent market rates of interest are recorded at the amount of the proceeds received and recognised within Borrowings. All existing loans are considered to be at market value. Grants that compensate the Group for expenses incurred are recognised in the income statement in the relevant financial statement line on a systematic basis in the periods in which the expenses are recognised to present the net expense to the Group.

New and revised standards and interpretations

IFRIC 23 has been adopted as at 1 October 2019 with no material impact. There are no standards that are issued but not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

easyJet have applied the practical expedient under COVID-19 Related Rent Concessions – Amendment to IFRS 16 Leases which has been early adopted. See leases accounting policy for further details.

IFRS 9 and IFRS 7 Amendments – Interest Rate Benchmark Reform

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

This amendment is mandatory for accounting periods beginning on or after 1 January 2020. The Group has elected to early adopt this amendment, applying it retrospectively to accounting relationships that existed before the start of the current reporting period. The impacts of IBOR reform on the Group is assessed as being limited, with this amendment only applicable to one hedge relationship as at 30 September 2020.

Specifically the amendment impacts the fair value hedge relationship on one of the Group's Eurobond's, where a cross currency interest rate swap (with a sterling notional of £379 million, maturity of February 2022 and a fair value of £82 million in an asset position) is used to swap the fixed interest coupon of the euro denominated debt into a floating interest rate, reset quarterly using GBP LIBOR. In assessing hedge effectiveness on a prospective basis for this relationship, the Group has assumed that the future expected GBP-LIBOR related interest cash flows on the swap are not altered by IBOR reform and the hedge continues to be highly effective.

Furthermore, hedge accounting did not need to be discontinued during the period of IBOR-related uncertainty as the Group has taken the relief available in Phase 1 to separately identify the risk component at the initial hedge designation and not on an ongoing basis. In preparation of the reform transition date, (expected at the end of 2021) the Group anticipates being required to make amendments to the contractual terms of this swap and to update its hedge designation as appropriate.

In August 2020, IASB also issued Phase 2 amendments which are effective from 1 January 2021. The Group is not early adopting these amendments as the current hedge relationship is continuing and no amendments have been made to the hedged item and/or hedging instruments in the 2020 financial year.

No other standards issued but not yet effective have been early adopted, including; Amendments to IAS 1 and IAS 8, Amendments to IFRS 3 and Revised Conceptual Framework for Financial Reporting.

1b.Critical accounting judgements and estimates

The preparation of accounts in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of income and expenses during the reporting period. Although these amounts are based on management's best estimates, events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. The estimates and the underlying assumptions are reviewed regularly.

1b.(i) Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and presented in the financial statements.

Classification of income or expenses between headline and non-headline items (Note 2)

The Group seeks to present a measure of underlying performance which is not impacted by material non-recurring items or items which are not considered to be reflective of the trading performance of the business. This measure of profit is described as 'headline' and is used by the Directors to measure and monitor performance. The excluded items are referred to as 'non-headline' items.

Non-headline items may include impairments, amounts relating to acquisitions and disposals, expenditure on major restructuring programmes, litigation and insurance settlements, balance sheet exchange gains or losses, the income or expense resulting from the initial recognition of sale and lease back transactions, fair value adjustments on financial instruments and other particularly significant or unusual non-recurring items. Items relating to the normal trading performance of the business will always be included within the headline performance.

Judgement is required in determining the classification of items between headline and non-headline. In line with Financial Reporting Council (FRC) guidance, easyJet have not attempted to identify additional non-headline items as a direct or indirect result of COVID-19, other than those items which clearly meet our existing definition of non-headline, such as the fuel and currency hedge ineffectiveness, fair value movements on non-hedged derivatives, restructuring and asset impairment.

Consolidation of easyJet Switzerland

Judgement has been applied in consolidating easyJet Switzerland S.A. as a subsidiary on the basis that the Company exercises a dominant influence over the undertaking. A non-controlling interest has not been reflected in the consolidated accounts on the basis that holders of the remaining 51% of the shares have no entitlement to any dividends from that holding and the Company has an option to acquire those shares for a pre-determined minimal consideration.

Vouchers issued

Due to the amount of cancelled flights in the year easyJet offered customers the option to accept vouchers in lieu of cash refunds. The liability for vouchers is classified as other payables until the voucher is redeemed against a future booking when it is reclassified to unearned revenue. The liability has been recorded in full as there is no historic information on which to estimate potential breakage. Applying breakage at 10% would result in a material change.

Sale and leaseback transactions

Judgement is required when determining if sale and leaseback proceeds and lease rentals are at fair value. The sale and leaseback transactions completed in the year have been assessed with reference to external valuations specific to the easyJet fleet and deemed to be at fair value. The accounting treatment would have been different if the transactions had not been at fair value (see leases accounting policy).

1b.(ii) Critical accounting estimates

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

Aircraft maintenance provisions - £597 million (Note 9)

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

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

The bases of all estimates are reviewed at least annually, and when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation, or changes in the cost of heavy maintenance services. Given the much increased uncertainty in forecasting future maintenance requirements, and the associated judgemental nature of the assumptions applied in determining the maintenance provision, management believe that a reasonable combination of changes to these estimates could result in a material movement to the carrying value of the provision. A 5% movement in the estimated cost of final maintenance events would result in a £15 million movement to the provision.

Provisions for customer claims - £39 million (Note 9)

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

The staggered travel restrictions implemented by governments across Europe in response to the COVID-19 pandemic resulted in a large number of easyJet passengers requiring additional support to be repatriated. Assumptions are required to estimate the cost of providing welfare payments for those customers impacted. These include the number of passengers who would have eligible claims as well as the estimated expenses that would be payable under the regulatory framework in place. Reasonable changes to those assumptions could have a significant impact on the valuation of the provision recognised. A 5% movement in the estimated passenger claim rates would result in a £4 million movement to the provision.

Restructuring provision – £101 million (Note 9)

As a result of the COVID-19 pandemic easyJet have implemented a major restructuring programme to reduce the number of bases, and the number of employees. Estimations have been made regarding the outcome of ongoing consultations with staff including pilots and crew. Where specific individuals at risk have not been identified, estimations have been based on information available such as average payroll data, employee age and length of service. The final outcome of these estimates could be different when the consultation process is concluded.

Goodwill and landing rights - £533 million

The recoverable amount of goodwill and landing rights has been determined based on value in use calculations for the airline route network cash generating unit. The value in use is determined by discounting future cash flows to their present value. When applying this method, easyJet relies on a number of key estimates including the ability to meet its strategic plans, future fuel prices and exchange rates, long-term economic growth rates for the principal countries in which it operates, and its pre-tax weighted average cost of capital. Strategic plans include estimations of the future impact of climate change on easyJet to the extent these can be forecast. This includes, for example, estimates made for the future cost to easyJet of emitting carbon. The impact of longer term future developments such as electric aircraft development or availability of sustainable aviation fuels have been considered as part of easyJet's strategic planning process to the extent they can be reliably measured. Fuel price and exchange rates continue to be volatile in nature, and the assumptions used are sensitive to significant changes in these rates. In addition, assumptions over the recovery of customer demand levels could have a significant effect on the impairment assessment performed. Due to the uncertainty created by the COVID-19 pandemic, there remains a risk that further waves of the pandemic could affect our markets, leading to further travel restrictions being imposed. These uncertainties could have an effect on future impairment or useful economic life assessments performed.

Defined benefit pension assumptions - £45 million

The Swiss pension scheme meets the requirements under IAS 19 to be recognised as a defined benefit pension scheme and the net pension obligation is recognised on the balance sheet. The measurement of scheme assets and obligations are calculated by an independent actuary in line with IAS 19. The financial and demographic assumptions used in the calculation are determined by management following consultation with the independent actuary with consideration of external market movements and inputs.

Derivative financial instruments

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

Hedge discontinuation and ineffectiveness (Note 2)

As a result of the fleet grounding during the year and expected reduced flying programme as at 30 September 2020, the Group's near term exposures for jet fuel and foreign currency were significantly reduced, causing a proportion of derivatives previously hedge accounted for to be discontinued from a hedge relationship. A net charge of £311 million has been recognised as a non-headline item in the income statement primarily due to the discontinuation of hedge accounting for impacted derivatives. In assessing whether future exposures are still expected to occur, easyJet made estimates as at 30 September 2020 regarding our jet fuel consumption requirements and expected future foreign currency cash flows. These estimates used assumptions based on the expected recovery of customer demand and subsequent flying schedule as at that date.

Aircraft carrying values (Note 7)

As a result of the reduced customer demand, 34 leased aircraft were permanently stood down from commercial service and will be returned to the lessors at the end of the lease term. The recoverable values of the right-of-use assets related to these aircraft have been assessed as nil and the assets impaired on this basis. No goodwill has been allocated to these impaired aircraft as they are not able to operate independently.

The remaining aircraft asset recoverable amounts have been tested for impairment based on value in use at the airline route network cash generating unit level as described in the goodwill section above. Strategic plans include estimations of the future impact of climate change on easyJet to the extent these can be reliably estimated. The recoverable amounts exceed the carrying values as at 30 September 2020.

Aircraft are depreciated over their useful economic life to their residual values in line with the property plant and equipment accounting policy. A review has been performed and the existing residual value amounts have been determined to be appropriate.

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

Recoverability of deferred tax assets - £275 million (Note 3)

The deferred tax asset balances include £275 million in relation to tax losses carried forward for easyJet Airline Company Limited and easyJet holidays Limited at the statement of financial position date. The Group has concluded that the deferred tax assets will be recoverable against the unwind of the taxable temporary differences and future taxable income based on the strategic plans of the group and taxable temporary differences at the statement of financial position date. The forecast includes the expected impact of future climate change to the extent this can be reliably forecast. The losses can be carried forward indefinitely and have no expiry date. If forecast profits were 15% lower than current forecasts then it is still expected that the deferred tax asset would be recovered within a five year time horizon.

2. Non-headline items

An analysis of the amounts presented as non-headline is given below:

	Year ended 30 September 2020 £ million	Year ended 30 September 2019 £ million
Commercial IT platform credit	**-**	(2)
Sale and leaseback gain	**(38)**	(2)
Brexit-related costs	**-**	4
Restructuring	**123**	-
Impairment	**37**	-
Recognised in operating loss/profit	**122**	-
Fair value adjustment	**311**	(1)
Balance sheet foreign exchange charge/(gain)	**5**	(2)
Total non-headline charge/(credit) before tax	**438**	(3)
Tax (credit)/charge on non-headline items	**(84)**	3
Total non-headline charge/(credit) after tax	**354**	-

Commercial IT platform credit

During 2019, only £2 million of the close down accrual of £4 million for our FCP commercial platform was utilised, mainly due to staff being redeployed and anticipated compromise agreements not being required. Therefore the remaining £2 million was released back to the Income Statement.

Sale and leaseback gain

During the period, easyJet completed the sale and leaseback of 17 A319 (2019: 10), 9 A320 (2019: nil) and 7 A321 (2019: nil). The net Income Statement impact of the 33 sale and leasebacks was a £38 million gain (2019: £2 million gain).

Brexit-related costs

Following the UK's referendum vote to leave the EU easyJet has established an Austrian AOC, helping to secure flying rights for the portion of our network that remains wholly within and between EU states, excluding the UK. This work concluded last year and resulted in minimal expenses in the current year (2019: £4 million). The main costs in the 2019 financial year were re-registering aircraft and pilot licences, as well as legal costs.

Restructuring

Due to the change in demand environment as a result of COVID-19 the business has undertaken a restructuring process. As a result of this, the related costs of £123 million (2019: nil) have been classified as non-headline. This charge includes unpaid amounts of £101 million for those consultations which have not been finalised and settled and includes a curtailment on the Swiss pension scheme.

Impairment

Due to lower forecasted customer demand, the Group have reassessed the fleet capacity and utilisation requirements leading to 34 leased aircraft being permanently removed from commercial service. These assets will not be utilised again before being returned to the lessor at the end of their existing lease term and therefore will not generate any further economic benefit. As a result, an impairment charge of £37 million for these aircraft has been categorised as non-headline in the income statement, along with an equivalent reduction within Right of Use assets.

Fair value adjustment

This relates to hedge accounting ineffectiveness for items currently held in fair value and cash flow hedge relationships, amounts that have been discontinued from a previous hedge relationship and amounts relating to derivatives specifically transacted to economically close out discontinued hedges.

In accordance with IFRS 9, hedge effectiveness testing is performed on a regular, periodic basis. For cash flow hedges this includes an assessment of highly probable future cash exposures with the amount compared to the notional of derivatives held in a hedge relationship. Where derivative contracts exceed the amount of projected exposures and the forecast is no longer expected to occur (e.g. for foreign currency or jet fuel), these amounts no longer qualify for hedge accounting. Fair valuation related to these discontinued derivatives held in Other Comprehensive Income is then immediately recorded in the income statement.

Additionally, fair value adjustments may also be recorded related to hedge relationships that continue to be effective. This arises as the value of hedged items are adjusted for changes in fair value attributable to the hedged risks, which are not perfectly offset by the fair value change on the hedging instruments due to factors such as in counterparty credit risk, cash flow timing or amount changes.

Due to the reduced commercial flying as a result of COVID-19, easyJet was in a significantly over-hedged position from both a jet fuel and FX perspective. Primarily as a result of this, a £305 million loss was recognised in the period for fair value adjustments related to discontinuation of hedge accounting.

In addition, following the discontinuation of hedge accounting easyJet entered into derivatives to close out select over-hedged positions. These derivatives were traded in an 'equal and opposite' notional direction to discontinued trades to economically close out these positions where appropriate from subsequent fair valuation movements. As these amounts specifically offset discontinued hedges they are included as a fair value adjustment and totalled a £6 million loss in the year.

Total fair value adjustments for the year ended 30 September 2020 were a £311 million loss (2019: £1 million gain).

Balance sheet foreign exchange charge/(gain)
This relates to foreign exchange gains or losses arising from the re-translation of monetary assets and liabilities held in the Statement of Financial Position.

The income/charge from balance sheet revaluations fluctuates each month, and is driven by exchange rate movements which are unrelated to the trend in the underlying performance of our ongoing business, so are excluded from headline costs.

3. Tax (credit)/charge

Tax on loss on ordinary activities

	2020 £ million	2019 £ million
Current tax		
United Kingdom corporation tax	**-**	16
Foreign tax	**6**	9
Adjustments in respect of prior years	**(1)**	-
Total current tax charge	**5**	25
Deferred tax		
Temporary differences relating to property, plant and equipment	**41**	49
Other temporary differences	**(275)**	7
Adjustments in respect of prior years	**(1)**	-
Remeasurement due to enacted rate cancellation	**36**	-
Total deferred tax (credit)/charge	**(199)**	56
Total tax (credit)/charge	**(194)**	81
Effective tax rate	**15.3%**	18.9%

Reconciliation of the total tax (credit)/charge

The tax for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK as set out

	2020	2019
	£ million	£ million
(Loss)/profit before tax	**(1,273)**	430
Tax (credit)/charge at 19.0% (2019: 19.0%)	**(242)**	82
Income not chargeable for tax purposes	**-**	(1)
Expenses not deductible for tax purposes	**1**	1
Share-based payments	**(1)**	3
Adjustments in respect of prior years - current tax	**(1)**	-
Adjustments in respect of prior years - deferred tax	**(1)**	-
Difference in applicable rates for current and deferred tax	**-**	(6)
Attributable to rates other than standard UK rate	**1**	1
Change in tax rate from financial year 2020 to 17%	**36**	-
Movement in provisions	**(1)**	-
IFRS 16 restricted gain	**14**	-
Early adoption of accounting standards not impacting taxation	**-**	1
Total tax (credit)/charge	**(194)**	81

The reconciliation includes the impact of the previously enacted UK tax rate reduction being cancelled. Current tax recoverable at 30 September 2020 amounted to £7 million (2019: £24 million). This related to £17 million of tax recoverable in the UK (2019: £29 million) and £10 million (2019: £5 million) of tax payable in other European jurisdictions.

During the year ended 30 September 2020, net cash tax received amounted to £13 million (2019: £58 million net tax paid).

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

	2020	2019
	£ million	£ million
Credit to other comprehensive income		
Deferred tax on change in fair value of cash flow hedges	**56**	69
Deferred tax on post-employment benefit	**-**	3

Deferred tax

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

	Accelerated capital allowances £ million	Short-term timing differences £ million	Fair value gains/ (losses) £ million	Share-based payments £ million	Post-employment benefit obligation £ million	Trading loss £ million	Total £ million
At 1 October 2019	308	(1)	14	(8)	(8)	–	305
Charged/(credited) to income statement	78	(6)	–	5	–	(275)	(198)
Charged/(credited) to other comprehensive income	–	–	(57)	1	–	–	(56)
At 30 September 2020	386	(7)	(43)	(2)	(8)	(275)	51

	Accelerated capital allowances £ million	Short-term timing differences £ million	Fair value gains/ (losses) £ million	Share-based payments £ million	Post-employment benefit obligation £ million	Total £ million
At 1 October 2018	259	(8)	83	(8)	(5)	321
Charged to income statement	49	7	–	–	–	56
Credited to other comprehensive income	–	–	(69)	–	(3)	(72)
At 30 September 2019	308	(1)	14	(8)	(8)	305

It is estimated that deferred tax assets of approximately £3 million (2019: deferred tax assets of £6 million) will reverse during the next financial year

It is estimated that deferred tax liabilities of approximately £nil (2019: deferred tax liabilities of £3 million) will reverse during the next financial year.

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.

4. (Loss)/earnings per share

Basic (loss)/earnings per share has been calculated by dividing the total (loss)/profit for the year by the weighted average number of shares in issue during the year after adjusting for shares held in employee benefit trusts.

To calculate diluted (loss)/earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential shares. Share options granted to employees where the exercise price is less than the average market price of the Company’s ordinary shares during the year are considered to be dilutive potential shares. Where share options are exercisable based on performance criteria and those performance criteria have been met during the year, these options are included in the calculation of dilutive potential shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

Headline basic and diluted (loss)/earnings per share are also presented, based on headline (loss)/profit for the year.

(Loss)/earnings per share is based on:

	2020	2019
	£ million	£ million
Headline (loss)/profit for the year	**(725)**	349
Total (loss)/profit for the year	**(1,079)**	349

	2020	2019
	million	million
Weighted average number of ordinary shares used to calculate basic earnings per	**407**	393
Weighted average number of dilutive potential shares	**5**	4
Weighted average number of ordinary shares used to calculate diluted earnings per	**412**	397

	2020	2019
(Loss)/earnings per share	**pence**	pence
Basic	**(264.9)**	88.6
Diluted	**(264.9)**	87.8

	2020	2019
Headline (loss)/earnings per share	**pence**	pence
Basic	**(178.1)**	88.7
Diluted	**(178.1)**	87.8

5. Segmental and geographical revenue reporting

Segmental Analysis:

	Year ended 30 September 2020			
	Airline	Holidays	Eliminations	**Group**
	£ million	£ million	£ million	**£ million**
Revenue	2,995	18	(4)	**3,009**
Operating costs excl fuel	(2,520)	(43)	4	**(2,559)**
Fuel	(721)	-	-	**(721)**
Ownership costs	(562)	(2)	-	**(564)**
Headline loss before tax	**(808)**	**(27)**	**-**	**(835)**
Non-headline items	(441)	3	-	**(438)**
Total loss before tax	**(1,249)**	**(24)**	**-**	**(1,273)**

The elimination column represents sales from Airline to Holidays which are recorded at arm's length and eliminated on consolidation. Individual cost lines are not reported separately as these are not key metrics reported to the Chief Operating Decision Maker (CODM). Assets and liabilities are not allocated to individual segments and are not separately reported to or reviewed by the CODM, and therefore these have not been disclosed. Interest income and expenditure are not allocated to segments as this activity is driven by the central treasury function which manages the cash position of the Group. Comparative information is not provided as the holidays segment was created in the current year.

Geographical revenue:

	2020 £ million	2019 £ million
United Kingdom	**1,154**	2,546
Southern Europe	**1,065**	2,169
Northern Europe	**740**	1,558
Other	**50**	112
	3,009	6,385

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

easyJet's non-current assets principally comprise its fleet of 215 (2019: 232) owned and 127 (2019: 99) are leased aircraft, giving a total fleet of 342 at 30 September 2020. 29 aircraft (2019: 28) are registered in Switzerland, 125 (2019: 136) are registered in Austria and the remaining 188 (2019: 167) are registered in the United Kingdom.

6. Dividends

In line with easyJet's dividend policy of a pay-out ratio of 50% of headline profit after tax, the board is not recommending the payment of a dividend in respect of the year to 30 September 2020.

An ordinary dividend of 43.9 pence per share, or £174 million, in respect of the year ended 30 September 2019 was paid in the year ending 30 September 2020. An ordinary dividend of 58.6 pence per share, or £233 million, in respect of the year ended 30 September 2018 was paid in the year ended 30 September 2019.

7. Property, plant and equipment

	Owned assets			**Right of use assets held under leasing arrangements**		**Total**
	Aircraft and spares £ million	**Land and Buildings £ million**	**Other £ million**	**Aircraft and spares £ million**	**Other £ million**	**Total £ million**
Cost						
At 1 October 2019	**5,720**	**34**	**76**	**1,298**	**34**	**7,162**
Additions	559	-	100	64	3	726
Transfers	107	10	(113)	(41)	-	(37)
Aircraft sold and leased back	(851)	-	-	371	-	(480)
Disposals	(15)	-	(19)	-	-	(34)
At 30 September 2020	**5,520**	**44**	**44**	**1,692**	**37**	**7,337**
Depreciation						
At 1 October 2019	**1,147**	**-**	**18**	**818**	**16**	**1,999**
Charge for the year	251	-	5	222	7	485
Transfers	15	-	-	(15)	-	-
Impairment	-	-	-	37	-	37
Aircraft sold and leased back	(220)	-	-	-	-	(220)
Disposals	(6)	-	(11)	-	-	(17)
At 30 September 2020	**1,187**	**-**	**12**	**1,062**	**23**	**2,284**
Net book value						
At 30 September 2020	**4,333**	**44**	**32**	**630**	**14**	**5,053**
At 1 October 2019	4,573	34	58	480	18	5,163

	Owned assets			Right of use assets held under leasing arrangements under IFRS 16		
	Aircraft and spares £ million	Land and Buildings £ million	Other £ million	Aircraft and spares £ million	Other £ million	Total £ million
Cost						
At 1 October 2018	**4,964**	**-**	**67**	**1,125**	**32**	**6,188**
Additions	905	34	15	125	2	1,081
Aircraft sold and leased back	(149)	-	-	48	-	(101)
Disposals	-	-	(6)	-	-	(6)
At 30 September 2019	**5,720**	**34**	**76**	**1,298**	**34**	**7,162**
Depreciation						
At 1 October 2018	**946**	**-**	**18**	**575**	**12**	**1,551**
Charge for the year	232	-	5	243	4	484
Aircraft sold and leased back	(31)	-	-	-	-	(31)
Disposals	-	-	(5)	-	-	(5)
At 30 September 2019	**1,147**	**-**	**18**	**818**	**16**	**1,999**
Net book value						
At 30 September 2019	**4,573**	**34**	**58**	**480**	**18**	**5,163**
At 1 October 2018	4,018	-	49	550	20	4,637

The net book value of aircraft includes £281 million (2019: £286 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

As at 30 September 2020, easyJet was contractually committed to the acquisition of 101 (2019: 110) Airbus 320 family aircraft, with a total estimated list price* of US$12.16 billion (2019: US$ 13.0 billion) before escalations and discounts for delivery in financial years 2021 (zero aircraft), 2022 (13 aircraft), 2023 (29 aircraft) and 2024 (13 aircraft).

The 'Other' categories comprise of leasehold improvements, computer hardware, leasehold property and fixtures, fittings and equipment and work in progress in respect of tangible and intangible projects.

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

Assets of £1,066 million are pledged as security for the Revolving Credit Facility and term loans.

Refer to note 2 for details on the right of use asset impairment recognised in the year for leased aircraft no longer in commercial service.

* Airbus no longer publishes list prices. The estimated list price is based on the last available list price published in January 2018 and escalated by Airbus' standard escalation from January 2018 to January 2019 of 3.7% and from January 2019 to January 2020 of 2.96%.

8. Borrowings

	Current £ million	Non-current £ million	Total £ million
At 30 September 2020			
Eurobonds	**-**	**1,356**	**1,356**
Drawn down amounts on Revolving Credit Facility	**387**	**-**	**387**
Commercial Paper (Covid Corporate Financing Facility)	**600**	**-**	**600**
Bank loans	**-**	**388**	**388**
	987	**1,744**	**2,731**

	Current £ million	Non-current £ million	Total £ million
At 30 September 2019			
Eurobond	-	1,324	1,324
	-	1,324	1,324

Amounts above are shown net of issue costs or discounted amounts which are amortised at the effective interest rate over the life of the debt instruments.

Lease obligations relate to aircraft and bear interest partly at fixed rates and partly variable rates linked to USD LIBOR.

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. 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 18 October 2016 easyJet plc issued additional notes amounting to €500 million for a seven-year term with a fixed annual coupon rate of 1.125%. On 11 June 2019 easyJet plc issued additional notes amounting to €500 million for a six-year term with a fixed annual coupon rate of 0.875%.

The €500 million Eurobond issued on 9 February 2016 was designated as the hedged item in an effective fair value hedging relationship. The Group used cross-currency interest rate swaps to convert the fixed rate Eurobond to a Sterling floating rate exposure. The cross-currency interest rate swaps have the same maturity and common terms as the Eurobond that they are hedging. The carrying value of the fixed rate Eurobond net of cross-currency interest rate swaps at 30 September 2020 was £379 million.

The €500 million Eurobond issued on 18 October 2016 was designated as the hedged item in an effective cash flow value hedging relationship. The Group used cross-currency interest rate swaps to convert the fixed rate Eurobond to a Sterling fixed rate exposure. The cross-currency interest rate swaps have the same maturity and common terms as the Eurobond that they are hedging. The carrying value of the fixed rate Eurobond net of cross-currency interest rate swaps at 30 September 2020 was £451 million.

The €500 million Eurobond issued on 11 June 2019 was designated as the hedged item in an effective cash flow value hedging relationship. The Group used cross-currency interest rate swaps to convert the fixed rate Eurobond to a Sterling fixed rate exposure. The cross-currency interest rate swaps have the same maturity and common terms as the Eurobond that they are hedging. The carrying value of the fixed rate Eurobond net of cross-currency interest rate swaps at 30 September 2020 was £448 million.

On 10 February 2015 easyJet signed a $500 million revolving credit facility with a minimum five-year term. The facility is due to mature in February 2022. On 9 April 2020 easyJet fully drew down this $500 million Revolving Credit Facility, secured against aircraft assets.

On 6 April 2020 easyJet issued a £600 million Commercial Paper through the Covid Corporate Financing Facility (CCFF). This is an unsecured, short term paper issued at a discount and repayable in March 2021.

On 16 April 2020 easyJet secured two term loans with separate counterparty banks for £200 million and $245 million respectively. Both loans are secured against aircraft assets and mature in February 2022.

9. Provisions for liabilities and charges

	Maintenance provisions £ million	Provisions for customer claims £ million	Restructuring £ million	Other provisions £ million	Total provisions £ million
At 1 October 2019	**526**	**50**	-	**13**	**589**
Exchange adjustments	(20)	1	-	-	(19)
Charged to income statement	90	62	123	(11)	264
Related to aircraft sold and leased back	49	-	-	-	49
Unwinding of discount	10	-	-	-	10
Utilised	(58)	(74)	(22)	-	(154)
At 30 September 2020	**597**	**39**	**101**	**2**	**739**

Provisions for customer claims comprise amounts payable to customers who make claims in respect of flight delays and cancellations, and refunds of air passenger duty or similar charges. Other provisions include amounts in respect of potential liabilities for employee-related matters.

	2020 £ million	2019 £ million
Current	**407**	192
Non-current	**332**	397
	739	589

The split of the current / non-current maintenance provision as at 30 September is based on the current expected maintenance event timings. If actual aircraft usage varies from expectation the timing of the utilisation of the maintenance provision could result in a material change in the classification between current and non-current.

Maintenance provisions are expected to be utilised within ten years. Provisions for customer claims, restructuring, and other provisions are generally expected to be utilised within one year.

10. Reconciliation of operating (loss) / profit to cash (used in) / generated from operations

	2020 £ million	2019 £ million
Operating (loss)/profit	**(899)**	466
Adjustments for non-cash items:		
Depreciation	485	484
Commercial IT platform credit	-	(2)
Loss on disposal of property, plant and equipment and intangibles	30	-
Gain on sale and leaseback	(38)	(2)
Amortisation of intangible assets	18	15
Share-based payments	17	19
Impairment	37	-
Changes in working capital and other items of an operating nature:		
Decrease/(increase) in trade and other receivables	101	(5)
Decrease in current intangible assets	46	42
Increase in trade and other payables	173	43
(Decrease)/increase in unearned revenue	(455)	105
Increase/(decrease) in provisions	150	(3)
Decrease/(increase) in other non-current assets	9	(20)
Decrease in derivative financial instruments	(215)	(32)
Decrease in non-current deferred income	(1)	(12)
Cash (used in)/generated from operations	**(542)**	1,098

11. Reconciliation of net cash flow to movement in net debt

	1 October 2019 £ million	**Fair value and foreign exchange £ million**	**New debt raised in the year £ million**	**Other loan issue costs £ million**	**Net cash flow £ million**	**30 September 2020 £ million**
Cash and cash equivalents	1,285	(63)	-	-	1,062	**2,284**
Money market deposits	291	-	-	-	(259)	**32**
	1,576	(63)	-	-	803	**2,316**
Eurobond	(1,324)	(31)	-	(1)	-	**(1,356)**
Drawn down amounts on Revolving Credit	-	-	(387)	-	-	**(387)**
Commercial Paper	-	-	(600)	-	-	**(600)**
Bank loans	-	-	(389)	1		**(388)**
Lease Liabilities	(578)	28	(390)	-	230	**(710)**
	(1,902)	(3)	(1,766)	-	230	**(3,441)**
Net debt	(326)	(66)	(1,766)	-	1,033	**(1,125)**

12. Government Grants and assistance

During the year to 30 September 2020, easyJet Airline Company Limited utilised of the Coronavirus Job Retention Scheme implemented by the United Kingdom government, where those employees designated as being 'furloughed workers' are eligible to have 80 per cent of their wage costs paid up to a maximum amount of £2,500 per month. In the same period, easyJet Group (companies) utilised similar schemes provided by governments in Portugal, Germany, Netherlands, France, Italy and Switzerland. The total amount of such relief received by the Group amounted to £116 million (2019: nil) and is offset within employee costs in the Income statement. There are no unfulfilled conditions or contingencies relating to these schemes.

On 6 April 2020, easyJet issued a commercial paper through the Covid Corporate Finance Facility (CCFF) implemented by the government of the United Kingdom. Under the CCFF, easyJet received £600 million, with interest incurred at the prevailing market rate. The facility is classified within Borrowings in the Balance sheet.

13. Related party transactions

The Company licenses the easyJet brand from easyGroup Limited (‘easyGroup’), a wholly owned subsidiary of easyGroup Holdings Limited, an entity in which easyJet’s founder, Sir Stelios Haji-Ioannou, holds a beneficial controlling interest. The Haji-Ioannou family concert party shareholding (being easyGroup Holdings Limited and Polys Holding Limited) holds, in total, approximately 28.69% of the issued share capital of easyJet plc as at 30 September 2020.

Under the Amended Brand Licence signed in October 2010 and approved by the shareholders of easyJet plc in December 2010, an annual royalty of 0.25% of total revenue is payable by easyJet to easyGroup. The full term of agreement is 50 years.

easyJet and easyGroup established a fund to meet the annual costs of protecting the ‘easy’ (and related marks) and the ‘easyJet’ brands. easyJet contributes up to £1 million per annum to this fund and easyGroup contributes £100,000 per annum. If easyJet contributes more than £1 million per annum, easyGroup will match its contribution in the ration of 1:10 up to a limit of £5 million contributed by easyJet and £500,000 contributed by easyGroup.

Three side letters have been entered into: (i) a letter dated 29 September 2016 in which easyGroup consented to easyJet acquiring a portion of the equity share capital in Founders Factory Limited; (ii) a letter dated 26 June 2017 in which the easyJet’s permitted usage of the brand was slightly extended; and (iii) a letter dated 2 February 2018 in which easyGroup agreed that certain affiliates of easyJet have the right to use the brand.

The amounts included in the income statement, within other costs, for these items were as follows:

	2020 **£ million**	2019 £ million
Annual royalty	**8**	16
Brand protection (legal fees paid through easyGroup to third parties)	**1**	1
	9	17

At 30 September 2020, £0.1 million (2019: £0.9 million) of the above aggregate amount was included in trade and other payables.

At 30 September 2020 £8.5 million (2019: nil) is due from related parties and is included within trade and other receivables.

14. Events after the balance sheet date

During October 2020, easyJet entered into the sale and leaseback of nine aircraft with two counterparties, which generated total cash proceeds of $398.6 million (£307 million). During November 2020, easyJet entered into the sale and leaseback of 21 aircraft with three counterparties. These transactions generated total cash proceeds of $538.3 million (£410 million).