

easyJet plc

**ANNUAL REPORT and ACCOUNTS
2001**

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Chairman's Statement

I am pleased to report to shareholders that easyJet plc's first full-year result since the Initial Public Offering has fully met the Board's expectations.

Year-on-year, easyJet's pre-tax profit has grown by 82 per cent to £40.1 million, on revenues of £356.9 million. Pre-tax profit includes exceptional charges of £3.8 million.

The popularity of the easyJet business model has again been confirmed by a 26.4 per cent increase in sold seats, with 7.1 million people choosing to fly easyJet. The easyJet network now consists of 35 routes serving 17 airports in 16 cities.

Above all, I would like to thank our staff and our customers, for their devotion to "the web's favourite airline" and for their help in delivering this great result.

The thoughts of everybody at easyJet are with those affected by the tragic events in the United States on 11 September 2001. I do not believe it is too dramatic to say that it has been the catalyst for change in most parts of the world economy – and the aviation industry more than most.

It is clear that aviation in Europe has changed. The current restructuring and consolidation of the industry will lead to fewer airlines operating on fewer routes and, it is to be hoped, under proper market conditions.

It is absolutely right that this restructuring takes place. It is long overdue and was inevitable even before the events of 11 September 2001. For too long, many of Europe's airlines have considered themselves immune from the realities of their operating environment. State aid, entrenchment at Europe's busiest airports and favourable restrictive bilateral agreements have been used to prevent proper competition from sweeping continental Europe.

Consolidation will be painful, but it is necessary to produce an operating environment more capable of coping with a downturn in demand. 14 national airlines is about eight too many. We applaud the European Commission's refusal to succumb to the siren calls of those airlines and countries seeking to distort the market.

I believe that easyJet is well-placed to take advantage of the changing market conditions and the continued strong sentiment towards low-cost airlines. In time, many other national airlines will follow British Airways' example at Gatwick and begin to retrench from some of Europe's busiest airports giving the opportunity for other airlines, such as easyJet, to compete.

As a result, easyJet believes its business model to be robust and is continuing with its ambitious expansion plan. We are maintaining our existing aircraft delivery schedule of a further 10 B737-700s to arrive in financial year 2002. By May 2004, our fleet will consist of 48 aircraft.

Today's problems represent just another staging post on the long journey to a less protectionist market when point-to-point travel in Europe is dominated by two forms of transport: high-speed rail and low-cost airlines.

That is the future and we intend to play a major part in it. As we enter the new financial year, I am cautiously optimistic and believe that out of every crisis there is opportunity.



Stelios Haji-Ioannou
Chairman
28 October 2001

Chief Executive's Review

Overview

The 2001 financial year has demonstrated that our business model continues to perform well for shareholders, customers and staff. We remain true to the vision at our inception: a low-cost carrier which provides a good value, no-frills service.

For the year ended 30 September 2001 easyJet plc made a profit before tax of £40.1 million, up 82 per cent on last year.

Growth in revenue has continued, increasing 35 per cent year-on-year, to £356.9 million, resulting from growing passenger numbers and higher average fares. The number of passengers rose 26 per cent year-on-year to 7.1 million, driven by the introduction into service of seven additional aircraft and a 2.2 percentage point rise in average load factor to 83 per cent. Over the same period, the average fare increased by 5.8 per cent.

The establishment of Amsterdam as a major focus city, and the introduction of nine new routes linking existing cities, demonstrates our continuing concentration on network density, rather than "flag planting".

Our business model is based on high network density and high frequency, which management believes is attractive for business travellers. As a measure of this density, the airline averaged 11.5 departures per day per city across its network during September 2001; we now fly to 17 airports in 16 cities and operate 35 routes.

We continue our policy of selling seats direct to our customers. In September 2001, 91.0 per cent of initial sales were sold over the internet. Over the financial year, the average was 86.5 per cent.

Strategy

Our strategy and business model continues to be based on six key strengths that support our competitiveness, scalability and sustainable growth:

- Commitment to safety and customer service;
- Simple fare structure - book early for low prices;
- Low unit costs;
- Strong branding;
- Multi base network - dense point-to-point services, mainly between major European airports; and
- Strong corporate culture.

Our strategy remains unaltered by the attacks in the USA on 11 September 2001 and we believe that the business model remains robust.

Medium-term to long-term environment

The emerging aviation environment within Europe provides us with a number of potential opportunities.

We believe that the revised security regime within Europe will have minimal impact on our high-utilisation model, as the changes primarily affect passenger processing within airport terminals.

There will be additional procedures and costs relating to security and insurance. However, we fly to many major airports and these typically have the resources and equipment to undertake the new security measures. Also, they have a larger number of passengers, across whom the costs can be spread.

I believe that we are in a strong position to capitalise on the downsizing of other carriers' networks. The business model has been built on high frequency between major cities, creating credible alternatives for the business traveller. Also, if the economies slow, I expect that business travellers will seek low-cost alternatives and will migrate from the full-fare carriers.

Chief Executive's Review (continued)

New aircraft & routes

During the financial year, we took delivery of the first seven of the Boeing New Generation 737-700s. These were financed using operating leases. At year-end, the total fleet was 26 aircraft.

We plan to take delivery of a further 25 B737-700s by May 2004. Ten of these aircraft will arrive in financial year 2002, although three mature aircraft will be returned to lessors in 2002.

In January 2001, Amsterdam became our fourth major focus city (the others are London Luton, Liverpool and Geneva). New services began linking Amsterdam to Edinburgh, Belfast, Barcelona, Glasgow, London Gatwick and Nice. Also, new services linking Belfast to Edinburgh and Glasgow, and London Gatwick to Nice were begun.

During the year, the Liverpool-Luton service was withdrawn because of the increase in charges at both those airports. Also, as a means of expanding the customer catchment area, the daily Geneva-Stansted service was transferred to Gatwick.

The Airline Group

Our future growth is critically dependent on the provision of efficient air traffic control services. As a consequence, we took the strategic decision to join six other UK airlines in investing in The Airline Group, the private investor in NATS (the UK organisation providing en-route air traffic control). I believe that it is crucial for airlines such as ours to work actively toward an alignment of interests between airlines and the provider of air traffic control.

Our people

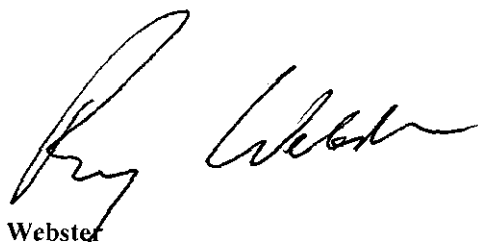
One of the secrets of our success is our people and the culture they create. Our 1,600 staff and their combined energy and skills is what makes us different. For us, 'orange' is more than just a colour. It is a way of thinking. Our staff have defined the values of the 'Orangeness' as, amongst other things, being "up for it", "passionate", "sharp", "mad about safety", and "mad about cost". 'Orange' is what makes us different.

Our success in 2001 largely rests upon our people. To everyone, I say thank you.

Trading outlook

The current environment is likely to prompt a range of airport slot and route opportunities. Also, there will be access to cheaper aircraft and a larger pool of pilots. As a low-cost point-to-point airline that flies frequently between major European airports, we are well positioned to take advantage of these factors.

I believe that our business model makes it robust, resilient and well-placed to prosper.



Ray Webster
Chief Executive
28 October 2001

Statement concerning the impact of events in the USA on 11 September 2001

Impact

Immediately following the attacks, we rigorously applied the UK Government-increased security levels to all easyJet flights, both in the UK and elsewhere in Europe. Although not mandatory in countries outside the UK, we implemented a "no comply, no fly" policy where, for example, 100 per cent baggage screening could not be guaranteed. Due to a lack of preparedness at some airports, some flight cancellations occurred in the days directly following the attacks. However, the airline was soon operating its full flying programme.

Although bookings fell immediately after the attacks, they quickly recovered and grew steadily over subsequent days. By the end of the financial year, seat sales had recovered to near normal levels.

The average load factor for September 2001 was 83.0 per cent.

We expect there will be a softness in yield over the early months of the 2002 financial year, however, as with disruptions in earlier times, promotions will be used to stimulate sales. We believe that the traveller in Europe will continue to respond when the right price is offered.

Support from staff and customers

Immediately after the attacks, our staff and many of our sub-contractors' employees worked very long hours under difficult conditions. These efforts, together with the understanding of the travelling public, allowed us to resume normal services with a minimum of delay. I thank all of these people for their dedication and tireless support.

Operational and Financial Review

The following tables set forth certain consolidated operating and profit and loss account data.

Selected Consolidated Operating Data	Year ended 30 September	
(unaudited)	2001	2000
Number of aircraft owned/leased at end of year(1)	26	19
Average number of aircraft owned/leased during year(2)	21.7	18.2
Number of aircraft operated at end of year(3)	25	18
Average number of aircraft operated during year(4)	21.1	17.3
Sectors(5)	57,513	46,748
Block hours(6)	92,049	74,631
Number of routes operated at end of year	35	28
Number of airports served at end of year	17	18
Owned/leased aircraft utilisation (hours per day)(7)	11.6	11.2
Operated aircraft utilisation (hours per day)(8)	12.0	11.8
Available seat kilometres ("ASK")(millions)(9)	7,003	5,801
Passengers(10)	7,115,147	5,628,215
Load factor(11)	83.0%	80.8%
Revenue passenger kilometres ("RPK")(millions)(12)	5,903	4,730
Average internet sales percentage during the year(13)	86.5%	65.1%
Internet sales percentage during final month of financial year(14)	91.0%	77.8%

Footnotes can be found at the end of this section.

Operational and Financial Review (continued)

Results of Operations	Year ended 30 September				
	2001		2000		Year on Year Change %
	£000s	%	£000s	%	
Revenue(15)	356,859	100.0%	263,694	100.0%	35.3%
Ground handling charges, including salaries	(33,338)	9.3%	(27,081)	10.3%	23.1%
Airport charges	(39,595)	11.1%	(23,687)	9.0%	67.2%
Fuel	(47,101)	13.2%	(33,715)	12.8%	39.7%
Navigation charges	(22,538)	6.3%	(18,051)	6.8%	24.9%
Crew costs, including training	(39,901)	11.2%	(27,377)	10.4%	45.7%
Maintenance, including reserves	(28,180)	7.9%	(20,589)	7.8%	36.9%
Advertising	(13,308)	3.7%	(14,003)	5.3%	(5.0%)
Merchant fees & incentive pay	(6,788)	1.9%	(6,918)	2.6%	(1.9%)
Exceptional items	(3,777)	1.1%	-	-	-
Other costs(16)	(41,636)	11.7%	(31,064)	11.8%	34.0%
EBITDAR(17)	80,697	22.6%	61,209	23.2%	31.8%
Depreciation and goodwill amortisation	(18,625)	5.2%	(15,937)	6.0%	16.9%
Aircraft dry lease costs	(23,283)	6.5%	(14,121)	5.4%	64.9%
Aircraft long-term wet lease costs	(666)	0.2%	(2,491)	0.9%	(73.2%)
Total operating profit (EBIT)	38,123	10.7%	28,660	10.9%	33.0%
Net interest receivable/(payable)	2,010	0.6%	(6,557)	2.5%	-
Income/(Loss) before tax	40,133	11.2%	22,103	8.4%	81.6%
Tax	(2,226)	0.6%	-	-	-
Retained profit for the year	37,907	10.6%	22,103	8.4%	71.5%

Footnotes can be found at the end of this section.

Operational and Financial Review (*continued*)

Revenue

easyJet's revenue increased 35.3 per cent, from £263.7 million to £356.9 million, from financial year 2000 to financial year 2001. This increase reflected a 26.4 per cent growth in passenger volumes, from 5.6 million to 7.1 million passengers and a 5.8 per cent increase in average fare. The number of passengers carried reflected:

- an increase in the size of easyJet's fleet in operation from an average of 17.3 aircraft to an average of 21.1 aircraft; and
- an increase in the average load factor achieved by easyJet from 80.8 per cent to 83.0 per cent.

This increase in revenue was partly offset by compensation paid to passengers who, pursuant to easyJet's customer service promise, experienced delays of more than four hours caused principally by weather and the flow-on effects of the New York and Washington terrorist attacks on 11 September. These expenses are not netted from revenue, but are included as costs.

Revenue from non-ticket sources includes change fees, credit card booking fees and commissions from activities such as in-flight sales, hotel and car hire bookings. In financial year 2001 £11.8 million was earned from non-ticket sources, up 114.6 per cent from the prior year.

Ground handling charges, including salaries

easyJet's ground handling charges increased by 23.1 per cent from £27.1 million to £33.3 million, from financial year 2000 to financial year 2001. Third-party ground handling charges increased as the aggregate numbers of sectors flown in the period increased. Ground handling charges in financial year 2000 include the start-up costs of self-handling at London Luton and in financial year 2001 include the start-up costs of self-handling at Geneva.

Airport charges

easyJet's external airport charges increased 67.2 per cent, from £23.7 million to £39.6 million, from financial year 2000 to financial year 2001. This increase was attributable to the increase in the number of sectors flown by easyJet's fleet and the increases in charge rates, particularly at London Luton airport following the increase in charge rates in February 2001.

Fuel

easyJet's fuel costs increased by 39.7 per cent, from £33.7 million to £47.1 million, from financial year 2000 to financial year 2001. This increase was caused by the increased number of hours flown by easyJet and by a 5.9 per cent increase in easyJet's average unit US dollar fuel cost. The price increase resulted in an additional cost to easyJet of approximately £1.6 million. The deterioration of the value of sterling against the US dollar, the currency in which fuel prices are denominated, over the course of financial year 2001 also imposed additional costs of approximately £3.7 million. These factors were slightly offset by an improved fuel burn by the new Boeing 737-700 aircraft, compared to the older Boeing 737-300 aircraft.

In September 2001, easyJet capped its Jet A1 Fuel price at a strike price of approximately 95 US cents per gallon for 90 per cent of its requirements over the first six months of the 2002 financial year. The cost is minimal and is included within fuel costs for financial year 2001.

Navigation charges

easyJet's navigation charges increased 24.9 per cent, from £18.1 million in financial year 2000 to £22.5 million in financial year 2001. This increase was principally attributable to the increased number of sectors flown in financial year 2001.

Operational and Financial Review (continued)

Crew costs, including training

Crew costs increased by 45.7 per cent from £27.4 million to £39.9 million from financial year 2000 to financial year 2001. The increase in crew costs resulted in part from an increase in headcount during the financial year 2001 to service the additional sectors and aircraft operated by easyJet during the year and the recruitment and training necessary for aircraft not yet delivered. The increased crew costs experienced in financial year 2001 were also contributed to by an increase in average salaries, which rose by more than the rate of inflation during financial year 2001.

Maintenance, including reserves

Maintenance expenses, including reserves, increased 36.9 per cent, from £20.6 million in financial year 2000 to £28.2 million in financial year 2001. easyJet's maintenance expenses consist primarily of the cost of routine maintenance and spare parts and reserve payments for the estimated future cost of heavy maintenance and engine overhauls on aircraft operated by easyJet pursuant to dry leases. The extent of the required annual maintenance reserve payments is determined by reference to the number of flight hours and cycles permitted between each engine shop visit and heavy maintenance overhaul on aircraft airframes. The increase in maintenance was largely due to the addition of eight leased aircraft, including one on a six-month lease, to the fleet (and the resultant increase in flying), and the fact that during financial year 2001 all new aircraft were financed by dry leases, necessitating the payment of maintenance reserve payments.

Aircraft financed by operating leases incur reserves for maintenance, while the corresponding maintenance effect for owned aircraft is dealt with through a depreciation charge under aircraft ownership.

Advertising

Advertising costs fell 5.0 per cent, from £14.0 million in financial year 2000 to £13.3 million in financial year 2001. This decrease was principally due to further market maturation. In addition, the nine new routes which easyJet added during financial year 2001 linked cities already served by easyJet and therefore needed less advertising than was required to establish new routes to new cities. The Directors also believe that easyJet has benefited from the extension of the "easy" group brand.

Merchant fees and incentive pay

Merchant fees and incentive pay decreased 1.9 per cent, from £6.9 million in financial year 2000 to £6.8 million in financial year 2001. Merchant fees and incentive pay includes the costs of processing fees paid to credit card companies on all of easyJet's credit and debit card sales and the per-seat-sold/transferred commission paid as incentive pay to easyJet's telesales staff. Credit card processing fees increased by 42.9 per cent which reflected the increased number of seats sold during financial year 2001, the vast majority of which continue to be purchased using credit cards, and the full year effect of the increase in credit card processing fees that were raised during the financial year 2000. In financial year 2001, 87 per cent of bookings were made using credit cards compared with 91 per cent in financial year 2000. This reduction, due to the introduction in April 2001 of a customer credit card fee, reduced the rate of growth of merchant fees. The increase in fees paid to merchants was also offset by the 40.0 per cent reduction in the incentive pay paid to telesales personnel due to the strong rise in initial sales made over the internet, from 65.1 per cent of initial seats sold during financial year 2000 to 86.5 per cent of initial seats sold during financial year 2001.

Exceptional items

Exceptional items for financial year 2001 relate to £1.8 million of costs principally for issuing share gifts to employees of easyJet at the time of the listing and the initial public offering. In addition, the company has been involved in court cases in Switzerland in relation to VAT levied on the defunct air charter business of TEA Basel AG during the period 1995-1998. This was prior to easyJet controlling the company. After favourable decisions in lower courts, the final appeal court has ruled against easyJet. easyJet has accrued an expense of £2 million to cover estimated penalty interest and amounts which may now prove irrecoverable from some small customers of TEA Basel AG.

Operational and Financial Review (*continued*)

Other costs

This cost category includes the salary costs of all easyJet's personnel other than flight crew, cabin crew and ground handling personnel, and therefore includes the salary costs attributable to easyJet's administrative, management, engineering, operational and network management functions. Other costs increased by 34.0 per cent, from £31.1 million in financial year 2000 to £41.6 million in financial year 2001. Salaries in this category increased, reflecting the rise in personnel numbers throughout easyJet necessary to manage and maintain easyJet's business as the scope of its operations grew during financial year 2001 and in preparation for the further increase in the scale of easyJet's operations that will be facilitated by delivery of 25 new aircraft prior to the end of May 2004 (the first of which has been delivered on 15 October 2001).

Other items in this cost category include administrative and operational costs (not included elsewhere), insurance, the costs associated with short-term aircraft wet leases, compensation paid to passengers, certain other items, such as currency exchange gains and losses and the profit or loss on the disposal of fixed assets. These costs also increased as the scope of operations grew. Furthermore, the significant increase compared to financial year 2000 was mainly as a result of higher disruption costs, principally due to weather and the effects of the terrorist attacks on 11 September 2001.

Depreciation and goodwill amortisation

easyJet's depreciation charge, which reflects depreciation on owned aircraft and capitalised aircraft maintenance charges, and also includes depreciation on computer systems and other assets and amortisation of goodwill, increased by 16.9 per cent, from £15.9 million in financial year 2000 to £18.6 million in financial year 2001. This increase reflected the change in depreciation charge associated with deterioration in the US dollar/pound sterling exchange rate and a higher charge for depreciation of capitalised maintenance, partly as a result of increased flying and major maintenance becoming due. The percentage increase in depreciation was much less than the percentage increase in revenue over the same period, due to the fact that easyJet owned a lower proportion of its fleet in financial year 2001 than in financial year 2000. easyJet depreciates each of its owned aircraft on a straight-line basis to a residual value which reflects the estimated realisable value of the aircraft at the end of its useful life to the company. The period over which easyJet depreciates its new aircraft is seven years, which reflects easyJet's policy of seeking to maintain a young fleet by aiming to replace its aircraft when they are seven years old. Higher use of aircraft, due to the short-haul nature of easyJet's routes and its higher utilisation rates, results in the company incurring a higher annual depreciation rate than other airlines.

Aircraft dry lease costs

easyJet's aircraft dry lease costs comprise the lease payments paid by easyJet in respect of those aircraft in its fleet operated pursuant to long-term dry operating leases. easyJet's dry leasing costs increased by 64.9 per cent per cent, from £14.1 million in financial year 2000 to £23.2 million in financial year 2001. This increase was principally due to the addition of seven new aircraft added to the fleet under long-term dry operating leases in financial year 2001 and one aircraft on a short-term dry operating lease.

Aircraft long-term wet lease costs

easyJet's aircraft wet lease costs comprise the lease payments paid by easyJet in respect of those aircraft in its fleet operated pursuant to "ACMI" leases (that is, leases of an aircraft plus crew, maintenance and insurance) of a duration of more than one month. easyJet's wet lease costs decreased by 73.2 per cent from £2.5 million in financial year 2000 to £0.7 million in financial year 2001. The £0.7 million charge in financial year 2001 relates to the costs incurred leasing one aircraft for one month under a five month wet lease for the summer 2000 season. This aircraft was returned to the lessor as planned at the end of October 2000.

Operational and Financial Review *(continued)*

Net interest

Net interest reflects interest paid or payable by easyJet net of interest received or receivable by easyJet. easyJet's net interest changed from net interest payable of £6.6 million in financial year 2000 to net interest receivable of £2.0 million in financial year 2001. easyJet's interest paid or payable primarily relates to financing costs associated with loans used to finance the acquisition of certain aircraft. easyJet's interest paid or payable remained at £8.2 million in financial year 2001. The effects of lower interest rates was offset by the deterioration in the value of sterling against the US dollar, the currency in which the majority of easyJet's debt is denominated, and the financing of all aircraft delivered in 2001 through operating leases. During financial year 2001, interest received or receivable increased from £1.7 million in financial year 2000 to £10.2 million in financial year 2001, reflecting the increased cash balances held by easyJet during financial year 2001, in particular due to the proceeds of the listing and initial offering to investors.

Taxation

In financial year 2001, easyJet incurred a tax charge of £2.2 million, an effective tax rate of 5.5 per cent. The effective tax rate is lower than the standard rate of tax because of the brought forward losses available in the UK and Switzerland, an exemption from Cantonal and Communal tax charges for easyJet Switzerland and allowances available in respect of share options granted to easyJet employees.

Retained profit for the year

For the reasons described above, easyJet's retained profit after interest and taxes increased by 71.5 per cent from £22.1 million in financial year 2000 to £37.9 million in financial year 2001.

Operational and Financial Review (continued)

Footnotes

- (1) Represents the number of aircraft owned (including those held on lease arrangements of more than one month's duration) at the end of the relevant financial year.
- (2) Represents the average number of aircraft owned (including those held on lease arrangements of more than one month's duration) during the relevant financial year.
- (3) Represents the number of owned/leased aircraft in service at the end of the relevant financial year. Owned/leased aircraft in service exclude those in maintenance and those which have been delivered but have not yet entered service.
- (4) Represents the average number of owned/leased aircraft in service during the relevant financial year. Owned/leased aircraft in service exclude those in maintenance and those which have been delivered but have not yet entered service.
- (5) Represents the number of one-way revenue flights.
- (6) Represents the number of hours that aircraft are in actual service, measured from the time that each aircraft leaves the terminal at the departure airport to the time that such aircraft arrives at the terminal at the arrival airport.
- (7) Represents the average number of block hours per day per aircraft owned/leased during the relevant financial year.
- (8) Represents the average number of block hours per day per aircraft operated during the relevant financial year.
- (9) Represents the sum by route of seats available for passengers multiplied by the number of kilometres those seats were flown.
- (10) Represents the number of earned seats flown by easyJet. Earned seats include seats that are flown whether or not the passenger turns up, because easyJet is generally 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 easyJet staff for business travel.
- (11) Represents the number of passengers as a proportion of the number of seats available for passengers. No weighting of the load factor is carried out to recognise the effect of varying flight (or "stage") lengths.
- (12) Represents the sum by route of passengers multiplied by the number of kilometres those passengers were flown.
- (13) Represents the number of seats initially sold over the internet divided by the total number of seats initially sold, during the relevant financial year. Sales that are originally made via the internet, but are later amended by phone, are included.
- (14) Represents the number of seats initially sold over the internet divided by the total number of seats initially sold, during the final month of the relevant financial year. Sales that are originally made via the internet, but are later amended by phone, are included.
- (15) When easyJet makes refunds to customers, it records refunds made in the pre-flight period as reductions in revenue and any refunds made post-flight as marketing expenses, included in "Other costs", above.
- (16) Includes principally administrative and operational costs not included elsewhere, the costs associated with short-term aircraft wet leases, insurance and any post-flight refunds, together with certain other items, such as currency exchange gains and losses and profit or loss on the disposal of fixed assets.
- (17) EBITDAR is defined by the company as earnings before interest, taxes, depreciation, amortisation and lease payments (excluding the maintenance reserve component of operating lease payments).

Report of the Remuneration Committee

The board has delegated to the Remuneration Committee responsibility to:

- make recommendations to the board in respect of the remuneration policy for executive directors and the group's other senior management;
- approve any new service agreement entered into between the group and any executive director; and
- make recommendations to the board on the implementation and overview of the bonus and share option programme.

The group's policy for senior executive remuneration is to reward its executives competitively having regard to the comparative market place in order to ensure that they are properly motivated to perform in the best interests of the company and its shareholders.

The remuneration of the company's non-executive directors is determined by the board as a whole with non-executive directors exempting themselves from voting as appropriate.

The remuneration for executive directors comprises a combination of basic salary, annual bonus, pension contributions and participation in share option and gift schemes. Basic salary is set relative to market rates based on the respective director's experience and complexity of his/her duties. The group pays into defined contribution pension schemes for executive directors at 7.0 per cent of their base salaries. Full details of the executive directors' remuneration are set out in note 4 to the financial statements.

The group also provides for the directors to participate in share option and gift schemes, the key details of which are provided in note 17 to the financial statements. Although options have been granted in one block to directors of the company, their vesting, except those granted to A Eilon, is phased.

Corporate Governance

Principles Statement

In June 1998 the London Stock Exchange adopted guidelines for Corporate Governance in the form of the Combined Code, which consolidated all prior guidance on such matters. The company obtained a listing on the London Stock Exchange on 22 November 2000. In anticipation of the company's listing, the board of directors sought to strengthen its corporate governance procedures with the aim of complying as far as possible with the provisions of the Combined Code. A summary of how the provisions of that code have been applied together with a compliance statement is provided below.

Board of Directors

As at 30 September 2001, the Board comprised seven Non-Executive directors, including the Chairman, and five Executive directors, as set out on page 20 of this report.

The roles of Chairman (Stelios Haji-Ioannou) and Chief Executive (Ray Webster) are separated and clearly defined. Tony Illsley is the Senior Non-Executive director. The company regards Colin Day, Tony Illsley, John Quelch and Diederik Karsten as independent Non-Executive directors.

The Board meets regularly, with 12 meetings being held during the year ended 30 September 2001. All members of the Board are supplied in advance with appropriate information covering matters which are to be considered.

All directors have access to the Company Secretary.

Directors may be appointed by the company by ordinary resolution or by the Board. A director appointed by the Board holds office only until the next Annual General Meeting ('AGM'). At each AGM one-third of the directors will retire by rotation and be eligible for re-election. The directors to retire will be those who wish to retire and those who have been longest in office since their last appointment or reappointment.

Non-Executive directors are appointed for three year terms, after which time they may offer themselves for re-election. Executive directors are not appointed for specific terms, however, in practice each director will normally serve a term no longer than three years due to the required retirement by rotation of one third of the Board at each AGM.

Remuneration Committee

The Remuneration Committee comprises three Non-Executive directors, of whom two are independent. The Remuneration Committee is chaired by Tony Illsley. Its other members are Colin Day and Nick Hartley. This Committee, which meets at least twice per year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the executive directors.

The board has discussed the composition of the Remuneration Committee and are satisfied that the directors who are members of this Committee are those who are best able to contribute to the Committee's objectives.

Corporate Governance (continued)

Audit Committee

The Audit Committee members are Colin Day (chairman), Tony Illsley and Amir Eilon. This committee meets at least twice per year and has responsibility for, amongst other things, planning and reviewing easyJet's annual and other reports and accounts and the involvement of the group's auditor in that process, focussing particularly on compliance with legal requirements and accounting standards. Additionally, the Committee is responsible for compliance with the requirements of the London Stock Exchange and the UK Listing Authority and seeking to ensure that an effective system of internal financial controls is maintained. The ultimate responsibility for reviewing and approving the annual and other accounts remains with the Board.

Nominations committee

The Nominations Committee members are Stelios Haji-Ioannou (chairman) plus any two of Amir Eilon, Nick Hartley, Colin Day and Tony Illsley. This committee is responsible for nominating candidates to fill Board positions and for making recommendations on Board composition and balance.

Relations with investors and the Annual General Meeting ("AGM")

The AGM gives all shareholders the opportunity to communicate directly with the Board. There is also regular communication with institutional investors, fund managers and analysts on key business issues. The group also recently appointed an investor relations manager.

It is the company's policy that the following procedures should be adhered to with respect to AGM's:

- All proxy votes are counted;
- Separate resolutions are proposed for each separate issue;
- The Chairman of the Audit, Remuneration and Nomination Committees are made available for any questions at the meetings; and
- It is the company's intention that notice of the forthcoming AGM and related papers will be sent to shareholders at least 20 working days before that meeting.

Statement of compliance

As an unlisted company up until 22 November 2000, easyJet did not fall within the scope of the Listing Rules Authority and, therefore, the Combined Code appended to those rules. Nevertheless, the Directors sought to apply certain principles of the Combined Code before listing, and sought to conduct easyJet's affairs in order to fully comply with the provisions set out in Section 1 of the Combined Code by 30 September 2001.

However, the company did not comply with the following Code Provisions during some part of the year. With the exception of (b), all were complied with by the year end.

- (a) A senior Non-Executive director was not nominated until 8 May 2001.
- (b) The Remuneration Committee has not comprised at least three independent non-executive directors, because the board has satisfied itself that the directors who are members of this Committee are those who are best able to contribute to its objectives.

Corporate Governance (continued)

- (c) There was no formal schedule of matters reserved for the Board's attention until 11 July 2001.
- (d) For the AGM held during the year under review, notice of that meeting and the related papers were sent to shareholders 20 days, rather than 20 working days, prior to the date of the meeting. It is the company's intention to send such documents at least 20 working days prior to the forthcoming AGM.
- (e) Prior to Admission to the Official List of the UK Listing Authority, the group granted share options without performance criteria attached to them. The majority of these options remain outstanding. The group does not intend to grant further share options to employees without attaching performance conditions to their exercise.

Internal Control

The overall responsibility for easyJet's systems of internal control and for reviewing its effectiveness rests with the directors of the company. The responsibility for establishing and operating detailed control procedures lies with the Chief Executive. However, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and by their nature can only provide reasonable but not absolute assurance against material misstatement or loss.

Guidance for directors, 'Internal Control: Guidance for Directors on the Combined Code' was published in September 1999, in the form of the Turnbull Guidance. The company complied with the guidance throughout the year ended 30 September 2001. A formal on-going process has been established to identify, evaluate and manage significant risks faced by the company and this process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts and this has been regularly reviewed by the Board during the period.

An ongoing process for the effective management of risk has been defined by the company directors and has been adopted as follows:

- On going assurance and risk management is provided through the various monitoring reviews and reporting mechanisms embedded into the business operations. Key monitoring reviews include those conducted continuously by the Quality Group, in weekly meetings, including Commercial Operations, Marketing and Finance, and in monthly Executive Committee Meetings, where individual department and overall business performance is reviewed. Control weaknesses or failings are considered by the Board if they arise;
- Management consider significant business risks in formal monthly meetings;
- An annual risk and control identification process, together with control effectiveness testing, is conducted. This process was enhanced during the second half of the year by implementing control identification and effectiveness testing processes. Workshops and interviews are conducted with directors and managers from all areas of the business. The key risks to significant business objectives are identified and scored for probability and impact. The key controls to manage these risks to the desired level are identified. The controls, which mitigate or minimise the high level risks, are tested to ensure that they are in operation. The results of this testing are reported to the Board who consider whether these high level risks are effectively controlled;
- Action plans are set to address any control weaknesses or gaps in controls identified; and
- A database of all risks has been created forming a key risk register for the company.

The directors reviewed the effectiveness of internal control, including operating, financial, compliance and risk management controls, which mitigate the significant risks identified. The procedures used by the directors to review the effectiveness of these controls include:

Corporate Governance *(continued)*

- Reports from management. Reporting is structured to ensure that key issues are escalated through the management team and ultimately to the Board as appropriate;
- Discussions with senior personnel throughout the company;
- Consideration by the directors of reports from external consultants on control effectiveness; and
- Consideration by the audit committee of any reports from external auditors.

Internal audit

The company does not have an internal audit function. This is presently considered appropriate given the size of the company and the close involvement of executive directors and senior management on a day to day operational basis. The Board has considered the need for such a function and will continue to review the need for one from time to time.

Going Concern

The Directors are satisfied, after due consideration, that the group has sufficient financial resources to continue in operation for the foreseeable future. On this basis, they continue to adopt the going concern principle in preparing the financial statements.

Directors' report

The Directors present the audited consolidated financial statements for easyJet plc for the year ended 30 September 2001.

Principal activity

The principal activity of easyJet plc ("the company") and its subsidiary companies ("the group") is the provision of a "low-cost – good value" airline service.

Business review

easyJet plc operates one of Europe's leading low-fare scheduled passenger airline businesses. It provides high frequency services on short-haul and medium-haul point-to-point routes within Europe from its four bases at London Luton, Liverpool, Amsterdam and Geneva.

easyJet offers a simple, "no frills" service aimed at both the leisure and business travel markets. Fares are, on average, significantly below those offered by traditional full service, or "multi-product", airlines.

During the year ended 30 September 2001, easyJet flew 7.1 million passengers (an increase of 26.4 per cent on the previous year) and generated profit before exceptional items and tax of £43.9 million on revenue of £356.9 million.

Profit before tax was £40.1 million, with profit after tax of £37.9 million. The Directors do not recommend the payment of a dividend.

As at 30 September 2001 easyJet operated on thirty-five routes, serving sixteen cities, and had a fleet of 26 Boeing B737 aircraft. easyJet flew 57,513 sectors during the year, an increase of 23.0 per cent over the prior year. The average load factor over the financial year was 83.0 per cent, 2.2 percentage points higher than the 2000 financial year. Year-on-year, the average fare rose 5.8 per cent to £48.28.

easyJet has entered into a purchase agreement with Boeing for 32 new "next generation" 737-700 aircraft. The first seven of these aircraft were delivered during the financial year and all were financed by sale-and-lease-back. Ten aircraft are due for delivery during the 2002 financial year and the remainder are due over the period up to May 2004.

Additional information on a review of the development of the business during the financial year, the position at the end of the financial year and likely future developments are given in the Chairman's Statement, Chief Executive's review and the Operational and Financial Review.

Safety and security

easyJet's commitment to safety is the top priority of the company and management. easyJet is committed to safe operations, which is manifested in its safety training procedures, its investment in the latest aircraft equipment and its adoption of a confidential safety issue reporting system.

Customer Service

easyJet seeks to provide its customers with a safe, low-cost, good value and reliable service.

easyJet operates an entirely ticketless sales and check-in service. This service is, easyJet believes, less burdensome for customers. In addition, the service reduces the costs associated with ticket processing, including personnel costs, and simplifies administration and control. In addition, there is no seat assignment policy. Instead, passengers are "rewarded" for checking in early because boarding is generally sequenced according to check-in order. Thus, "early-check-in" customers generally get a better chance of their choice of seat. Seats are not offered on a standby basis, as easyJet believes standby arrangements unacceptably complicate aircraft boarding and turnaround.

In-flight service costs are kept to a minimum. Food and drinks are served on board and are paid by the passenger. The in-flight catering is provided by third party suppliers.

Directors' report (continued)

People and culture

easyJet's employees have defined a statement of the organisation's values – the "orange culture". The Directors believe that the company's stated "orange" values, including being "up for it", "passionate" and "sharp", help to motivate employees to be productive and to implement easyJet's strategies.

The management of the group is entrusted to an executive team with extensive commercial, operational and financial experience. In keeping with the "orange culture" the Directors encourage employees to contribute to the management of the business and allow employees to have access to a significant amount of information stored on the company's electronic document system.

As a concrete demonstration of the value generated by staff, almost all staff employed at the date of easyJet's flotation received either a gift of shares or an option over shares.

The group is an equal opportunity employer which actively encourages the training and development of all its employees on an ongoing basis.

It is the group's policy to give full and fair consideration to applications for employment from disabled individuals, having regard to their particular aptitudes and abilities, and to provide such individuals with equal training, development, and opportunities for promotion.

easyJet is committed to generating an awareness among its employees of the group's performance, development and progress, and to providing employees with information on matters of concern to them. It achieves this through regular communication meetings, employee newsletters, and management briefings. Also, communication meetings are used as a platform from which employee representatives can be consulted in order that the views of the employees can be taken into consideration in management decisions which are likely to affect their interests.

The company continues to encourage the involvement of employees in the company's performance through the use of employee share option and related schemes.

Internet sales

easyJet sells the majority of its seats via its own website. easyJet believes its prominent use of the slogan "the web's favourite airline" and the painting of the website address on each of easyJet's aircraft encourages customers to use this low-cost sales channel.

In the year to 30 September 2001, 86.5 per cent of initial bookings were made via the internet. In September 2001 this figure was 91.0 per cent, which the Directors believe to be one of the highest percentages for an airline, hence the slogan "the web's favourite airline".

Directors and directors' interests

The directors who held office during the year were as follows:

Non-executive:

S Haji-Ioannou

A Eilon

N Hartley

A Illsley

C Day

D Karsten

(appointed 8 May 2001)

J Quelch

(appointed 14 November 2000)

Executive

R Webster

C Walton

M Cooper

V Hahn-Petersen

K McMann

Directors' report (continued)

The following directors held a direct interest in the share capital of the company:

	30 September 2001	1 October 2000
V Hahn-Petersen	15,558	-
N Hartley	6,732	-

The Chairman, Stelios Haji-Ioannou, together with certain of his family members, has an indirect interest in easyJet Holdings Limited, the ultimate parent company of easyJet plc, amounting to 98.9 per cent (61.7 million ordinary shares) of that company's share capital. Ray Webster and Nick Hartley also have an interest in that parent undertaking amounting to approximately 1 per cent (650,000 ordinary shares) and less than 1 per cent (38,362 ordinary shares), respectively, of that company's share capital.

In addition, executive directors are deemed to be interested in the shares held by the easyJet UK Employee Share Ownership Trust and the easyJet Overseas Employee Share Ownership Trust (the "Trusts"). At 30 September 2001, ordinary shares held in the Trusts were as follows:

		Ordinary shares
Total held by UK Trust of which:	Allocated	60,500
	Unallocated	72,169
Total held by Overseas Trust of which:	Allocated	2,200
	Unallocated	60,100

Details of share options and share gifts granted to the directors of the company are disclosed in note 17 to the financial statements.

Policy and practice on payment of creditors

The group and the company do not follow a universal code which deals specifically with payments to suppliers but, where appropriate, their practice is to:

- agree the terms of payment at the start of business with the supplier;
- ensure that those suppliers are made aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

At 30 September 2001, the number of creditor days outstanding for the group was 18 days (2000: 16 days), and the company, nil days (2000: nil days).

Political and charitable contributions

During the year, the group made charitable contributions totalling £4,505 (2000: £13,962). In addition, the group regularly gives free flights to selected charities. There is minimal incremental cost to the group associated with these gifts. There were no contributions made for political purposes.

Initial Public Offering

On 22 November 2000, easyJet plc listed on the London Stock Exchange. A global offering of 72,450,000 new ordinary shares was offered at a price of 310 pence per share. The offering raised £210.4 million, net of fees and expenses.

Directors' report (continued)

Post balance sheet events

The following events have occurred since 30 September 2001:

- in October 2001, the group took delivery of a new Boeing 737-700 aircraft, which was financed by sale and leaseback;
- following the terrorist attacks on 11 September 2001 in New York and Washington, the UK and Swiss governments have agreed to insure the group for third party liability over \$50 million (approximately £34 million) until 24 November 2001, at which point they will review the cover;
- the company's parent undertaking, easyJet Holdings Limited, is expected to be dissolved in due course; and
- the company is in the process of seeking to raise additional funds by way of a placing and open offer of ordinary shares to take advantage of possible opportunities for further expansion in the European short haul airline market that may arise, to further strengthen its balance sheet and to help fund in part its new aircraft purchases. In addition, the Chairman and the ultimate majority shareholder, Stelios Haji-Ioannou, intends to sell between 13 million and 18.5 million shares in the company (approximating to 5 per cent interest in the company). The offering circular to qualifying shareholders and potential institutional investors of this transaction is expected to be despatched to them on 29 October 2001.

Substantial interests

The company has been notified of the following disclosable interests of 3 per cent or more in its ordinary shares:

	Number of shares	Percentage
easyJet Holdings Limited	186,577,020	71.64
Wellington Management Company LLP	10,354,377	3.98

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor to the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



C Walton

Director

easyLand
London Luton Airport
Luton
Bedfordshire LU2 9LS

28 October 2001

Directors

Stelios Haji-Ioannou (Chairman)

Stelios founded easyJet UK in 1995. Prior to that, he founded and ran Stelmar Tankers, a shipping company which he controls but whose management he has delegated to Stelmar executives. In 1998, he established the easy group of companies, with the objective of exploiting the "easy" brand for ventures other than easyJet. Such ventures launched thus far include easyInternetCafé, a chain of internet cafes, and easyRentacar, a budget car rental business.

Ray Webster (Chief Executive)

Prior to joining easyJet in March 1996, Ray had 27 years of experience in the airline industry at Air New Zealand. In his career with Air New Zealand he held various positions within the engineering business unit, formed their cargo business unit and had responsibility for marketing, sales and operations within the Americas market. His last role at Air New Zealand was as General Manager of Strategic Planning, where he was responsible for the identification, evaluation and implementation of corporate development options, including the concept development, planning and implementation of a start up "value based" (low-cost) airline serving short-haul routes within the Australasian market.

Chris Walton (Finance Director)

Prior to joining easyJet in 1999, Chris had 13 years of experience in the airline industry working in finance and commercial capacities for Qantas Airways, Air New Zealand and Australian Airlines. Chris' experience includes financial planning, shareholder value management, financial reporting and control, monitoring of business area performance, investment and economic analysis. At various times, his roles in these companies have included (inter alia) responsibility for commercial matters, strategic planning and the negotiation of strategic alliances.

Vilhelm Hahn-Petersen (Operations Director)

Prior to joining easyJet in September 1999, Vilhelm was employed by FLS Industries for 11 years. For 9 of those years, he was employed by FLS Aerospace Limited, a UK subsidiary of FLS Industries, involved in the maintenance, repair and overhaul of commercial jets and their accessories, serving the European airline market. Vilhelm held a number of business development and operational management positions leading to his appointment in 1996 as Chief Executive of FLS Aerospace Limited.

Mike Cooper (Commercial Director)

Prior to joining easyJet in May 2000, Mike was employed by ICI and Thomson Travel Group. Mike spent nine years with ICI Paints in a number of roles, including marketing manager (Dulux) and other positions in marketing, sales and strategic planning. Mike joined Thomson Travel in 1996 where he was Head of Strategic Planning, before being promoted in 1997 to Managing Director of Portland Direct, the direct holding company within the Thomson Travel Group. In 1999, he became E-Commerce Director and was heavily involved in Thomson Travel's e-commerce strategy and online content.

Keith McMann (Airports Director)

Prior to joining easyJet in May 2000, Keith was employed by BAA plc for four years where he was Head of Operations at World Duty Free and most recently Retail Director at Scottish Airports which included involvement in airport design and development. Previously Keith managed airport activities for Allders International and spent seven years with Thorn EMI's retail division in a variety of planning and operations roles. Earlier career roles include positions at British Airways and public-sector management consultancy.

Directors (continued)

Colin Day (Independent Non-executive Director)

Colin joined easyJet in September 2000 and is currently chief financial officer for Reckitt Benckiser Plc, the world's largest household cleaning products company. Before that Colin was group finance director of Aegis Plc, Europe's leading media buying and planning company. Prior to joining Aegis, Colin spent six years in a number of divisional finance director positions with ABB, latterly as group finance director of ABB Instrumentation. Much of his earlier career was spent in various finance positions with De La Rue Group. Colin is also a non-executive director of Bell Group Plc, a security systems company which floated last year and was previously a non-executive director of Vero Group.

Amir Eilon (Non-executive Director)

Amir spent the major part of his career working for investment banks specialising in particular in global capital markets. Before joining easyJet in March 1999, Amir was at Credit Suisse First Boston where he had joint responsibility for Western Europe within its international group. Prior to that, Amir was at Barclays de Zoette Wedd for eight years where he was head of global capital markets. Amir is also a non-executive director of easyGroup, easyRentacar and easyInternetCafé.

Nick Hartley (Non-executive Director)

Nick acted as a consultant to Stelios Haji-Ioannou on the business strategy for easyJet prior to its incorporation. Prior to that, he worked as a consultant on business strategy for Stelmar Tankers and subsequently became a director of that company. Prior to 1992, he worked at BP for 35 years, where his posts included Managing Director of BP Southern Africa and Managing Director of BP Shipping. He is also a non-executive director of easyGroup and easyInternetCafé.

Tony Illsley (Independent Senior Non-executive Director)

Prior to joining easyJet in September 2000, Tony worked at Telewest Communications plc where he was Chief Executive prior to the merger with Flextech plc. Prior to his appointment at Telewest he was president and chief executive of Walkers Snack Foods, the UK division of Frito Lay, PepsiCo's foods subsidiary, having been promoted in 1995 from the position of president of Pepsi-Cola Asia Pacific. Before this, Tony spent four and a half years as Pepsi-Cola's President in Japan. From 1984 to 1988 he held various positions in the group's European soft drinks operations culminating in responsibility for the then 7-UP European Division. Before joining PepsiCo, Tony worked for five years at Colgate Palmolive in the United Kingdom, holding various senior marketing roles.

Diederik Karsten (Independent Non-executive Director)

Diederik joined easyJet in May 2001 and, since February 2000, has also been chief executive officer of KPN Mobile N.V. Previously he was Director of the business unit Mobile Telephony and director of The Mobile Net, parts of KPN Telecom. Prior to joining KPN in 1996, Diederik held various management and marketing positions at Pepsi Co, including vice president sales and marketing Snacks Ventures Europe and sales and marketing director Pepsi Cola, Germany. Before that, Diederik held various marketing positions at Procter & Gamble.

John Quelch (Independent Non-executive Director)

John joined easyJet in November 2000, at which time he was Dean of the London Business School and a Professor of London University. Subsequently, he accepted the position of Senior Associate Dean, International Development and Lincoln Filene Professor of Business Administration at Harvard Business School. John serves as a non-executive director of both WPP Group Plc and Blue Circle Industries Limited. He was a founding non-executive director of Reebok International Limited. As an academic, author and consultant, John is very active in business and specialises in, among other topics, international marketing, human resource management and general business management in both emerging and developing countries.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London

Report of the independent auditor to the members of easyJet plc

We have audited the financial statements on pages 25 to 57.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 23, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We reviewed whether the statement on pages 13 to 16 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report on whether it does or not. We are not required to consider whether the Board's statements on internal controls cover all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risks and other control procedures.

We read the other information contained in the Annual Report, including the corporate governance statements, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

A handwritten signature in black ink that reads 'KPMG Audit Plc'.

28 October 2001

Consolidated profit and loss account

for the year ended 30 September

	Notes	2001 £000	2000 £000
Revenue	1,2	356,859	263,694
Cost of sales		(265,648)	(191,291)
Gross profit		91,211	72,403
Distribution and marketing expenses		(31,692)	(25,868)
Administrative expenses (including exceptional administrative expenses of £3,777,000; 2000: £nil)	3	(21,396)	(17,875)
Operating profit			
Operating profit before exceptional administrative expenses		41,900	28,660
Exceptional administrative expenses	3	(3,777)	-
Operating profit		38,123	28,660
Interest receivable		10,205	1,687
Interest payable	5	(8,195)	(8,244)
Profit on ordinary activities before taxation	3	40,133	22,103
Tax on profit on ordinary activities	6	(2,226)	-
Retained profit for the financial year		37,907	22,103
		Pence	Pence
Earnings per share			
Basic	7	15.2	11.9
Diluted	7	14.4	11.9

All activities relate to continuing operations.


Consolidated balance sheet

as at 30 September

	Note	2001		2000	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8		2,995		3,163
Tangible assets	9		206,433		202,159
Investments	10		7,159		-
			<hr/>		<hr/>
			216,587		205,322
Current assets					
Debtors	11	47,106		40,959	
Cash at bank and in hand		244,435		14,088	
			<hr/>		<hr/>
			291,541		55,047
Creditors: amounts falling due within one year	12	(113,428)		(84,483)	
			<hr/>		<hr/>
Net current assets/(liabilities)			178,113		(29,436)
			<hr/>		<hr/>
Total assets less current liabilities			394,700		175,886
Creditors: amounts falling due after more than one year	13		(76,289)		(108,315)
Provisions for liabilities and charges	14		(1,920)		(1,854)
			<hr/>		<hr/>
Net assets			316,491		65,717
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	15		65,108		46,647
Share premium account	16		196,638		-
Profit and loss account	16		54,745		19,070
			<hr/>		<hr/>
Shareholders' funds – equity			316,491		65,717
			<hr/> <hr/>		<hr/> <hr/>

These financial statements were approved by the board of directors on 28 October 2001 and were signed on its behalf by:


R Webster
Director


C Walton
Director

Cash flow information

for the year ended 30 September

Reconciliation of operating profit to net cash flows from operating activities

	2001 £000	2000 £000
Operating profit	38,123	28,660
Goodwill amortisation	168	164
Depreciation of tangible fixed assets	18,457	15,937
Provision for impairment of fixed assets	-	1,134
Loss/(profit) on sale of assets	236	(65)
Cost of employee share gifts and bonus	967	-
Increase in debtors	(6,146)	(11,541)
Increase in creditors and provisions	31,571	26,280
	<hr/>	<hr/>
	83,376	60,569
	<hr/> <hr/>	<hr/> <hr/>

Consolidated cash flow statement

		2001 £000	2000 £000
Cash flow from operating activities		83,376	60,569
Returns on investments and servicing of finance	20	1,737	(7,937)
Taxation		-	(541)
Capital expenditure and financial investment	20	(29,027)	(36,339)
Acquisitions and disposals	20	-	-
		<hr/>	<hr/>
Cash inflow before management of liquid resources and financing		56,086	15,752
Management of liquid resources		(15,000)	-
Financing	20	174,261	(31,509)
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		215,347	(15,757)
		<hr/> <hr/>	<hr/> <hr/>

Financing cash flow in 2001 includes £210.4 million (net of issuing costs) for the issue of new shares following the company obtaining a Listing on the London Stock Exchange during the year. Total cash inflow from the issue of shares during the year was £212.2 million (net of issuing costs).

Cash flow information (continued)

Reconciliation of net cash flow to movements in net funds

	<i>Notes</i>	2001 £000	2000 £000
Increase/(decrease) in cash in the year		215,347	(15,757)
Cash flow from the decrease in debt	20	37,893	31,537
Cash outflow for increase in liquid resources		15,000	-
		<hr/>	<hr/>
Change in net debt resulting from cash flows		268,240	15,870
Exchange difference on loans		(1,081)	(14,495)
		<hr/>	<hr/>
Decrease in net debt for the year		267,159	1,285
Net debt at the start of the year		(106,005)	(107,290)
		<hr/>	<hr/>
Net funds/(debt) at the end of the year		161,154	(106,005)
		<hr/> <hr/>	<hr/> <hr/>

Net funds/(debt) at the end of the year comprises:

	2001 £000	2000 £000
Cash at bank and in hand	244,435	14,088
Bank and shareholder loans	(83,281)	(120,093)
	<hr/>	<hr/>
	161,154	(106,005)
	<hr/> <hr/>	<hr/> <hr/>

Consolidated reconciliation of movements in shareholders' funds

for the year ended 30 September

	2001 £000	2000 £000
Retained profit for the year	37,907	22,103
Foreign currency translation differences	(254)	4,098
Shares issued by easyJet plc	215,099	28
Movement in reserves for employee share scheme	(1,978)	-
	250,774	26,229
Net addition to shareholders' funds	65,717	39,488
Opening shareholders' funds		
	316,491	65,717
Closing shareholders' funds	316,491	65,717

Consolidated statement of total recognised gains and losses

for the year ended 30 September

	2001 £000	2000 £000
Retained profit for the year	37,907	22,103
Foreign currency translation differences	(254)	4,098
	37,653	26,201
Total recognised gains and losses for the year	37,653	26,201

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated financial statements of easyJet plc and its subsidiaries (the "group").

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention and in accordance with currently applicable accounting standards in the United Kingdom.

The company was incorporated on 24 March 2000 and, following a group reorganisation effected on 30 April 2000, it acquired from the former parent undertaking, easyJet Holdings Limited, its interests in the group subsidiaries and substantially all the assets and liabilities in consideration for the issue of shares. The group reorganisation qualified for merger accounting and, accordingly, the group's financial statements for the year ended 30 September 2000 were prepared as if the company had always been the parent company of the group. The profit and loss accounts and cash flow statements reflect the group's activities for each of the two years ended 30 September 2001 and 2000 and the consolidated balance sheets present the group's state of affairs at the end of each of those periods.

Basis of consolidation

The consolidated financial statements incorporate those of the holding company and its subsidiaries for the years made up to 30 September 2001 and 2000. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

In accordance with Section 230 of the Companies Act 1985, the company is exempt from the requirement to present its own profit and loss account. The company's loss for the financial year was £3.1 million (2000: period from incorporation, 24 March 2000, to 30 September 2000 £2.7 million profit).

Goodwill

On the acquisition of a business fair values are attributed to the separable net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such net assets. Goodwill is capitalised and amortised to the profit and loss account in equal instalments over its estimated useful life, not to exceed 20 years.

Associates

An associate is an undertaking, not being a subsidiary, in which the group holds a long term interest and over whose commercial and financial policy decisions it actually exercises significant influence. The group's share of the profit less losses from associated undertakings is included in the consolidated profit and loss account on the equity accounting basis. The carrying value of associated undertakings in the group's balance sheet is calculated by reference to the group's share of the net assets of such undertakings.

Investments

Fixed asset investments are stated at cost plus capitalised interest. To the extent that the carrying value exceeds the recoverable amount, an impairment loss is recognised in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Revenue

Revenues comprise the invoiced value of airline services, net of passenger taxes, discounts, including internet booking discounts, plus ancillary and advertising revenue. Revenue from the sale of flight seats is recognised in the period in which the service is provided. Unearned revenue represents flight seats sold but not yet flown and is included in Creditors, within Accruals and deferred income. Refunds made to passengers in the pre-flight period are recorded as reductions in revenue and any refunds made post flight are ordinarily recorded as marketing expense in the profit and loss account.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost, less estimated residual value, of assets, on a straight-line basis over their expected useful economic lives to the group over the following periods:

Aircraft - airframe, engines and landing gear	-	7 years
Aircraft - prepaid maintenance	-	3-6 years
Aircraft - spares	-	10 years from date of manufacture
Leasehold improvements	-	5 years
Fixtures, fittings and equipment	-	3 years
Computer hardware and software	-	3 years

The aircraft which the group holds are expected to have an operational life of 20-30 years. However, the group has a policy of using recently manufactured aircraft and, therefore, expects to hold them only for a period of approximately 7 years before selling them on to other airlines.

An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance of its engines and airframe and is amortised over a period ranging from 3 to 6 years from the date of manufacture. Subsequent costs incurred which lend enhancement to future periods such as long term scheduled maintenance and major overhaul of aircraft and engines are capitalised and amortised over the length of period benefiting from these enhancements. All other costs relating to maintenance are charged to the profit and loss account as incurred.

Depreciation is charged at approximately 7.5 per cent per annum which, over a 7 year period, reduces the net book value of an aircraft to its estimated resale value at that time.

Advance payments and option payments made in respect of aircraft purchase commitments and options to acquire aircraft are recorded at cost and separately disclosed. On acquisition of the related aircraft, these payments are included as part of the cost of aircraft and are depreciated from that date.

Interest incurred on borrowings that specifically fund progress payments on assets under construction is capitalised.

Pensions

The group contributes to defined contribution pension schemes for the benefit of employees. The assets of the schemes are held separately from those of the group in independently administered funds. Group contributions are charged to the consolidated profit and loss account in the year in which they are incurred.

Notes (continued)

1 Accounting policies (continued)

Employee share schemes

The cost of performance related awards to employees that take the form of rights to acquire or receive shares is recognised over the period of the employees' related performance. The cost represents the difference between the option exercise price (if any) and the market value of the shares at the date of gift or grant. Where there are no performance criteria, the cost is recognised over the period from gift or grant to when the employee becomes unconditionally entitled to the shares. Where contingently issuable shares are gifted the cost of the share gift is recognised upon the crystallisation of the contingency. These costs are included in administrative expenses.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Foreign currencies

The group holds its aircraft through overseas subsidiaries. The functional currency of these subsidiaries is considered to be US dollars because they are funded substantially with US dollar loans and the aircraft are anticipated to be sold for dollars within approximately 7 years of their acquisition. Profits and losses of these and other overseas subsidiaries are translated into pounds sterling at average rates of exchange during the period, with the adjustments to closing rates at the period end being taken to consolidated reserves. The net assets of the overseas subsidiaries, including the advance payments made to secure the delivery of aircraft, are translated at closing rates, with gains and losses on re-translation also being taken to consolidated reserves. Exchange differences on foreign currency borrowings that hedge foreign currency net assets are also taken to reserves.

Where foreign currency borrowings have been used to finance foreign equity investments or where those borrowings provide a hedge against the exchange risk associated with the existing foreign equity investments, the foreign equity investments are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange difference on the foreign equity investments is taken to consolidated reserves and, to the extent thereof, the resulting exchange difference on the foreign borrowings is offset against these exchange differences.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, other than as referred to above, are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the consolidated profit and loss account.

Other exchange differences are taken to the consolidated profit and loss account.

Financial instruments

Gains and losses on derivative financial instruments are recognised in the profit and loss account when realised as an offset to the related income or expense, as the group does not enter into any such transactions for speculative purposes.

Notes (continued)

1 Accounting policies (continued)

Leases

All of the group's lease contracts are of an operating lease nature and are accounted for as operating leases, where the rental charges are charged to the consolidated profit and loss account on a straight-line basis. Maintenance costs on leased aircraft are expensed as incurred.

Cash

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand, where formal offset arrangements are in place.

2 Segmental information

All revenues derive from the group's principal activity as an airline and include scheduled services, in-flight and related sales. Substantially all of the group's external revenues are earned by companies incorporated in the United Kingdom.

The geographical analysis of turnover is as follows:

	2001 £000	2000 £000
Within the United Kingdom	86,545	73,008
Between the United Kingdom and the Rest of Europe	244,764	177,141
Within the Rest of Europe	25,550	13,545
	356,859	263,694
	356,859	263,694

All the group's operating profit arises from airline-related activities.

The only revenue earning assets of the group are its aircraft fleet. Since the group's aircraft fleet is employed flexibly across its route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

3 Profit on ordinary activities before taxation

	2001 £000	2000 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Amortisation of goodwill	168	164
Depreciation of tangible fixed assets	18,457	15,937
Impairment of fixed assets	-	1,134
Remuneration of the auditor and its associates:		
Audit	160	150
Other	654	212
Operating lease rentals:		
Aircraft	23,949	16,612
Other	963	50
Foreign currency translation differences	(49)	(138)
Exceptional administrative expenses	3,777	-
	3,777	-
	3,777	-

Notes (continued)

3 Profit on ordinary activities before taxation (continued)

Excluded from the profit and loss account for other remuneration payable to the auditor is £0.3 million (2000: £1.5 million) in respect of flotation related services, bringing the total payable to the auditor for non-audit services during the year to £0.9 million (2000: £1.7 million).

Auditor's remuneration for audit of the company as a stand-alone entity was £15,000 (2000: £7,500).

Included within administrative expenses are the following exceptional items:

- £1.8 million, principally in respect of granting a one-off gift of shares to certain employees of the group, which crystallised upon the company obtaining a listing on the London Stock Exchange during the year. The charge to the profit and loss account during the year was based upon the estimated fair value of the shares of the company at the date it granted the shares to employees.
- £2.0 million in respect of a court decision against easyJet Switzerland. The Swiss Federal Tax Administration ("SFTA") brought a claim against easyJet Switzerland, relating to VAT on tour operators for charter services provided. Following successive proceedings and appeals, in 1998 the Federal Recourse Committee for VAT matters, a specialised court dealing with tax matters, ruled in favour of easyJet Switzerland, stating that its charter operations were not subject to VAT. In 1999, the SFTA appealed against this decision to the Swiss Federal Court (the highest court in Switzerland) and gained a decision in its favour during the 2001 financial year. The total amount claimed by the SFTA is approximately £9.4 million plus interest estimated at approximately £1.0 million. The group believes that the majority of this can be re-claimed from its customers. Taking into account amounts which the group believes it will collect from these customers has resulted in a net profit and loss account charge of approximately £1.0 million, plus interest of approximately £1.0 million.

4 Staff numbers and costs

The average number of persons employed by the group (including executive directors) during the year, analysed by category, was as follows:

	Number of employees	
	2001	2000
Operations and administration	1,362	855
Sales and marketing	237	285
	1,599	1,140
	1,599	1,140

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£000	£000
Wages and salaries	45,722	32,129
Social security costs	4,465	3,303
Pension costs	1,761	1,046
	51,948	36,478
	51,948	36,478

Notes (continued)

4 Staff numbers and costs (continued)

Details of emoluments, paid by group companies to the current directors of easyJet plc are as follows:

	Emoluments excluding pension contributions			Pension contributions		
	Salary/fees £000	Bonus £000	2001	2000	2001	2000
			Total £000	Total £000	£000	£000
Non-executive:						
S Haji-Ioannou	-	-	-	-	-	-
A Eilon	28	-	28	9	-	-
N Hartley	28	-	28	9	-	-
A Illsley	30	-	30	1	-	-
C Day	30	-	30	1	-	-
D Karsten	13	-	13	-	-	-
J Quelch	26	-	26	-	-	-
Executive						
R Webster	219	-	219	*273	15	12
C Walton	132	16	148	120	9	5
M Cooper	132	10	142	94	9	1
V Hahn-Petersen	142	7	149	163	10	10
K McMann	92	7	99	35	7	1
	872	40	912	705	50	29
	872	40	912	705	50	29

* This amount includes £52,000 in respect of previous years.

An accrual has been made for directors' bonuses for the 2001 financial year, but no agreement has been reached as to the amounts to be paid to individual directors. The bonuses included in 2001 above represent the amounts paid to the directors, except for Ray Webster, for the period 1 April 2000 to 30 September 2000. Ray Webster's bonus for the period 1 April 2000 to 30 September 2000 was included in the 2000 financial year's emoluments.

In addition to their fees for services as non-executive directors included above, N Hartley and A Eilon, via companies which they control, charged easyGroup (UK) Limited for other consulting services, a proportion of which costs are recharged by easyGroup (UK) Limited to the group. The total amount recharged by easyGroup (UK) Limited to the group for consulting services provided by the companies controlled by N Hartley and A Eilon was £nil (2000: £23,633) and £nil (2000: £31,917), respectively. The arrangement for these non-executive directors providing consulting services ceased at the time of the flotation of the company. easyGroup (UK) Limited is a related party, by virtue of N Hartley and A Eilon being directors of that undertaking.

Notes (continued)

4 Staff numbers and costs (continued)

Details relating to the emoluments paid by the group to the directors of easyJet plc for the year as directors of that company are as follows (2000: from the date of their appointment as directors of that company):

	2001 £000	2000 £000
Total emoluments:		
Remuneration	912	387
Pensions contributions	50	19
	962	406
	962	406
In relation to the highest paid director:		
Remuneration	219	183
Pension contributions	15	6
	234	189
	234	189

5 Interest payable

	2001 £000	2000 £000
On bank loans	8,195	8,244
On all other loans	-	1,380
Amounts capitalised	-	(1,380)
	8,195	8,244
	8,195	8,244

6 Taxation

The taxation charge is made up as follows:

	Year ended 30 September 2001 £000	Year ended 30 September 2000 £000
UK corporation tax	1,936	-
Overseas taxation	290	-
	2,226	-
	2,226	-
Effective tax rate	5.5%	-

Notes (continued)

6 Taxation (continued)

The effective tax rate is lower than the standard rate of tax for a number of reasons:

- brought forward losses are available in both the UK and Switzerland;
- an exemption exists from cantonal and communal taxes in Switzerland for the business of easyJet Switzerland until 31 December 2006, which reduces the effective rate of taxation in Switzerland to 7.8 per cent;
- tax allowances available in the UK and Switzerland in respect of share options granted to group employees.

The following tax losses were estimated to be available to offset against profits in future periods:

	At 30 September 2001 £000	At 30 September 2000 £000
United Kingdom	3,516	10,392
Overseas	14	8,117
	3,530	18,509
	3,530	18,509

Share options

A deduction is available for the difference between the market value of the shares at the date of exercise of the share option (or the market value at 30 September 2001 if the options remain unexercised) and the option price for UK employees. This deduction has only been available since 22 November 2000, the date that easyJet plc's shares were first admitted to the Official List of the London Stock Exchange.

If the share price increases between 30 September 2001 and the date of exercise of the outstanding options, then a further tax deduction will be recognised in subsequent financial years. However, if the share price falls, then there will be a tax charge. Given the number of options outstanding, movements in the share price could potentially cause a significant variation in the tax charge and the effective tax rate in future years. For example, a one penny reduction in the share price will potentially reduce the deduction available against taxable profits by £0.2 million.

For Swiss employees, a similar tax deduction is available, but only when the stock options have been exercised.

7 Earnings per share

Basic earnings per share has been calculated by dividing the profit for the period retained for equity shareholders by the weighted average number of shares in issue during the period after adjusting for changes to the capital structure of the group.

The calculation for diluted earnings per share uses the weighted average number of ordinary shares in issue adjusted by the effects of all dilutive potential ordinary shares. The dilution effect is calculated on the full exercise of all ordinary share options granted by the group including other share schemes, which the group consider to have been earned. The calculation compares the difference between the exercise price of exercisable share options, weighted for the period over which they were outstanding during the year, with the average daily mid-market closing price over the period when they were in existence as options.

Notes (continued)

7 Earnings per share (continued)

The earnings per share are based on the following:

	2001 £000	2000 £000
Profit for the year retained for equity shareholders	37,907	22,103
	<u> </u>	<u> </u>
	Number	Number
Weighted average number of ordinary shares in issue during the year used to calculate basic earnings per share	249,322	186,515
	<u> </u>	<u> </u>
Weighted average number of dilutive share options used to calculate dilutive earnings per share	13,288	-
	<u> </u>	<u> </u>

8 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	
At 1 October 2000 and 30 September 2001	3,398
	<u> </u>
<i>Amortisation</i>	
At 1 October 2000	235
Charged for the year	168
	<u> </u>
At 30 September 2001	403
	<u> </u>
<i>Net book value</i>	
At 30 September 2001	2,995
	<u> </u>
At 30 September 2000	3,163
	<u> </u>

Goodwill, which arose on the initial investment in easyJet Switzerland SA and the subsequent acquisition of that undertaking, is amortised to the consolidated profit and loss account over its estimated useful life of 20 years.

Notes (continued)

9 Tangible fixed assets

	Aircraft £000	Payments on account-aircraft deposits £000	Leasehold improvements - buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost					
At 1 October 2000	186,927	46,876	847	5,008	239,658
Exchange differences	642	76	-	-	718
Additions	9,759	41,724	467	2,198	54,148
Disposals	(1,856)	(30,358)	(26)	(472)	(32,712)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2001	195,472	58,318	1,288	6,734	261,812
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 October 2000	34,605	-	369	2,525	37,499
Exchange differences	(108)	-	-	-	(108)
Charge for year	16,585	-	270	1,602	18,457
Disposals	(161)	-	(3)	(305)	(469)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2001	50,921	-	636	3,822	55,379
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 September 2001	144,551	58,318	652	2,912	206,433
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2000	152,322	46,876	478	2,483	202,159
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At 30 September 2001, aircraft with a net book value of £92.0 million (2000: £150.7 million) were mortgaged to lenders as security for loans (see Notes 12 and 13).

Notes (continued)

9 Tangible fixed assets (continued)

Interest, at the applicable rate of LIBOR + 0.8 per cent and LIBID, ultimately capitalised within aircraft and aircraft deposits was as follows:

	2001 £000	2000 £000
Amounts capitalised during the year	-	1,380
	<u> </u>	<u> </u>
Aggregate amounts included within cost of aircraft and aircraft deposits	702	702
	<u> </u>	<u> </u>

Prior to the delivery of aircraft, the interest is deferred in Debtors. Amounts over and above those included within cost of aircraft and aircraft deposits deferred as at 30 September 2001 are £0.7 million (2000: £1.4 million).

10 Investments

easyJet Airline Company Limited, a subsidiary of easyJet plc, is one of the seven shareholders in the Airline Group, which is a consortium of airlines set up to bid for the partial ownership of the UK air traffic control system (NATS). Following the success of the bid in March 2001, easyJet has invested £7.2 million (including £0.3 million legal and consultancy fees) as its investment to provide the Airline Group with the initial capital base needed for the purchase. The investment includes £0.3 million of accrued interest receivable.

11 Debtors

	2001 £000	2000 £000
Trade debtors	25,755	21,976
Other debtors	7,716	9,804
Prepayments and accrued income	13,635	9,179
	<u> </u>	<u> </u>
	47,106	40,959
	<u> </u>	<u> </u>

Notes (continued)

12 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Bank loans	6,992	11,778
Trade creditors	16,709	11,860
Other taxes and social security	1,121	843
Other creditors	5,349	2,884
Accruals and deferred income	83,257	57,118
	113,428	84,483
	113,428	84,483

13 Creditors: amounts falling due after more than one year

	2001 £000	2000 £000
Bank loans		
Due within one to two years	7,461	12,353
Due in two to five years	29,960	52,636
Due after five years	38,868	43,326
	76,289	108,315
	76,289	108,315

The bank loans financed the acquisition of certain aircraft by the group. The aircraft acquired with the loans are provided as security against the borrowings. The bank loans are subject to certain financial and operating covenants.

Interest and repayment terms for the bank loans are set out in note 21.

Notes (continued)

14 Provisions for liabilities and charges

	Deferred taxation	Maintenance Provision	Total
	£000	£000	£000
At 1 October 2000	-	1,854	1,854
Provided during the year	-	528	528
Released during the year	-	(462)	(462)
At 30 September 2001	-	1,920	1,920

The maintenance provision represents the accrued costs of rectifying aircraft prior to their return to the lessors, in cases where the maintenance reserve payments to the lessors are insufficient to meet the estimated costs of rectification. The aircraft rectification obligations are imposed on the group in the lease agreements.

Deferred taxation

	2001		2000
	£000		£000
Amounts unprovided:			
Capital allowances in advance of depreciation	(4,959)		(3,630)
Losses available	1,054		3,807
Other fixed asset timing differences	7,221		3,958
Total unprovided deferred tax asset	3,316		4,135

Notes (continued)

15 Called up share capital

	2001 £000	2000 £000
<i>Authorised</i>		
400 million Ordinary shares of 25 pence each	100,000	100,000
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<i>Allotted, called up and fully paid</i>		
260.4 million (2000: 186.6 million) Ordinary shares of 25 pence each	65,108	46,647
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

On 22 November 2000 the company issued to various financial institutions 72,450,000 new 25p ordinary shares for a consideration of £224.6 million and was admitted to the Official List of the London Stock Exchange. Total costs in connection with this issue were £14.2 million. A further 1,393,191 new 25p ordinary shares were issued for a consideration of £4.7 million as a result of the exercise of employee share option schemes and other share awards during the year.

16 Share capital and reserves

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 1 October 2000	46,647	-	19,070	65,717
Issue of ordinary share capital	18,461	196,638	-	215,099
Movement in profit and loss account for employee share schemes			(1,978)	(1,978)
Retained profit for the year	-	-	37,907	37,907
Foreign currency translation differences	-	-	(254)	(254)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
At 30 September 2001	65,108	196,638	54,745	316,491
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

Notes (continued)

17 Share options and other share awards

(a) Movements in share options during the year ended 30 September 2001 were as follows:

(i) under the easyJet Key Employee Pre-Flotation Share Option Scheme

Exercise price	At 1 October 2000	Granted or issued	Lapsed	Exercised	At 30 September 2001
£	Number	Number	Number	Number	Number
1.82	24,803,936	-	(866,021)	(428,501)	23,509,414
2.05	2,476,560	-	(212,719)	(14,806)	2,249,035
2.28	1,042,584	-	(43,937)	-	998,647
3.10	-	268,355	-	-	268,355
	28,323,080	268,355	(1,122,677)	(443,307)	27,025,451
	28,323,080	268,355	(1,122,677)	(443,307)	27,025,451

Except for the 3,286,305 share options issued to A Eilon, a Non-Executive director of the company, which vested wholly upon initial Admission of the company to the Official List of the UK Listing Authority during the year, 25 per cent of the share options granted vest or vested at the dates below:

- Date of initial Admission of the company;
- First anniversary of initial Admission;
- Second anniversary of initial Admission; and
- Third anniversary of initial Admission.

Employees may not dispose of any shares that have resulted from the exercise of options within two years from the date of initial Admission to the Official List of the UK Listing Authority, except to the extent of settling their liabilities to personal tax, National Insurance contributions and the exercise price per option exercised. Substantially all of the employees accepted employer's Secondary National Insurance contributions due on the exercise of the first tranche of options. It is a condition of those options granted at an exercise price in excess of £1.82 per share that the option holders accept liability for the employer's Secondary National Insurance contributions due on the exercise of the options.

For UK employees, once vested, the options remain in place should the employee leave the group and may be exercised within a period ending ten years from the date of grant. For Swiss employees, once vested, the options remain in place should the employee leave the group and may be exercised within a period ending seven years from the date of grant.

An easyJet Supplemental Flotation Share Option Scheme was established in respect of both UK and Swiss employees to grant options to a number of participants who had inadvertently been issued with incorrect paperwork or who had been omitted from the original grants. These options replaced options which had lapsed but which had been included in the aggregate totals disclosed in the Listing Particulars for the company when it floated. These shares are included in the table of share options and grants outstanding above.

Notes (continued)

17 Share options and other share awards (continued)

(ii) under the easyJet Non-Approved Discretionary Share Option Scheme:

Exercise price	At 1 October 2000	Granted or issued	Lapsed	Exercised	At 30 September 2001
£	Number	Number	Number	Number	Number
4.122	-	667,510	27,537	-	639,973
	=====	=====	=====	=====	=====

This award of options over ordinary shares in easyJet plc was granted to eligible employees of FLS easyTech Limited ("easyTech"), a 25 per cent associate of easyJet Airline Company Limited with a three year vesting period and no performance criteria. This grant was a catch-up, as it had not been possible to grant options to these employees under the easyJet Key Employee Pre-Flotation Share Option Scheme.

In addition to the share options above, easyJet had also established two further share schemes as follows:

- (b) As at 30 September 2000, 838,607 shares were allocated under a share gift scheme with 478,712 shares vesting on initial Admission to the Official List of the UK Listing Authority with the remainder vesting on the first anniversary of initial Admission. At 30 September 2001, 210,392 shares were outstanding to vest on the first anniversary.
- (c) On 22 November 2000, 471,172 shares were allocated under the Share Bonus Scheme. The employees entitled to these shares at the date of initial Admission have an obligation to retain these shares for at least two years from that date.

Details of share options under the scheme described in (a) granted to the directors of the company during the years ended 30 September 2000 and 2001 are as follows:

Director	Grant date	Interest in options over ordinary shares	Exercise price £	Date from which exercisable	Expiry date of grant	Notes
Non-executive						
S Haji-Ioannou	-	-	-	-	-	-
A Eilon	26 Feb 2000	3,191,681	1.82	22 Nov 2002	26 Feb 2010	A
	26 Sep 2000	94,624	1.82	22 Nov 2002	26 Sep 2010	A
N Hartley	26 Feb 2000	105,336	1.82	22 Nov 2000	26 Feb 2010	B
A Hilsley	26 Sep 2000	12,992	2.28	22 Nov 2000	26 Sep 2010	B
C Day	26 Sep 2000	12,992	2.28	22 Nov 2000	26 Sep 2010	B
J Quelch	22 Nov 2000	12,992	3.10	22 Nov 2000	22 Nov 2010	B
D Karsten	-	-	-	-	-	-

Notes *(continued)*

17 Share options and other share awards *(continued)*

Director	Grant date	Interest in options over ordinary shares	Exercise price £	Date from which exercisable	Expiry date of grant	Notes
Executive						
R Webster	26 Feb 2000	4,255,575	1.82	22 Nov 2000	26 Feb 2010	B
	26 Sep 2000	126,167	1.82	22 Nov 2000	26 Sep 2010	B
C Walton	26 Feb 2000	531,947	1.82	22 Nov 2000	26 Feb 2010	B
M Cooper	26 Feb 2000	531,947	1.82	22 Nov 2000	26 Feb 2010	B
V Hahn-Petersen	26 Feb 2000	1,063,894	1.82	22 Nov 2000	26 Feb 2010	B
K McMann	26 Sep 2000	306,402	2.05	22 Nov 2000	26 Sep 2010	B

Notes

- A Vest in full on initial Admission to the Official List of the UK Listing Authority but are not exercisable until the second anniversary of initial Admission.
- B 25 per cent of the share options granted vest at the dates below:

- Date of initial Admission of the company;
- First anniversary of initial Admission;
- Second anniversary of initial Admission; and
- Third anniversary of initial Admission.

There were no movements in the share options granted to directors of the company except for the share options granted to J Quelch, during the year.

In addition, N Hartley and V Hahn-Petersen were allocated 6,452 and 22,581 shares, respectively, under the bonus share scheme in (c) above during the year, and N Hartley was gifted 280 shares by easyJet Holdings Limited as an employee present at the time of the first flight.

The middle market price of the company's ordinary shares at 30 September 2001 was 336p and the range during the period from flotation on the London Stock Exchange on 22 November 2000 to 30 September 2001 was 248.5p to 469p.

18 Contingent liabilities

The group is involved in various disputes or litigation in the normal course of business. Whilst the result of such disputes cannot be predicted with certainty, the company believes that the ultimate resolution of these disputes will not have a material affect on the group's financial position or results.

Notes (continued)

19 Commitments

(a) Lease commitments

Commitments under operating leases to pay rentals during the year following the year end analysed according to the period in which each lease expires were as follows:

	Land and buildings	
	2001	2000
	£000	£000
Expiring less than one year	361	-
Expiring between two and five years	271	67
Expiring after more than five years	67	-
	<hr/>	<hr/>
	699	67
	<hr/> <hr/>	<hr/> <hr/>

	Aircraft	
	2001	2000
	£000	£000
Expiring in year one	1,849	-
Expiring in years two to five	6,481	4,105
Expiring after five years	16,271	11,078
	<hr/>	<hr/>
	24,601	15,183
	<hr/> <hr/>	<hr/> <hr/>

(b) Other financial commitments

As a result of a purchase agreement entered into in July 1998 and revised in March 2000, the group is contractually committed to the acquisition of 25 (2000: 32) new Boeing 737-700 type aircraft with a list price of approximately US\$1.0 billion (2000: US\$1.3 billion), being approximately £680 million (2000: £880 million) (before escalations, discounts and deposit payments already made). In respect of those aircraft, deposit payments amounting to £58.3 million had been made as at 30 September 2001 (2000: £46.9 million), for commitments for the acquisition of Boeing 737-700 aircraft.

At 30 September 2001 the group had placed a series of orders to purchase aircraft spare parts, totalling approximately £0.7 million (2000: £3.8 million).

The group is also contractually committed to the purchase of other assets totalling approximately £0.8 million (2000: £1.1 million).

Notes (continued)

20 Notes to the cash flow statement

Analysis of amounts summarised in the cash flow statement

	2001 £000	2000 £000
Returns on investment and servicing of finance		
Interest received	9,932	1,687
Interest paid on bank and all other loans	(8,195)	(9,624)
	<hr/>	<hr/>
Net cash inflow/(outflow) from returns on investment and servicing of finance	1,737	(7,937)
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(54,148)	(44,399)
Sale of tangible fixed assets	32,007	8,060
Investment in Airline Group	(6,886)	-
	<hr/>	<hr/>
Net cash outflow for capital expenditure	(29,027)	(36,339)
	<hr/> <hr/>	<hr/> <hr/>
Financing		
Decrease in loans (net of repayment)	(37,893)	(31,537)
Issue of share capital (net of issue costs of £14.2 million (2000: £nil))	212,154	28
	<hr/>	<hr/>
Net cash inflow/(outflow) from financing	174,261	(31,509)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

21 Financial instruments

The objectives, policies and strategies applied by the group with respect to financial instruments are determined at a group level. The principal financial instruments used by the group to finance its operations are cash and loans.

The significant financial risks faced by the group and the policies that it applies are considered below. These have not materially changed from the previous year. No transactions of a speculative nature are undertaken.

Historically, the group has not used derivative financial instruments to hedge its exposure to fuel, foreign currency and interest rate fluctuations, although natural hedges limit the exposures to these risks, as explained below. However, during the year, the group acquired a derivative to hedge its exposure to fluctuations in the price of fuel. This derivative caps the fuel price to the group at 95 US cents per US gallon for 90 per cent of its estimated requirements over the first six months of financial year 2002.

For the purposes of this note, other than currency disclosures, the only debtors and creditors included are bank and shareholder loans, in accordance with Financial Reporting Standard 13, Derivatives and Other Financial Instruments.

Foreign currency risk

The group has an international business. Its reporting and principal trading currency is pounds sterling. Aircraft purchases, sales and leasing transactions together with other aircraft related costs are denominated in US dollars. The group also operates, to a lesser extent, in a number of other currencies.

The group's trade activity is concentrated in Europe, where there is a matching, to some extent, of the cash inflows and outflows of different European currencies. The majority of the group's trading revenue is derived in pounds sterling, although a significant amount of revenue is also derived in other European currencies and, other than fuel, aircraft lease and some of the maintenance costs, the group's cost base has a similar profile. Fuel, aircraft lease and some of the maintenance costs are payable in US dollars and movements in the value of the US dollar against pounds sterling impact these costs to the group: a strong pound sterling against the US dollar reduces these costs to the group.

Approximately 40 per cent (2000: 75 per cent) of the group's total assets (that is, its owned aircraft and deposits paid towards the future acquisition of aircraft) are denominated in US dollars, with the effect that the group's balance sheet and, in particular, shareholders' funds, can be significantly affected by movements in the rate of pounds sterling against the US dollar. The group mitigates the effect of such movements by borrowing in the same currencies as those US dollar denominated assets. Owned aircraft are anticipated to be sold for US dollars within approximately 7 years of their acquisition. The resulting sale proceeds are expected to be used largely to pay down US dollar loans and as a result these large US dollar inflows are not considered to create a significant currency exposure to the group.

The US dollar/pounds sterling exchange rates at the respective year end were as follows:

	Year end exchange rate (US\$: £)
30 September 2001	1.469
30 September 2000	1.476

Notes (continued)

21 Financial instruments (continued)

Foreign currency risk (continued)

9 per cent of the total group costs in the year ended 30 September 2001 were incurred by easyJet Switzerland (2000: 12 per cent), whose functional currency is the Swiss Franc. The costs of that business are translated into pounds sterling at average exchange rates for the purposes of inclusion into the consolidated profit and loss account, and the net assets at the year end exchange rate of the Swiss Franc against pounds sterling. To a large extent, the exposure to the Swiss Franc is mitigated as revenue in that currency is also earned by the group.

The table below summarises the group's exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the group that are not denominated in the functional currency of the operation to which they relate.

	US dollars £000	Other £000	Total £000
Total assets	17,778	14,042	31,820
Total liabilities	(4,563)	(3,475)	(8,038)
Net assets as at 30 September 2001	<u>13,215</u>	<u>10,567</u>	<u>23,782</u>
Total assets	6,691	3,115	9,806
Total liabilities	(726)	(1,259)	(1,985)
Net assets as at 30 September 2000	<u>5,965</u>	<u>1,856</u>	<u>7,821</u>

Interest rate risk

The group does not have a formal policy on the interest profile to be maintained for borrowings. The group's historical borrowings are analysed below between fixed rate and variable rate loans.

	Total £000	Fixed rate borrowings £000	Variable rate borrowings £000	Weighted average interest rate for fixed rate borrowings %	Average time over which interest rate is fixed months
Bank loans (US dollar denominated)	83,281	59,501	23,780	6.2	3
As at 30 September 2001	<u>83,281</u>	<u>59,501</u>	<u>23,780</u>	<u>6.2</u>	<u>3</u>
Bank loans (US dollar denominated)	120,093	62,639	57,454	6.2	13
As at 30 September 2000	<u>120,093</u>	<u>62,639</u>	<u>57,454</u>	<u>6.2</u>	<u>13</u>

Notes (continued)

21 Financial instruments (continued)

Interest rate (continued)

The maturity of the bank loans is set out below.

	2001 £000	2000 £000
Bank loans		
Due within one year	6,992	11,778
Due between one and two years	7,461	12,353
Due between two and five years	29,960	52,636
Due over five years	38,868	43,326
	83,281	120,093
	83,281	120,093

The variable rate bank loans bear interest by reference to the applicable reference rate, being LIBOR + 0.9 per cent to LIBOR + 1 per cent.

The loans are repayable in quarterly and six monthly instalments.

The majority of the group's financial assets comprise bank balances, which attract interest at the applicable money market deposit rates.

The group also pays operating lease rentals for the lease of aircraft. The group's commitment to aircraft operating lease rentals for the next financial year are analysed below between those on fixed rate and variable rate terms.

	Total	Fixed rate aircraft leases	Variable rate aircraft leases	Weighted average interest rate for fixed rate leases	Average time over which interest rate is fixed
	£000	£000	£000	%	Months
Approximate aircraft operating lease payments due in the financial year ending 30 September 2002 (payable in US dollars)	24,601	17,634	6,967	6.4	73
	24,601	17,634	6,967	6.4	73
	24,601	17,634	6,967	6.4	73

Notes (continued)

21 Financial instruments (continued)

Liquidity risk

The group prepares periodic working capital forecasts for the foreseeable future, allowing an assessment of the cash requirements of the group, to manage liquidity risk.

Credit risk

Potential concentrations comprise principally cash and trade debtors.

The majority of the group's trade debtors are represented by amounts due from a few credit card companies, which are well established companies. The cash balances are held with several major banks. The credit ratings for the credit card companies and the banks do not suggest there to be significant exposure as a result of these concentrations.

Funding risk

The most significant investment activity undertaken by the group historically has been the acquisition of aircraft. To a large extent, these have been financed by asset-backed bank loans. The group also sells and leases back the aircraft in certain cases to manage its funding risks.

Fair values of financial assets and liabilities

A comparison by category of book value and fair value of the group's financial assets and liabilities is provided in the table below.

	30 September 2001		30 September 2000	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Primary financial instruments held to finance the group's operations:				
Fuel hedge	-	-	-	-
Banks loans	(83,281)	(83,281)	(120,093)	(120,093)
Cash	244,435	244,435	14,088	14,088
	<u>161,154</u>	<u>161,154</u>	<u>(106,005)</u>	<u>(106,005)</u>

The variable rate interest terms on the bank loans are agreed on an arms length basis and, therefore, the fair value of those loans approximate to their book values. The fair value of the bank loans that are subject to fixed rate interest terms is not considered to be materially different from their book value on the basis that the period over which the interest terms are fixed is relatively short and that the fixed interest terms are agreed on an arms length basis.

The fair value of cash approximates to its book value due to its immediate availability.

Notes (continued)

22 Related party transactions

The group transacts with easyRentacar Limited, easyInternetCafé Limited, and easyValue Limited, being companies of which Stelios Haji-Ioannou is the majority shareholder. The transactions principally relate to the charging of advertising costs and web page click-through revenues between the group and these companies. These charges are summarised below for the years ended 30 September 2001 and 2000, together with the balances outstanding at those dates.

	easyValue Limited		easyRentacar Limited		easyInternetCafé Limited	
	2001 £000	2000 £000	2001 £000	2000 £000	2001 £000	2000 £000
Charges to the group	-	-	266	34	156	29
Charges by the group	127	-	951	192	145	13
Year end debtor/(creditor)	38	-	155	24	(25)	(9)

23 Ultimate controlling party

The ultimate parent company of the group is easyJet Holdings Limited, incorporated in Jersey. The accounts of easyJet Holdings Limited are not publicly available.

By virtue of the shareholding of his family trusts, Stelios Haji-Ioannou is the ultimate controlling party of the group.

24 Post balance sheet events

The following events have occurred since 30 September 2001:

- in October 2001, the group took delivery of a new Boeing 737-700 aircraft, which was financed by sale and leaseback;
- following the terrorist attacks on 11 September 2001 in New York and Washington, the UK and Swiss governments have agreed to insure the group for third party liability over \$50 million (approximately £34 million) until 24 November 2001, at which point they will review the cover;
- the company's parent undertaking, easyJet Holdings Limited, is expected to be dissolved in due course; and
- the company is in the process of seeking to raise additional funds by way of a placing and open offer of ordinary shares to take advantage of possible opportunities for further expansion in the European short haul airline market that may arise, to further strengthen its balance sheet and to help fund in part its new aircraft purchases. In addition, the Chairman and the ultimate majority shareholder, Stelios Haji-Ioannou, intends to sell between 13 million and 18.5 million shares in the company (approximating to 5 per cent interest in the company). The offering circular to qualifying shareholders and potential institutional investors of this transaction is expected to be despatched to them on 29 October 2001.

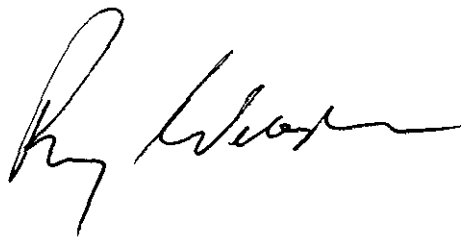
Company balance sheet

at 30 September

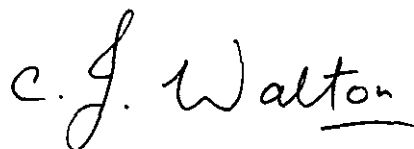
	<i>Notes</i>	2001 £000	2000 £000
Fixed assets			
Investments	25(a)	32,501	32,501
Current assets			
Debtors	25(b)	59,906	27,466
Cash at bank and in hand		199,890	-
Creditors: amounts falling due within one year	25(c)	(30,945)	(10,619)
Net current assets		<u>228,851</u>	<u>16,847</u>
Net assets		<u>261,352</u>	<u>49,348</u>
Capital and reserves			
Called up share capital	15	65,108	46,647
Share premium	16	196,638	-
Profit and loss account		(394)	2,701
Shareholders' funds - equity	25(d)	<u>261,352</u>	<u>49,348</u>

These financial statements were approved by the board of directors on 28 October 2001 and were signed on its behalf by:

R Webster



C Walton



Notes (continued)

25 Company information

(a) Fixed asset investments

	Shares in subsidiary undertakings £000
At 1 October 2000	32,501
At 30 September 2001	<hr style="width: 100%;"/> 32,501 <hr style="width: 100%;"/>

The principal companies in which the company has interests at 30 September 2001 are noted below. A full list of group companies will be included in the company's next annual return, in compliance with s231 and parts I and II of Schedule 5 of the Companies Act 1985.

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
easyJet Airline Company Limited	England and Wales	Airline operator	100% of ordinary shares
easyJet Switzerland SA	Switzerland	Airline operator	*49% of ordinary shares
easyJet Ramp Limited	England and Wales	Airline related activities	**100% of ordinary shares
easyJet Services Limited	England and Wales	Airline related activities	**100% of ordinary shares
easyJet Aircraft Company Limited	Cayman Islands	Aircraft trading and leasing	100% of ordinary shares
easyJet Hamburg Limited	Cayman Islands	Aircraft trading and leasing	100% of ordinary shares
Yankee Bravo Aviation Limited	Cayman Islands	Aircraft trading and leasing	100% of ordinary shares
Yankee Charlie Aviation Limited	Cayman Islands	Aircraft trading and leasing	100% of ordinary shares
easyJet Leasing Limited	Cayman Islands	Aircraft trading and leasing	100% of ordinary shares

Notes

* The group has a 49 per cent interest in easyJet Switzerland SA with an option to acquire the remaining 51 per cent. easyJet Switzerland SA has been consolidated as a subsidiary from 24 June 1999 on the basis that since that date the group has actually exercised a dominant influence over the undertaking since that date. A minority interest has not been reflected in the financial statements on the basis that holders of the remaining 51 per cent of the shares in easyJet Switzerland SA have no entitlement to any dividends from that holding and easyJet plc has an option to acquire those shares for a predetermined consideration.

** Interest in these companies is held by easyJet Airline Company Limited.

In addition, the group has a 25 per cent interest in the ordinary share capital of FLS easyTech Limited, a company incorporated in England and Wales, carrying on the business activity of aircraft maintenance. The interest is held by easyJet Airline Company Limited. The investment in this associated undertaking has been equity accounted in the consolidated financial statements.

Notes *(continued)*

25 Company information *(continued)*

(b) Debtors: Amounts due within one year

	2001 £000	2000 £000
Amounts owed by subsidiaries	56,970	2,441
Other debtors	742	25,025
Prepayments and accrued income	2,194	-
	59,906	27,466
	59,906	27,466

Other debtors includes £nil (2000: £23,644,000) deposits paid to Boeing to secure the future delivery of aircraft.

(c) Creditors: amounts falling due within one year

	2001 £000	2000 £000
Amounts owed to subsidiaries	21,570	7,590
Other creditors	9,375	3,029
	30,945	10,619
	30,945	10,619

(d) Reconciliation of movement in equity shareholders' funds

	2001 £000	2000 £000
Retained (loss)/profit for the year	(3,095)	2,701
Issue of share capital during the year	215,099	46,647
	212,004	49,348
Net addition to shareholders' funds	212,004	49,348
Opening shareholders' funds	49,348	-
	261,352	49,348
Closing shareholders' funds	261,352	49,348
	261,352	49,348

Notes *(continued)*

25 **Company information** *(continued)*

(e) **Guarantee and contingent liabilities**

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

The company has guaranteed the repayment of borrowings that financed the acquisition of aircraft of certain subsidiary undertakings. The company has also guaranteed the payment obligations for the lease of aircraft by certain subsidiaries.

Selected financial unaudited information in Euros

Basis of preparation

The consolidated financial statements of the group are presented in pounds sterling. The consolidated profit and loss account statement and statement of net assets have been presented below in Euros for convenience only, using the average exchange rate during the year of €1.627: £1 and €1.616: £1 for the years ended 30 September 2001 and 2000, respectively, and at the year end exchange rate of €1.614: £1 and €1.669: £1 at 30 September 2001 and 30 September 2000, respectively, between pounds sterling and the Euro. The presentations below are for illustrative purposes only and should not be construed as representations that the Euro amounts actually represent such pounds sterling amounts or could have been or could be converted into Euro at the rate indicated or at any other rates.

Consolidated profit and loss account in Euros

for the year ended 30 September

	2001 €000	2000 €000
Revenue	580,610	440,106
Cost of sales	(432,210)	(320,180)
Gross profit	148,400	119,926
Distribution and marketing expenses	(51,563)	(43,189)
Administrative expenses (including exceptional administrative expenses of €6.1 million in year ended 30 September 2001)	(34,811)	(28,980)
Operating profit		
Operating profit before exceptional administrative expenses	68,171	47,757
Exceptional administrative expenses	(6,145)	-
Operating profit	62,026	47,757
Interest receivable	16,603	2,892
Interest payable	(13,334)	(13,758)
Profit on ordinary activities before taxation	65,295	36,891
Tax on profit on ordinary activities	(3,622)	-
Retained profit for the financial year	61,673	36,891

Selected unaudited financial information in Euros (continued)

Consolidated net assets in Euros

as at 30 September

	2001		2000	
	€000	€000	€000	€000
Fixed assets				
Intangible assets		4,833		5,278
Tangible assets		333,182		337,405
Investments		11,554		-
		<hr/>		<hr/>
		349,569		342,683
Current assets				
Debtors	76,029		68,344	
Cash at bank and in hand	394,518		23,512	
	<hr/>		<hr/>	
	470,547		91,856	
Creditors: amounts falling due within one year	(183,072)		(140,985)	
	<hr/>		<hr/>	
Net current assets/(liabilities)		287,475		(49,129)
		<hr/>		<hr/>
Total assets less current liabilities		637,044		293,554
Creditors: amounts falling due after more than one year		(123,130)		(180,778)
Provisions for liabilities and charges		(3,098)		(3,095)
		<hr/>		<hr/>
Net assets		510,816		109,681
		<hr/> <hr/>		<hr/> <hr/>

Summary of selected financial information for five years

Year ended 30 September

	2001 £000	2000 £000	1999 £000	1998 £000	1997 £000
Revenue	356,859	263,694	139,789	77,000	46,035
Operating profit/(loss) before exceptional costs	41,900	28,660	8,271	9,133	(273)
Profit/(loss) on ordinary activities before taxation	40,133	22,103	1,260	5,876	(724)
Retained profit/(loss) for the financial year	37,907	22,103	1,260	5,876	(724)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fixed assets	216,587	205,322	167,560	133,352	79,664
Current assets	291,541	55,047	57,342	22,100	28,926
Creditors: amounts falling due within one year	(113,428)	(84,483)	(56,882)	(29,762)	(16,851)
Creditors: amounts falling due after more than one year	(76,289)	(108,315)	(127,069)	(88,497)	(59,376)
Provision for liabilities and charges	(1,920)	(1,854)	(1,463)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net assets	316,491	65,717	39,488	37,193	32,363
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flow from operating activities	83,376	60,569	25,221	23,733	5,620
Return on investment and servicing of finance	1,737	(7,937)	(8,160)	(4,292)	(776)
Taxation	-	(541)	-	-	-
Capital expenditure	(29,027)	(36,339)	(38,973)	(64,732)	(61,143)
Acquisitions and disposals	-	-	996	(1,201)	-
Management of liquid resources and financing	159,261	(31,509)	37,112	45,141	64,848
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Increase/(decrease) in cash in the year	215,347	(15,757)	16,196	(1,351)	8,549
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

easyJet plc was incorporated on 24 March 2000 and, following a group reorganisation effected on 30 April 2000, it acquired from the former parent undertaking, easyJet Holdings Limited, its interests in the group subsidiaries and substantially all the assets and liabilities in consideration for the issue of shares. The group reorganisation qualifies for merger accounting and, accordingly, the above summary of selected financial information has been prepared as if easyJet plc has always been the parent company of the group.