easyJet plc

Annual report and accounts 2009

COMPANY NUMBER:-
3959649

IMAGE
REMOVED

NAVIGATION

Directors' report

easyJet plc is incorporated as a public limited company and is registered in England with the registered number 3959649. easyJet plc's registered office is Hangar 89, London Luton Airport, Bedfordshire LU2 9PF.

The Directors present the Annual report and accounts for the year ended 30 September 2009. References to 'easyJet', the 'Group', the 'Company', 'we', or 'our' are to easyJet plc or to easyJet plc and its subsidiary companies where appropriate.

Pages 01 to 55, inclusive, of this Annual report comprise the Directors' report that has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

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OVERVIEW 2009 BUSINESS HIGHLIGHTS

Results at a glance

	2009	2008	Change
Total revenue (£ million)	**2,667**	2,363	12.9%
Profit before tax – underlying[1] (£ million)	**43.7**	123.1	(64.5)%
Profit before tax – reported (£ million)	**54.7**	110.2	(50.4)%
Pre-tax margin – underlying[1] (%)	**1.6%**	5.2%	(3.6)ppt
Return on equity – reported (%)	**5.5%**	6.8%	(1.3)ppt
Basic EPS – reported (pence)	**16.9**	19.8	(14.6)%

Highlights

- Total revenue per seat up 10.9% (4.1% at constant currency), driven by the strength of the easyJet network, competitor capacity reduction of around 6%, strong ancillary revenue performance and a 2.6% sector length increase
- Passenger numbers up 3.4% to 45.2 million and load factor improved by 1.4ppt to 85.5%
- Underlying profit before tax[1] of £43.7 million delivered in line with expectation. The £79.4 million reduction in underlying pre-tax profit compared to the prior year is driven by a unit fuel cost increase equivalent to £86.1 million and interest income lower by £30.5 million
- Operating costs[2] per seat (excluding fuel and currency movement) increased by 3.9% for the full year. Total underlying cost per seat[1] (excluding fuel and currency movement) up 6.2% partly driven by increased sector length, planned lower aircraft utilisation during the winter and a £30.5 million reduction in interest income
- Significant progress on cost reduction initiatives: 19 expensive aircraft exited from the fleet; systems implemented; renegotiation of our maintenance arrangements with SRT to deliver savings of around £175 million over the 11 year life of the contract
- easyJet's position in European short-haul aviation has strengthened with market share gains in a number of valuable markets such as Paris, London Gatwick, Milan and Madrid and over a 10% increase in slots at capacity constrained airports
- Sufficient resources in place through a combination of undrawn committed facilities and surplus cash to fund future aircraft deliveries for at least the next 18 months
- Forward bookings broadly in line with prior year

Note 1: Underlying financial performance excludes an £11.0 million profit on the disposal of three aircraft in 2009, and £12.9 million of costs associated with the integration of GB Airways in 2008.
Note 2: Excludes interest income.

easyJet AT A GLANCE

During 2009 we have delivered a resilient financial performance.

By building strong positions at major airports in key markets such as London Gatwick, Milan, Madrid and Paris we have developed Europe's premier air transport network.

114 airports

27 countries

- Aberdeen
- Alicante
- Almeria
- Amsterdam
- Asturias
- Athens
- Barcelona
- Bari
- Basel-Mulhouse-Freiburg
- Belfast International
- Berlin Schoenefeld
- Biarritz
- Bilbao
- Birmingham
- Bodrum
- Bordeaux
- Bournemouth
- Brindisi
- Bristol
- Brussels International
- Bucharest (Baneasa)
- Bucharest (Otopeni)
- Budapest
- Cagliari (Sardinia)
- Casablanca (Mohammed V)
- Catania (Sicily)
- Cologne / Bonn
- Copenhagen
- Corfu
- Corsica (Ajaccio)
- Corsica (Bastia)
- Crete (Heraklion)
- Cyprus (Larnaca)
- Cyprus (Paphos)
- Dalaman
- Dortmund
- Dubrovnik
- East Midlands
- Edinburgh
- Faro
- Fuerteventura
- Geneva
- Gibraltar
- Glasgow
- Gran Canaria (Las Palmas)
- Grenoble
- Hamburg
- Helsinki
- Hurghada
- Ibiza
- Innsbruck
- Inverness
- Istanbul - Sabiha Gökcen
- Jersey
- Kittila
- Krakow
- Kuusamo
- La Rochelle
- Lamezia
- Lanzarote (Arrecife)
- Lisbon
- Liverpool
- Ljubljana
- London Gatwick
- London Luton
- London Stansted
- Lyon
- Madeira (Funchal)
- Madrid
- Majorca (Palma)
- Malaga
- Malta
- Manchester
- Marrakech
- Marseille (Provence)
- Menorca (Mahon)
- Milan Linate
- Milan Malpensa
- Montpellier
- Munich
- Murcia
- Mykonos
- Nantes
- Naples
- Newcastle
- Nice
- Olbia (Sardinia)
- Palermo (Sicily)
- Paris Charles de Gaulle
- Paris Orly
- Pisa (Tuscany)
- Porto
- Prague
- Rhodes
- Rome Ciampino
- Rome Fiumicino
- Rovaniemi
- Salzburg
- Santorini
- Sharm El Sheikh
- Sofia
- Split
- Stockholm (Arlanda)
- Tallin
- Tangier
- Tenerife South
- Thessoloniki
- Toulouse
- Turin
- Valencia
- Venice Marco Polo
- Vienna
- Warsaw
- Zurich

CHARTS REMOVED

We are present in 37 of the top 50 European airports and 289 million people live within 60 minutes drive from an airport served by easyJet.

We have presence on 45 of the top 100 European routes, more than any other carrier.

422 routes, 114 airports, 27 countries.

IMAGE REMOVED

CHART REMOVED

6.5% market share.

45 million passengers.

181 aircraft situated in 20 bases.

50% of passengers originate outside the UK.

CHARTS REMOVED

CHAIRMAN'S STATEMENT

In a tough economic environment, our resilient performance is a testament to the quality of our business model.

IMAGE REMOVED

Dear Shareholder

I am pleased to report that your Company has delivered a resilient performance in what has been one of the most challenging trading environments for many years. Weak consumer confidence, combined with fuel and currency volatility, has made for an uncertain business climate in general this year, but especially so for airlines.

Against this backdrop, easyJet is one of the few airlines anywhere to remain profitable this year with underlying pre-tax profits of £44 million, compared to £123 million last year. These results were driven primarily through good revenue performance offsetting the £86 million unit increase in fuel costs and £31 million reduction in interest income. We also took advantage of capacity cuts by other carriers to advance our position in the European short-haul market, gaining share in important markets such as Milan, Paris, Madrid and London Gatwick and increasing our slot portfolio at congested airports by over 10%.

Business model and strategy

In a tough economic environment, easyJet's continued resilient performance is a testament to the quality of its business model. Europe's premier air transport network, our strong customer proposition and service delivery are linked to a highly efficient operating model that is predicated on simplicity and low cost.

As part of the annual strategy process, easyJet's Board has agreed a fleet plan that will enable your Company to deliver growth of around 7.5% per annum' over the next five years. This fleet plan gives easyJet the ability to take advantage of the substantial commercial opportunities apparent in European short-haul aviation, whilst maximising margins and delivering positive cash generation beyond the period of the higher than normal capital expenditure associated with the replacement of the more expensive Boeing subfleet. The plan nevertheless retains sufficient in-built flexibility to allow a slowing of growth should our margins come under pressure.

Whilst some of our strategic debate during the past 12 months was perhaps a little too public, I believe that the subject matter and intensity of the discussion around the most appropriate rate of growth for the Company evidences the commitment of individual Board members to the Company's cause. I am pleased to report that the whole Board believes we have come to a sensible outcome.

Board

At easyJet we believe that good corporate governance is vital. At the heart of this is a strong Board team who both support and challenge the executive management so that together, we can unlock easyJet's huge potential, whilst appropriately managing the risks associated with operating in such a volatile industry. easyJet is an exciting business that readily attracts talent and hence I am pleased to report on how we have been able to further strengthen the Board in the past year.

Sir Michael Rake was appointed Deputy Chairman and Senior Independent Director in June. Mike is an experienced international business leader and is currently Chairman of BT Group plc prior to which he was Chairman of KPMG International.

Keith Hamill joined the Board in February. Keith's background as Chairman of Travelodge and Chairman of Go Fly! Ltd, prior to its acquisition by easyJet in 2002, is highly relevant and I have welcomed his robust and analytical approach to the assessment of risk in our Board discussions.

Bob Rothenberg MBE, senior partner in the accountancy firm of Blick Rothenberg, was appointed to the easyJet Board as a Non Executive Director with effect from 1 August 2009. His appointment was made under the terms of the Company's Articles giving Sir Stelios Haji-Ioannou, the Company's founder, nominee director appointment rights on behalf of himself and easyGroup Holdings Limited, his private investment vehicle and a shareholder in easyJet plc. Bob's appointment was formally endorsed by the members of the Company's Nominations Committee and he brings valuable financial advisory and general business experience.

Sir Colin Chandler stepped down earlier in the year as Chairman after seven years service to the Company. We thank him for his significant contribution throughout his tenure, as he chaired the organisation during the period which saw easyJet achieve its current leading position in the European market. Jeff Carr, our Group Finance Director since 2005, also left to take on a larger challenge and we thank him too for his contribution. Whilst we complete the search process for Jeff's successor, we are very pleased that Mark Adams has joined us on an interim basis as Chief Financial Officer. Mark has held a number of senior financial positions across a range of sectors and we welcome his contribution during this interim period.

People

It has been a challenging year for easyJet's people. I have spent a lot of time in the past few months with the easyJet senior management population and can testify to their exceptional level of passion for and belief in easyJet. In a tough industry this level of engagement is a real differentiator to the performance of the business. The commitment and enthusiasm of our crew continues to be a key driver of our successful customer proposition and the whole Board is grateful for the continued professionalism and commitment of all our people.

Industry regulation

The regulatory framework we operate in is crucial, as alongside ensuring that we can operate in a safe environment, it has a significant effect on both our cost base and the opportunities available for future growth. We are working across Europe to persuade governments and the European Commission to deliver regulation that provides stability, is sensible and allows us to compete fairly. easyJet was born out of the liberalisation brought about by EU open skies and has been at the forefront of promoting fair competition for the benefit of consumers. We continue in that spirit with our campaign to ensure that local airport monopolies are not able to capture monopoly rents. We also need to ensure that easyJet continues to operate on a level cost playing field with legacy European carriers absent protectionist measures imposed by national governments. We have also committed to a greater focus on the remaining structural inefficiencies, such as the management of airspace and its associated charging mechanisms.

We know it is important that our industry addresses its wider responsibilities, in particular to ensure we play our part in tackling climate change. We have now taken the first steps towards aviation's entry into the European Emissions Trading System, where we will operate within a system that caps overall CO_2[2] emissions, ensuring they are put on a downwards path towards agreed targets. However, environmental measures must deliver real gains in environmental efficiency, and cannot be used as a way to simply tax passengers and so we are continuing to work for the reform of UK Air Passenger Duty (APD) to operate as a genuine incentive to drive environmental change rather than the current blunt instrument to swell Government coffers.

Conclusion

As easyJet navigates what is still an uncertain and difficult landscape, I am confident that easyJet's strengths will continue to prevail and that it will emerge as a clear winner in European short-haul aviation. I would also like in particular to thank Andy Harrison and his executive team for so successfully managing the Company during such a challenging year.

Sir David Michels
Non Executive Interim Chairman

IMAGE REMOVED

Note 1: Measured in seats flown.
Note 2: Carbon dioxide.

BUSINESS REVIEW STRATEGY AND KPIs

We believe people make the difference. It's through the efforts of all our people to deliver our four strategic priorities that we will realise our vision: to become the best low fares airline in the world.

Financial KPIs

CHARTS REMOVED

Strategic KPIs

1 SAFETY IS OUR NO.1 PRIORITY

We will never compromise our commitment to safety, which is always the first priority for all of our people.

CHART REMOVED

2 BUILD EUROPE'S No.1 AIR TRANSPORT NETWORK

We are focusing on improving our routes, slots and bases to build on our leading presence across Europe.

CHART REMOVED

3 DEVELOP A WINNING CUSTOMER PROPOSITION

We are continuing to refine our winning proposition to a wide range of business and leisure customers.

CHART REMOVED

4 DELIVER LOW COST AND MAXIMISE MARGINS

We are improving revenue and managing costs in order to enhance our reputation as Europe's most efficient airline.

CHART REMOVED

easyJet people make the difference

REVIEW OF STRATEGY

1 Safety is our No.1 priority

Throughout the organisation – from the boardroom to our crew, engineering and ground staff – the first priority for all of our people is the pursuit of safety in all they do, for the benefit of customers, colleagues and shareholders.

Safety: part of our DNA

Safety underpins everything we do. The organisation is structured to focus on safety issues at all levels, and it is the first agenda item at every Board meeting. Our safety culture positively encourages the reporting of all safety-related incidents and events, through a range of reporting tools, no matter how minor they may seem. These reports are assessed and categorised, with risk values assigned and aggregated to form our Composite risk value (CRV) index. This process allows safety trends to be identified and corrective action implemented, as part of our Safety Management System (SMS). Our CRV index showed a steady improvement for the year under review as illustrated on page 7. However, we are not complacent about safety issues and continue to exercise vigilance in order to continuously improve our safety performance.

As part of the feedback process to our crew, we launched a new regular safety bulletin during the year. This highlights and encourages best practice, thus keeping our flight and cabin crews fully engaged with safety improvement initiatives.

New Safety Management System

In our industry, risk is unavoidable. The key lies in how this risk is identified and managed in a transparent manner.

2009 saw the introduction of a new Safety Management System, which provides a framework for managing the two pillars of safety performance and safety compliance at easyJet. Adopted by the European Aviation Safety Agency's European Commercial Aviation Safety Team with our active support, the SMS is a continuous improvement process. It focuses on identifying hazards, assessing the risks associated with those hazards, managing these risks and then ensuring that any changes have had the desired impact.

3.5 years

the average age of our fleet

We believe in the importance of a young and reliable fleet, which leads to lower maintenance and network disruption costs. We currently fly 181 aircraft, with 35 new Airbus A320 family aircraft joining the fleet during the year, as part of our plan to operate an Airbus-only fleet from 2012.

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Rigorous safety processes

Andy Harrison, Chief Executive Officer, and Operations Director, Cor Vrieswijk, are responsible for all aspects of safety delivery, including our compliance obligations under the Air Operators Certificate (AOC). Andy Harrison, the Accountable Safety Executive, chairs our Safety Review Board. The Safety Review Board meets monthly to assess reports from the Safety Action Groups we have established across the business. This review and assessment process delivers monthly reports to both the UK Civil Aviation Authority (UK CAA) and the easyJet Board. Our Director of Safety and Security, Captain Dave Prior, reports directly to the Board independently of the Operations Director.

Our window on the operational world – monitoring every second of every flight

Flight management data recorded during 98% of our flights is sent via a GPRS link direct to our Luton base as soon as the aircraft has touched down. Several thousand megabytes of data are transmitted per flight, and all are analysed and fed into the SMS within 24 hours.

IMAGES REMOVED

Approval for our training qualification

During the year, we became only the second UK airline to be granted approval for managing our in-house pilot training to ensure it meets our specific training requirements.

Under the Alternative Training Quality Programme (ATQP), we are now allowed to tailor one of the two mandatory annual flight simulator sessions to match our own training needs identified through the SMS and the specific circumstances of our routes.

During 2009, our pilots undertook around 15,000 hours of simulator training, with the prime focus on practising realistic scenarios.

Sessions are carried out in real time, with three levels of threat introduced during the flight, to provide valuable data on our pilots' operational management skills. In addition, the tailored sessions enable us to increase pilot familiarity with new airports, which are continually added to the network.

The excellence in service displayed by easyJet cabin crew has its roots in the Academy, easyJet's dedicated aircrew training facility at Luton. It's here that cabin crew learn advanced first aid and how to handle emergency situations. The syllabus covers all aspects of the regulatory requirements plus those elements of crew resource management that make our cabin crew stand out from the crowd. The technical training is enhanced through the use of a dedicated cabin simulator and fire fighting module.

Leading the way in fatigue management

As we seek to optimise the use of our assets, we need to be able to monitor and manage crew performance effectively, ensuring that our crew remain sufficiently alert at all times. In 2006, we adopted an innovative approach, with the introduction of a Fatigue Risk Management System (FRMS) in conjunction with the UK CAA, to assess the potential risks of pilot fatigue based on intensive scheduling practices. This pioneering work has led to easyJet being at the forefront of crew performance management, in the pursuit of operational safety.

The FRMS enables us to monitor and understand the relationships between rostering, operational variables, crew performance and workload, allowing procedures to be implemented or strengthened.

As part of our continuous improvement programme, we are working with the UK CAA, the International Civil Aviation Organisation (ICAO), the International FRMS forum and organisations such as Imperial College London, City University London and most recently NASA, to further improve our understanding of fatigue. This will allow us to develop more flexible roster patterns and operational procedures to support our expansion while also retaining the focus on operational safety. Our work in the field of fatigue has now gained worldwide recognition as industry best practice and has inspired the introduction of similar programmes across other airlines, with the approval of the regulators.

Engineering

Improving our engineering function

Following the consolidation of easyTech and GB Airways into the easyJet engineering function, we insourced some of our technical services during 2009. This has given us more internal capacity and control to ensure the safety and reliability of our growing fleet.

REVIEW OF STRATEGY CONTINUED

2 Build Europe's No.1 air transport network

We aim to fly the right routes at the right times to meet the demands of our broad customer base. Last year we flew 45.2 million customers on over 400 routes linking 114 airports, giving us a 6.5% share of the European market.

Pan-European strength

easyJet has a leading presence on Europe's top 100 routes, with increasingly strong positions in the key markets including London Gatwick, Milan, Geneva and Paris. We focus on the routes our customers find the most attractive, at convenient times of the day, concentrating our efforts on the most popular destinations and departure points together with the routes that have the strongest business links.

Customer and geographic diversity are core easyJet advantages. We serve a broad a mix of leisure and business travellers, and for the first time this year saw half of our customers drawn from outside the UK. Furthermore, nearly 40% of flights did not touch the UK during 2009, reflecting an increase of 16% in the number of our mainland European routes.

Shaping the network

Almost 300 million potential passengers live within an hour of airports served by easyJet. But to win their business, we need to continually manage and fine-tune our network. Put simply, we must give customers the opportunity to fly where they want, when they want.

There is significant scope to drive performance forwards in three specific areas – routes, slots and bases. One of easyJet's strengths is its flexibility in asset allocation; we can and do move aircraft around our network to ensure we are generating the best possible return on our investments.

Route management

Schedule quality is vital. Since 2006 we have strengthened our position at London Gatwick, Paris, Milan and Madrid by a combined total of seven million departing seats. At London Gatwick, we have increased our share of short-haul flights to Europe and have significantly higher load factors than our competitors.

While we continue to build frequency and stability on our core routes, we also remain alert to opportunities to refresh the route mix and offer more choice. Market intelligence through customer research, together with insight from regional managers and a team of European market managers, helps us to identify those opportunities.

For example, we announced the launch of Düsseldorf flights during 2009, with daily return flights from Rome, Basel and London. As business demand falls away through the summer months, we actively manage our schedule and move assets onto leisure routes. We increased capacity into several destinations including Turkey, Morocco and Croatia, where we fly into Dubrovnik from five airports across the continent.

No.1

We are the leading airline at:
London Gatwick, Milan Malpensa and Geneva.

18%

increase in Paris seat capacity
Our seat capacity at Paris has increased by 18% since 2008.

39

Number of routes between primary airports
We fly 39 routes between primary airports across Europe. Our nearest competitor is British Airways, with 29.

IMAGE REMOVED

IMAGE REMOVED

IMAGE REMOVED

Slot management
Departure time is important to all our customers, but particularly those on business trips and weekend breaks.

Unlike some competitors, who use smaller, more remote, and much less convenient airports, over 90% of easyJet aircraft operate into and out of congested airports. At these busy facilities, where slots are at a premium, we work hard to build our portfolio across Europe. Our slot management team has considerable capability and expertise, with over 60 years of combined experience and extensive contacts at European airports.

Base management
Overnight stops create unnecessary costs. By managing the bases where we locate crew and aircraft, we are able to improve efficiency and maximise revenue. During summer 2009, we flew over 1,000 sectors daily and only five aircraft were located overnight at locations other than our bases.

Base location is constantly under review. For example, we have increased the number of aircraft based in Italy from three to 16 since 2006 and in France from 11 to 14 in the last 12 months. At the same time, we have reduced capacity at under-performing bases such as Luton.

Number of aircraft by base

IMAGE REMOVED

REVIEW OF STRATEGY CONTINUED

3 Develop a winning customer proposition

easyJet's network, great schedule and industry-leading distribution via easyJet.com appeals to a broad base of both business and leisure customers. The easyJet brand has pan-European reach and appeal throughout 27 countries. New initiatives are continuing to strengthen our position as both a leading airline and an innovative e-commerce business.

Understanding our customers

We work hard to get close to our customers, listening to their needs and evolving our schedule and services to match. During the year, we aggregated all our customer data into a single location to give us a fast and intelligent view on emerging trends in customer travelling habits.

easyJet is leading the way within the airline industry on its use of social media to drive customer engagement and improve the customer experience – since its launch six months ago, @easyJetcare on Twitter has proactively assisted thousands of customers. easyJet also developed the first airline iPhone application in Europe, providing customers with real time data on the arrivals and departures for flights to and from our Swiss airports.

Ensuring that our customers arrive at their destination on time is key to delivery of a winning customer proposition, and at easyJet we continually measure on time performance. In the year, our on time performance (measured as percentage of flights arriving within 15 minutes of scheduled arrival time) improved from 75.4% to 79.5%.

The result? Continued strong appeal across the four key customer groups: business people; holidaymakers; customers visiting friends and relatives; and second home owners. In fact, nearly 90% of customers surveyed during the year would recommend easyJet to a friend.

IMAGE REMOVED

IMAGE REMOVED

£9

per bag

We only charge £9 each way for a 20kg piece of hold luggage. Ryanair charges £115 for the same luggage.

Bon appetit

Croissant et café

Our inflight catering is now based on regional preferences. Our customers can buy the food and drink they prefer – with a greater choice of produce sourced to cater for local tastes.

Improving our communications

The better we understand our customers, the more accurately we can target our communications. For example, with our new customer database in place, we are now able to tailor marketing emails to reflect the purchasing patterns and preferences of individual customers.

To support a renewed focus on business travel, we launched an online campaign targeted at finance directors. "Keep the FD happy" is an interactive video that takes a light-hearted look at how easyJet can save a company money in these tough times – but also highlights the serious business benefits of flying with easyJet, such as no weight restrictions on hand baggage and the ability to book through their preferred travel management channel. See the campaign at http://www.keepthefdhappy.com/

Our iconic Objects campaign continues to run across Europe, adapted to the needs of different markets. The campaign uses iconic orange "Objects" to represent the destinations to which we fly or the type of trip customers are taking. It delivers an energetic, exciting evocation of the travel possibilities we provide and a clear focus on the low price of the flight. Each easyJet campaign runs across a broad variety of both online and offline media.

Our public stance on climate change, such as signing the Copenhagen Communiqué, sends out an important message. Environmental matters are important to us, as they are to our customers. We have integrated a carbon calculator and offsetting facility into our online reservation system, with all investments made exclusively in United Nations-certified offset projects. Since the scheme was launched, easyJet customers have to date offset over 194 million Kg of CO_2.

Enhancing **easyJet**.com

As the UK's most visited airline site, easyJet.com remains our primary distribution channel and in the last year we have commenced a major rebuild and refresh. We consulted with our customers, identifying what was and what was not liked about the existing site, and also looked at a wide range of top sites, both inside and outside the travel sector.

We have concentrated our initial energy on the most important section: the booking funnel, where five pages are responsible for delivering around £2 billion in revenue. The site is built on a more robust and scalable platform and is even easier to use, with a wider template and a basket that is visible at all times.

Building our appeal to business travellers

In a tough economic environment, we have increased our share of the business travel market in the past year. We recognise that the business travel segment, where revenue per seat can be around 20% higher than average, has different booking requirements to other markets. In particular, large corporates have strict travel management policies in place and manage their travel requirements through agents who often book through the industry's Global Distribution Systems (GDS) such as Amadeus and Galileo.

Last year we made our schedule available via the GDS and other aggregator systems, so we are now listed in agents' search results alongside other carriers. By the end of the year, around 15% of business seats were already being booked through this channel.

Business travellers, as well as leisure customers, are also benefiting from our winning customer experience initiatives. These include the ability to check in online up to 60 days before a flight, the opportunity to take an earlier flight for free, an inflight magazine that is as good a read as it is a promotional tool, and regionalised food and drink menus. Speedy Boarding remains an attractive customer proposition and we have been working hard to improve delivery across the network.
In addition, this was the first full year for easyJet Plus!, an annual Speedy Boarding pass. With over 20,000 members across Europe, the card has quickly become a popular feature with easyJet's frequent travellers.

IMAGE REMOVED

IMAGE REMOVED

IMAGE REMOVED

Over £2m

in easyJet Plus! subscriptions

More than 20,000 customers have chosen to pay around £100 each for **easyJet Plus!**, our annual Speedy Boarding pass.

Winners!

and the winner is...

easyJet has won a number of industry awards in the year, including Best European Budget Airline (World Traveller Awards), Best Airline Website (Travolution) and the Condé Nast Traveller Best Low Cost Airline award (for the 6th consecutive year).

11 months

schedule online

We now release our flight schedule up to 11 months in advance, so customers can plan and book well ahead.

REVIEW OF STRATEGY CONTINUED

4 Deliver low cost and maximise margins

easyJet's strategy is growth with margin improvement and therefore the management team continually focuses its efforts on all three drivers of margin: yield, ancillaries and cost, with the aim of achieving a 15% return on equity in the medium-term.

78%

Independent research* proves that

we are the best value carrier on 78% of all business itineraries surveyed. Business travellers can make savings of over £100 on almost half of all occasions.

* ITM Research Fare Study June-August 2008.

IMAGE REMOVED

Improving yield

Through this recessionary period, our superior network and competitive fares have enabled us to win market share and drive the best revenue performance of any European airline. Over the past year, we have grown the number of business passengers in spite of an overall decline in the business travel market.

Our unique revenue management system delivers transparent and simple pricing for our customers while, at the same time, enabling us to capture the maximum yield available in the market for each route. Our aim is to be significantly cheaper than our direct competitors on each route, thereby allowing us to take market share.

Driving ancillary revenues

We see a number of opportunities to drive continued growth in ancillary revenues by introducing initiatives that add value to our customer proposition.

In-flight services continue to deliver improving revenue. The year saw wastage of fresh food halved and the introduction of new localised food and drink choices which better match the expectations of customers on different routes. For 2010, the emphasis will be on fresh food, including a key country-specific bistro offering.

We have also expanded the number of partners we work with to provide customers with services including car hire, hotel rooms, coach and rail travel and insurance. Agreements with new partners such as Mondial Assistance and Laterooms.com, together with renewed focus on long-term partnerships with companies including Europcar and Gatwick Express, will drive revenue through easyJet.com

Customers of all airlines now accept that bag charges are inevitable and during the year we increased our "first bag" charges to £9. However, we are committed to ensuring that our charges remain competitive and support a strong customer proposition. Therefore we recognise that future opportunities to increase revenue in this area may be limited.

Fuel management system – case study

Fuel efficiency is very important to us at easyJet. It is our largest single cost and also the most volatile. During 2009, we have made significant improvements to our fuel efficiency, saving 1.2% of all the fuel we burn. We have achieved this through the implementation of a new flight planning system, together with a focus on fuel conservation both in the air and on the ground. Due to the high number of sectors we operate each day, even a small fuel saving per flight adds up to big financial gains.

The new flight planning system optimises every flight based on route, payload, weather and fuel. It was introduced during the year, reaching full capability towards the end of the period. This means we are well positioned in 2010 to receive the full year benefit of having the system in place plus identify other areas of additional savings.

Fuel conservation in the air has been achieved through successful engagement with our flight crews on a range of initiatives to optimise operating procedures. On the ground, we have successfully reduced our reliance on auxiliary power units in favour of ground power and operated an optimised aircraft schedule.

We remain firmly committed to fuel efficiency and have a range of further initiatives in the pipeline for 2010, across all areas of our business from engineering to flight operations.

IMAGE REMOVED

Managing costs

It is vital that easyJet aggressively manages its cost base so that it can continue to offer competitive fares profitably. easyJet aims to deliver at least £190 million of cost reduction initiatives by the end of financial year 2012; this will enable us to offset inflationary pressures and deliver a £1 per seat benefit to the bottom line at current exchange rates. There are clear opportunities in the following areas:

Efficient fleet management

Aircraft ownership costs on aircraft is expected to fall by £30 million per annum by the end of financial year 2012, driven by the exit of our non-core fleet of Boeing 737-700s and GB Airways aircraft.

The easyJet A320 family of aircraft are cheaper to own and operate and the fleet rationalisation programme will also remove the need for the additional Boeing-specific training that we currently carry out.

Leverage scale and recession to deliver procurement efficiencies

Safety is always our No.1 priority and we will never compromise that commitment.

In the last 12 months we have seen a successful renegotiation of our maintenance contract with SR Technics, a world-class provider. The new arrangement is for 11 years and will generate savings of around £35 million. We will also maintain our policy of leveraging our scale and buying power to challenge airports on the charges they levy and aim to deliver savings of £60 million.

Systems implementation to drive efficiency

Fuel remains a major cost. We have targeted a 3% improvement in fuel burn, some of which has already been delivered during the year under review and a further £20 million will be delivered by 2012. However, there remains room for further improvement, specifically through pilot technique and a new fuel reporting system.

We have also set ourselves a goal of a 10% improvement in crew efficiency, which will be delivered through route and crew optimisation tools and a new rostering system that goes live in the coming year. These initiatives will deliver savings of £35 million by 2012.

CHIEF EXECUTIVE'S STATEMENT

This is an exceptionally resilient performance, which is a tribute to the strength of our business model and the quality of our people and our network.

IMAGE REMOVED

Andrew Harrison
Chief Executive

Introduction

This has been an important year for easyJet. The business has traded resiliently during a recession and easyJet was one of the few airlines globally to make a profit this year with an underlying pre-tax profit of £43.7 million. Revenue grew by 12.9% to £2,666.8 million, this strong performance partially offsetting the £30.5 million reduction in interest income and the £86.1 million increase in unit fuel costs (equivalent to £1.63 per seat).

We have strengthened the fundamentals of the business, with improvements in network quality, lower cost deals with key suppliers and enhancements to easyJet.com giving easyJet a great platform for profitable growth in the medium-term from which to achieve a 15% return on equity. The Board has also agreed a fleet plan which will deliver around a 7.5% growth per annum in seats flown over the next five years. This fleet plan will enable easyJet to grow its share of the European short-haul market from around 7% to 10%.

Our people

We have outstanding people, including our front line cabin crew and pilots who are highly trained and professional. They all make a crucial contribution to our success and help to create an easyJet personality which is an important competitive advantage. I would like to thank them all for helping to deliver such a resilient performance in very difficult economic circumstances. We aim to have an open and egalitarian environment where everyone is valued for their contribution to easyJet. We consider it important to protect and develop this culture as the airline grows into a large pan-European business. Balancing the imperative for cost efficiency and supporting our culture in a pressurised and uncertain economic climate has been particularly challenging in 2009.

Marketplace review

easyJet operates the leading network in European short-haul aviation, measured by presence on the top 100 routes. Around 200 carriers compete in the European short-haul market and the top five players, including easyJet, account for around 60% of seats flown with the rest of the market being highly fragmented.

Whilst the average growth of the market over the past 20 years or so has been 4.5% per annum, in the past year overall capacity in the European short-haul market shrank by around 5% as airlines sought to mitigate losses driven by higher fuel costs and falling demand. easyJet continued its strategy of carefully targeting growth in markets from which weaker competitors are retreating in this period of recession. Thus easyJet is building strong, defendable market positions that will ensure it is well positioned for profitable growth once the European economy improves.

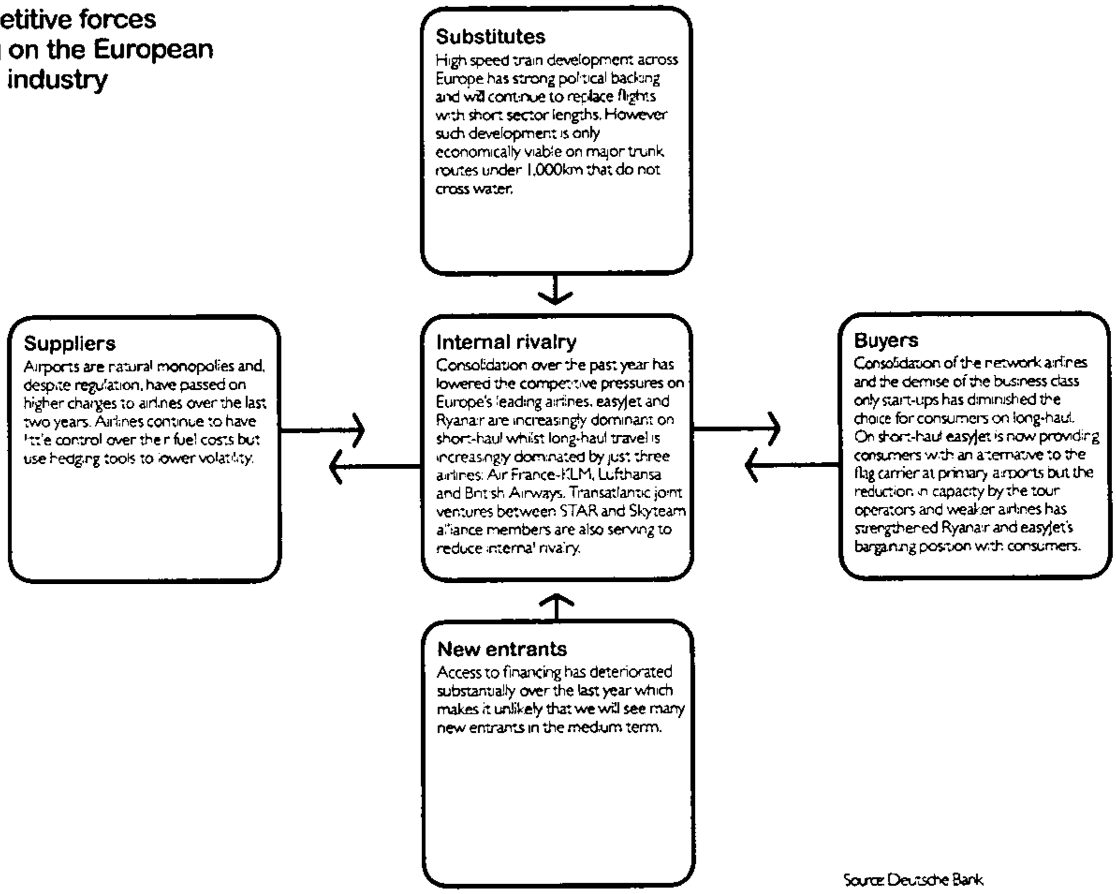
Consequently, easyJet gained market share in the year and passenger numbers grew by 3.4% to 45.2 million and load factor improved by 1.4 percentage points to 85.5%. easyJet strengthened its position in a number of valuable markets including Paris, London Gatwick, Milan and Madrid, increasing its slots at constrained airports by over 10% in the year.

Regulatory update

In March 2009, the UK Competition Commission confirmed that BAA would be required to sell a number of its airports. Whilst easyJet welcomes the break-up of BAA and the recently confirmed sale of Gatwick, the London airports will continue to be monopolies, regardless of who owns them, due to the lack of spare capacity in the market. The sale highlights the need for tough and effective airport regulation to protect airlines and passengers from the new owners exploiting their market power.

easyJet continues to advocate the immediate reform of UK Air Passenger Duty (APD), which taxes passengers rather than flights, into an emissions-based tax, and the phasing out of APD when aviation joins the European Emission Trading Scheme (EU ETS) in 2012. easyJet was an early advocate of aviation's entry into the EU ETS as an international, market-based solution to ensuring aviation addresses its climate change responsibilities. We now look to

Competitive forces acting on the European airline industry



Source: Deutsche Bank

the Copenhagen Climate Summit in December to produce a sensible global agreement on aviation and climate change. Such a global agreement should recognise efficiency standards for aircraft, with the emphasis on planes utilising modern, more environmentally friendly technology.

Business performance

easyJet delivered a resilient performance in a tough and uncertain macro economic environment this year by continuing to focus on the four themes we outlined in the Interim report:

- Development of Europe's No.1 air transport network
- Focus on margins through driving revenue and managing costs
- Management of cash, capital expenditure and fleet
- Mitigation of risk from volatility of fuel prices and currency rates

Development of Europe's No.1 air transport network

easyJet's unique differentiator is its network, with a leading presence on the top 100 routes in Europe and positions at primary airports that are attractive to time sensitive consumers. easyJet's network has appeal across a broad range of European consumers both leisure and business. Additionally, half of easyJet's passengers now originate from outside of the UK. This balanced revenue base has protected easyJet from the worst effects of recession and allowed us to win share from higher cost competitors.

easyJet continued to actively manage its network by optimising routes. During the past year, 28 underperforming routes were closed and 70 new routes were launched. easyJet's presence on the top 100 routes increased by six following our entry onto routes such as Rome to Milan and Paris to Barcelona.

Overall, easyJet's capacity (measured in seats flown) grew by 1.8% during the year, with an increase of 16% in mainland Europe, focused on France (up 30%), Italy (up 78%) and Spain (up 16%). easyJet's capacity at Gatwick grew by 12%, partly driven by the full year effect of the GB Airways acquisition on 31 January 2008. Capacity was reduced in weaker performing markets such as Luton and the UK regions.

UK

At Gatwick, easyJet is now the leading airline with 39 based aircraft and a 30% share of the airport's passengers and we continue to leverage that position to absorb competitive pressures. Longer sector routes are performing well and slots acquired with GB Airways were optimised in the period with business orientated routes being allocated to peak slots and leisure routes moved to later in the day. We are winning the competitive battle on traditional sun routes with excellent load factors, albeit with weaker market pricing. easyJet has also benefited from legacy competitor withdrawal on key business routes.

At Belfast, competitors are in retreat and both yields and load factors improved towards the latter part of the year. We had a strong performance at Manchester, where we now have three aircraft based. In addition, we have proactively reduced capacity at other UK bases which deliver below Company average margins.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

Northern Europe
In Germany, we improved the schedule during the year. Additional additional capacity has been added on routes to Milan, Copenhagen and Brussels from our Berlin base, which has improved our appeal to business travellers. We closed the base at Dortmund but profitable routes were retained. easyJet celebrated its tenth birthday in Switzerland in the past year where we have 12 aircraft based. easyJet's position improved as competitors came off key routes and we expanded flying between Switzerland and the French regions and Scandinavia.

Southern Europe
easyJet has 13 based aircraft at Milan and we continue to outperform the competition, with significantly stronger load factors. easyJet has opened a base at Rome Fiumicino with three aircraft based there operating on both intra-European and Italian domestic routes. Madrid delivered improvements in load and profitability in the year as competitors continued to retreat and we optimised our schedule. easyJet now has 14 aircraft based in France and is France's second largest airline with a 10% market share. France continues to be an attractive market for easyJet as low cost carrier penetration is half the European average and the market consequently has structurally higher fares.

Focus on margins through driving revenue and managing costs

easyJet's strategy is growth with margin improvement and therefore the management team continually focuses its efforts on all three drivers of margin, namely yield, ancillaries and costs.

Margins in the past two years have been severely impacted by higher fuel prices with an aggregate £5.71 (£1.63 in 2009) increase in unit fuel costs, albeit profit per seat has only declined by £3.47 due to the strength of the revenue performance.

In the past year, easyJet's industry leading revenue performance, has been driven by proactive aircraft allocation into stronger markets such as Gatwick and Milan, and good commercial management especially in pricing, promotion and route selection.

In addition, easyJet is benefiting from its efforts to target the business travel market with around 15% of business passengers now originating through business orientated distribution channels. Business customers tend to book later, paying around 20% more than the average fare for their easyJet flights.

Ancillary revenue income grew by 38% to £9.77 per seat. The checked bag charge averaged £4.51 per seat, an increase of £1.73 per seat in the year and other ancillary revenues grew by £0.97 to £5.26 per seat. Going forward, easyJet's in-flight revenues will benefit from the introduction of electronic point of sale equipment onboard and food offerings tailored by market and designed to appeal to a broader range of consumers. Improvements in website presentation should also result in improved conversion rates for car hire and hotels.

It is vital that easyJet aggressively manages its cost base so that it can continue to offer competitive fares profitably. Operating costs excluding fuel[b], per seat rose 3.9% at constant currency in the year principally due to increased sector length, the planned lower aircraft utilisation over the winter as we mitigated margin dilution due to higher fuel costs and price increases at Gatwick which have cost around £10 million this year.

In the second half of the year, we saw improvements in aircraft ownership and maintenance costs. easyJet also delivered improvements in its operations information technology infrastructure in the year and key systems to support the crew efficiency programme have now been implemented. We have now reviewed our progress against the £125 million cost savings target identified in 2008 and believe there is greater potential to take cost out of the business. Based on the financial results for the year ended 30 September 2009, we have updated our targets and now expect to deliver cost savings of £190 million by the end of financial year 2012. After inflation and increases in regulated airport charges this will equate to approximately £1 per seat profit improvement.

easyJet has also leveraged its scale and the recession to renegotiate some key contracts with suppliers. Overall capacity in the European short-haul market is shrinking and as one of the few carriers in Europe growing capacity, easyJet is well placed to secure better terms at airports.

Following a global tendering process, easyJet has selected Zurich-based SR Technics for airframe maintenance support of easyJet's core Airbus fleet for a period of 11 years. The agreement, valued at more than $1.6 billion, provides easyJet with a reduction in maintenance costs (excluding engines) of around £175 million over the life of the contract. SR Technics will provide a range of services including aircraft maintenance, component repair and overhaul, and logistics management for easyJet's core Airbus fleet.

A significant portion of our cost base is determined by governments and regulatory bodies, in particular, navigation costs and charges at regulated airports. We have increased our focus on these costs by constructively engaging the governments and regulators that set them. Alongside our work at Gatwick and Stansted, areas of particular focus have been the regulatory charges at the Paris airports and Amsterdam, UK navigation charges and the wider European approach to navigation costs. Looking forward, we will sustain this involvement and seek to further develop our influence across Europe.

Management of cash, capital expenditure and fleet

Fleet plan
easyJet is making good progress towards its goal of operating a common aircraft fleet. Eliminating the Boeing and GB Airways sub-fleets will take cost out of the business and simplify our operations.

The intention is to exit all aircraft in the two sub-fleets by 2012 to complete the realisation of ownership cost savings of around £40 million per annum. 12 Boeing 737s and four GB Airways A320s were returned to lessors in the past year. The sale of the seven A321s from the GB Airways sub-fleet continues to progress with three A321s disposed of in the year with an associated profit on disposal of £11 million. It is anticipated that the remaining A321s will leave the fleet by September 2010. The five A319s previously held for sale have been returned to the fleet and will be used to support our mainland European expansion plans in 2010.

In the past year, easyJet took delivery of 15 A320 aircraft and 20 A319 aircraft under the terms of the Airbus easyJet agreement. Configured with 180 seats, the A320 will enable us to increase our capacity at peak times at slot constrained airports. Also, the aircraft operates with a cost per seat that is around 6% lower than the A319.

The total fleet at 30 September 2009 comprised 181 aircraft. A further 70 easyJet specification aircraft deliveries are currently planned for arrival over the next three years, a net increase of 26 aircraft over this period giving an expected total number of aircraft of 207 by 2012. easyJet has a high degree of flexibility in its fleet planning arrangements and thus is able to manage the total number of aircraft in the fleet through a combination of deferrals and lease extensions.

	Owned	Under operating lease	Under finance lease	Total	Changes in year	Future deliveries (including exercised purchase rights) (note 1)	Un-exercised purchase rights (note 2)
easyJet A320 family	103	46	6	155	35	72	88
Boeing 737-700	–	17	–	17	(12)	–	–
GB Airways A320 family	4	5	–	9	(7)	2	–
	107	68	6	181	16	74	88

Note 1: The 72 future easyJet deliveries are anticipated to be delivered over the next four financial years, 27 in 2010, 22 in 2011, 21 in 2012 and 2 in 2013.

Note 2: Purchase rights may be taken on any A320 family aircraft and are valid until 2015.

The total fleet plan over the period to 30 September 2012[3] is as follows:

At 30 September:	easyJet A320 family	Boeing 737-700	GB Airways A320 family	Total aircraft
2008	120	29	16	165
2009	155	17	9	181
2010	182	8	2	192
2011	194	2	–	196
2012	207	–	–	207

Note 3: Assumes assets held for sale are sold in financial year 2010.

Cash and capital expenditure

easyJet's cash and money market deposits as at 30 September 2009 exceeded £1 billion reflecting continued strong cash flow generation: additionally, easyJet has sufficient resources in place, through a combination of undrawn committed facilities and surplus cash, to fund future aircraft deliveries for at least the next 18 months. In the year, gearing increased from 29% to 38% reflecting increased debt-financed capital expenditure as we continue the replacement of our Boeing sub-fleet.

Mitigation of risk from volatility of fuel prices and currency rates

easyJet operates under a clear set of treasury policies agreed by the Board. The aim of easyJet's hedging policy is to reduce short-term earnings volatility and therefore the Company hedges forward, on a rolling basis, between 50% and 80% of the next 12 months anticipated requirements and between 20% and 50% of the following 12 months anticipated requirements. In the past year, easyJet's fuel hedging caused an adverse variance to market rates of around £330 million, partially offset by a benefit of around £120 million from its US dollar hedging. Details of our current hedging arrangements are shown below:

Percentage of anticipated requirement hedged	Fuel requirement	US dollar requirement	euro surplus sale
6 months ended 31 March 2010	72%	65%	87%
Rate	$769/MT	$1.78	€1.17
6 months ended 30 September 2010	61%	38%	76%
Rate	$732/MT	$1.64	€1.14
Year ended 30 September 2010	66%	51%	80%
Rate	$750/MT	$1.72	€1.15
Year ended 30 September 2011	22%	20%	35%
Rate	$722/MT	$1.62	€1.08

Outlook

Whilst economic conditions remain challenging for consumer facing businesses and in particular airlines, easyJet's scale, low cost and highly efficient business model and strong financial position will ensure it is able to take advantage of the current recessionary period by:

- driving cost out of the business; and
- carefully targeting capacity increases and share gains in valuable markets across Europe ensuring that easyJet is well positioned to exploit profitable growth opportunities when economic conditions improve.

easyJet's pre tax result in 2010 at current fuel prices[4] and exchange rates[5] will benefit by around £100 million from lower fuel prices as higher price fuel hedges roll-off, slightly offset by a strengthening US dollar.

Capacity, measured in seats flown, for both the first half and the full year is expected to increase compared to the prior year by around 10% as easyJet continues with its strategy of carefully targeting growth. The current expectation is that competitor capacity on easyJet routes will be down by low single digits.

Naturally, the impact of unemployment is expected to lead to some yield deterioration over the winter. With over 45% of the available first half seats now booked, total revenue per seat at constant currency in the first half of the year is expected to decline by a few percentage points compared to the prior year.

Total operating costs[6] per seat, excluding fuel, at constant currency are expected to be broadly flat for the full year and up low single digits in the first half of the year compared to the prior period. Improvements in maintenance, crew and overhead costs will offset the mix impact of our continued growth in primary airports.

We expect a reduction in interest income of around £10 million compared to the prior year due to continued lower interest rates, which will mainly impact the first half result.

We see a tough winter ahead. We are focusing our efforts on further cost savings and efficiency programmes, together with optimising route profitability and aircraft allocation. We shall also benefit as our fuel hedges adjust to market prices. Putting all this together, at current fuel prices[4] and currency rates[5], we expect easyJet to make substantial profit improvement during 2010.

Note 4: US$657 per metric tonne at 13 November 2009.
Note 5: US$1.67/£ and €1.12/£ at 13 November 2009.
Note 6: Excludes interest income.

Andrew Harrison
Chief Executive

IMAGE REMOVED

FINANCIAL REVIEW

The business continues to generate strong operating cash flow and ends the year with over £1 billion in liquid funds, a strong balance sheet and significant undrawn financing in place.

IMAGE REMOVED

Mark Adams
Interim Chief Financial Officer

Reported profit before tax for the year ended 30 September 2009 was £54.7 million including £11.0 million profit on the disposal of three Airbus A321 aircraft, acquired as part of the GB Airways acquisition and sold during the year. Excluding this profit on sale, the underlying profit before tax for the year was £43.7 million; this compares to an underlying profit before tax in 2008, excluding the one-off costs associated with the integration of GB Airways, of £123.1 million. GB Airways is now fully integrated into the easyJet business and therefore its results are not separately identifiable. However, it should be noted that the comparative period to these results includes only eight months of GB Airways activity.

Results this year have been significantly impacted by the following factors:

- Fuel prices and hedging
- US dollar and euro exchange rates
- Reduction in aircraft utilisation

Fuel prices and hedging

Total fuel cost amounted to £807.2 million in 2009, an increase of 13.9% compared to 2008, equating to a cost per seat of £15.28, up £1.63 per seat or 11.9%. The average market price for jet fuel during 2009 was $595 per metric tonne (excluding fees and taxes) compared to $1,070 in 2008, driven by the extraordinary spike in fuel prices during that year. However, after taking account of hedging taken out in 2008 during the period of high fuel prices, easyJet's effective price for 2009 was $951 per metric tonne compared to $948 in 2008.

With the effective US dollar price broadly flat for 2009 compared to 2008, the increase in fuel cost per seat is largely driven by the strengthening of the US dollar against sterling, partly mitigated by US dollar hedging.

Despite the introduction of additional heavier A320 aircraft into the fleet and an increase in the average load factor of 1.4ppt, average fuel burn for the year was 715 US gallons per block hour compared to 717 in 2008, principally reflecting the implementation of fuel conservation initiatives.

US dollar and euro exchange rates

The market rate for the US dollar strengthened by 22% from an average rate of 1.99/£ in 2008 to 1.56/£ in 2009; after taking account of hedging, easyJet's effective rate strengthened from an average of 1.96/£ in 2008 to 1.78/£ in 2009. The business has no US dollar revenues but significant US dollar costs for fuel, aircraft leases, maintenance and some loan interest and consequently the 9% movement in the effective dollar rate had a significant impact on financial performance.

The euro has strengthened by 12% from an average rate of 1.32/£ in 2008 to 1.16/£ in 2009. Approximately 42% of revenues and 31% of costs (principally ground handling, airport and navigation charges and some crew costs) are denominated in euro resulting in a net long position; the strengthening of the euro, therefore, delivers a positive impact to the results. For the first time this year some hedging of the euro surplus has also been undertaken.

CHARTS REMOVED

Certain key measures are therefore significantly impacted by exchange rate fluctuations. These measures on a constant currency basis are shown in the adjacent table:

Reduction in aircraft utilisation

In response to the fuel price situation at the beginning of the year, the level of flying activity during the first six months of 2009 was actively reduced; however, utilisation returned to more normal levels for the summer. So while total aircraft has increased by 16.0% from an average of 150.1 in 2008 to 174.1 in 2009, the number of seats flown has only increased by 1.8%. Average aircraft utilisation, measured in terms of block hours per operated aircraft per day, has fallen from 11.9 hours per day in 2008 to 11.0 hours in 2009.

As a result of this positive decision to reduce utilisation, and therefore capacity flown, to protect profit margins, cost per seat measures are adversely affected as non-variable costs are spread over relatively fewer seats.

Operational measures	2009	2008	Change
Seats flown (millions)	52.8	51.9	1.8%
Passengers (millions)	45.2	43.7	3.4%
Load factor	85.5%	84.1%	1.4ppt
Available Seat Kilometres (ASK) (millions)	58,165	55,687	4.4%
Revenue Passenger Kilometres (RPK) (millions)	50,566	47,690	6.0%
Average sector length (kilometres)	1,101	1,073	2.6%
Sectors	337,266	333,017	1.3%
Block hours	645,446	631,084	2.3%
Number of aircraft owned/leased at end of year	181	165	9.7%
Average number of aircraft owned/leased during year	174.1	150.1	16.0%
Number of aircraft operated at end of year	170	161	5.6%
Average number of aircraft operated during year	160.1	145.3	10.2%
Operated aircraft utilisation (hours per day)	11.0	11.9	(6.9)%
Number of routes operated at end of year	422	380	11.1%
Number of airports served at end of year	114	100	14.0%

Financial measures	2009	2008	Change
Return on equity	5.5%	6.8%	(1.3)ppt
Per seat measures (underlying)*			
Profit before tax per seat (£)	0.83	2.37	(65.1)%
Revenue per seat (£)	50.47	45.51	10.9%
Revenue per seat at constant currency (£)	47.36	45.51	4.1%
Cost per seat (£)	49.64	43.14	(15.1)%
Cost per seat excluding fuel (£)	34.36	29.49	(16.5)%
Cost per seat excluding fuel at constant currency (£)	31.32	29.49	(6.2)%
Per ASK measures (underlying)*			
Profit before tax per ASK (pence)	0.08	0.22	(66.0)%
Revenue per ASK (pence)	4.58	4.24	8.1%
Revenue per ASK at constant currency (pence)	4.30	4.24	1.4%
Cost per ASK (pence)	4.51	4.02	(12.1)%
Cost per ASK excluding fuel (pence)	3.12	2.75	(13.6)%
Cost per ASK excluding fuel at constant currency (pence)	2.85	2.75	(3.5)%

*Underlying measures exclude an £11.0 million profit on the sale of three aircraft in 2009 and £12.9 million of costs associated with the integration of GB Airways in 2008.

FINANCIAL REVIEW CONTINUED

Total revenue

Total revenue in 2009 grew by 12.9% to £2,666.8 million which equates to £50.47 per seat, representing a growth of £4.96 per seat or 10.9%. On a constant currency basis, total revenue per seat grew 4.1%; after allowing for the increase in sector length of 2.6%, this represents a strong underlying performance, particularly in light of the difficult external economic conditions. This result has been supported by the continuing strategy to increasingly deploy capacity to the better located but more expensive airports preferred by customers and thereby improve network mix.

Passenger revenue

Passenger revenue in 2009 grew by 7.8% to £2,150.5 million. Despite the 16.0% increase in average aircraft during the period, capacity in terms of seats flown increased by only 1.8% as a result of the decision to reduce flying activity particularly through the winter. Load factor improved 1.4ppt to 85.5%, the first time since 2005 that the annual load factor has exceeded 85%. This resulted in a 3.4% increase in passenger numbers to 45.2 million demonstrating a flight to value as easyJet increased market share by attracting customers from higher fare competitors.

The shift towards deploying relatively more capacity to European markets continues. Capacity in total rose 1.8% in 2009 versus 2008; of this overall increase, capacity at UK regional bases reduced by 8.4% whilst continental European bases increased by 16.0% with most of this investment being focused in Milan Malpensa, Paris Charles de Gaulle and Lyon. London bases, in aggregate, reduced by 3.1% with Gatwick capacity up by 11.5% but Luton and Stansted reducing by 18.3% and 16.3% respectively. The percentage of revenues denominated in euros in 2009 was 42% with, in aggregate, non-sterling revenues now accounting for 51% of total revenues.

Passenger revenue per seat increased by 5.9% to £40.70 but on a constant currency basis fell by 1.9%. This reduction in revenue per seat in the current economic environment, taking into account the expected dilution from an increase in the checked bag charge, is testament to the strength of the network. Passenger revenue per ASK, on a constant currency basis, fell by 4.4%.

Ancillary revenue

Ancillary revenue increased by 40.6% to £516.3 million in 2009, driven mainly by increases in the checked bag charge. Bag charge revenue delivered £238.1 million in 2009, an increase of £94.0 million or 65.2% compared to the previous year. As expected, this has been accompanied by a small yield dilution, but with approximately 70% of passengers having checked baggage, the net result is positive. Speedy Boarding continues to deliver a strong performance.

Costs

Underlying costs*	2009 £ million	2009 per seat	2008 £ million	2008 per seat
Ground handling	**255.9**	**4.84**	212.2	4.09
Airport charges	**481.5**	**9.11**	397.2	7.65
Fuel	**807.2**	**15.28**	708.7	13.65
Navigation	**232.3**	**4.40**	195.7	3.77
Crew	**306.6**	**5.80**	263.2	5.07
Maintenance	**161.6**	**3.06**	147.5	2.84
Advertising	**47.0**	**0.89**	46.5	0.90
Merchant fees and commissions	**33.5**	**0.64**	33.7	0.65
Aircraft and passenger insurance	**11.3**	**0.21**	9.1	0.17
Other costs	**104.8**	**1.98**	87.5	1.68
Total operating costs	**2,441.7**	**46.21**	2,101.3	40.47
Net ownership costs	**181.4**	**3.43**	138.4	2.67
Total costs	**2,623.1**	**49.64**	2,239.7	43.14
Total operating costs excluding fuel	**1,634.5**	**30.93**	1,392.6	26.82
Total costs excluding fuel	**1,815.9**	**34.36**	1,531.0	29.49

*Underlying measures exclude the £11.0 million profit on disposal of assets held for sale in 2009 and £12.9 million of GB Airways integration costs in 2008.

Total costs

Total cost per seat excluding fuel was up 16.5% or £4.87 per seat to £34.36 in 2009, compared to 2008. In addition to the strengthening of the US dollar and euro, the Swiss franc strengthened by 19%. As a significant proportion of the cost base is denominated in these currencies, this has had a significant impact on unit costs. Excluding the impact of exchange rates, cost per seat excluding fuel was up 6.2% or £1.83 per seat compared to last year.

The impact of the reduction in global interest rates has had a significant impact on interest income in the year; interest income in 2009 at £18.4 million was £30.5 million lower than the £48.9 million reported in 2008. These changes in interest rates are largely out of easyJet's control so, excluding the impact of this reduction, operating cost per seat (excluding fuel and at constant currency) was up 3.9% compared to 2008. On a cost per ASK basis, excluding fuel, costs increased by 13.6% but on a constant currency basis by just 3.5%. Again, excluding the impact of interest income, this figure falls to 1.3%.

As a result of the reduction in winter flying activity and utilisation, unit cost measures are adversely impacted as non-variable costs are spread over relatively fewer units of production.

Ground handling

Ground handling cost per seat at constant currency was up £0.27 or 6.6% compared to 2008. Approximately 61% of ground handling costs are now denominated in euro, up 6ppt from 2008. The drivers of this increase include airport mix, as presence continues to be increased in the top European airports (estimated impact £0.14 per seat), the full year effect of PRM (Passengers with Reduced Mobility) charges and increased adverse weather related de-icing costs.

Airport charges

Airport cost per seat at constant currency was up £0.59 or 7.8% compared to 2008. Approximately 58% of these costs are denominated in euro, up 7 percentage points from 2008. The key driver of this increase has been over-inflation price rises in airport passenger related charges at a number of locations across the network, increasing costs by approximately £30 million. Significant increases have occurred at Gatwick, Luton, Amsterdam and at all Spanish and Italian airports. Mix continues to impact as we increase our presence in the top European airports. In a specific response to the uneconomic level of charges at Luton, easyJet announced in September 2009 that it would remove some flying for 2010 and redeploy aircraft to more profitable activity elsewhere.

Crew

Crew cost per seat at constant currency was up £0.44 or 8.7% compared to 2008. An increasing proportion of these costs are denominated in non-sterling currencies as more overseas contracts are introduced and approximately 25% of these costs are now denominated in euro and 9% in Swiss franc. The increase in unit costs has been driven by last year's crew pay deal which was linked to August 2008 RPI, the increased costs associated with the introduction of overseas contracts (a necessary part of the expansion strategy into continental Europe) and maintaining higher than required crew numbers over the winter, whilst there was reduced aircraft utilisation, as these crew were required for the summer activity.

Crew costs continue to be a key area of management focus with significant opportunities for efficiency improvement in the medium term.

Maintenance

Maintenance cost per seat at constant currency was down £0.12 or 4.1% compared to 2008. The net reduction in unit cost mainly reflects the benefit of the reduction in the number of leased aircraft as the Boeing 737-700s have started to leave the fleet partly offset by the full year costs of the new in-house maintenance planning function. During the year, 12 leased Boeing 737-700s and four leased (ex GB) A320s were returned to lessors. Approximately 35% of maintenance costs are denominated in US dollar and 21% in euro.

At the end of the year, negotiations were completed with SR Technics on a new maintenance contract which will deliver savings of around £175 million over the 11 year life of the contract.

Insurance and other costs

Other costs per seat at constant currency were up £0.17 or 9.3% compared to 2008. The main drivers of this per seat increase were reduced utilisation and an increase in disruption costs (driven by bad weather in the winter) partially offset by the profit on the Boeing spares optimisation project, as reported in the first half of the financial year.

FINANCIAL REVIEW CONTINUED

Ownership costs

Net ownership costs, on a per seat basis at constant currency, were up £0.52 or 19.4% compared to 2008. The average number of aircraft during the year was 174.1, up 16.0% compared to the previous year. The number of non-operational aircraft increased by nine compared to last year principally due to aircraft held for sale and an increase in aircraft in maintenance as easyJet prepared aircraft for return to lessors. There were 35 additions during the year; 31 debt financed and four cash financed; 12 Boeing 737-700s and four ex-GB A320s were returned to lessors and three ex-GB A321s were sold.

Net ownership costs include interest income which has fallen from £48.9 million in 2008 to £18.4 million in 2009, a fall of £30.5 million due to the dramatic drop in market interest rates and despite cash balances and money market deposits rising from £863 million at 30 September 2008 to £1,075 million at 30 September 2009. Gross ownership costs i.e. excluding the impact of interest income, on a constant currency basis, improved by £0.13 per seat or 3.5%. This benefit is driven by the exit of higher cost leased Boeing 737-700 aircraft and replacement by lower cost owned Airbus aircraft and lower interest rates feeding into interest payable as rates are re-priced to market.

Unit costs have been impacted by the reduced winter flying activity with costs of the fleet that is, on average, 16.0% larger being spread over a similar amount of seats flown as last year.

The exit of higher cost 737-700 aircraft is well under way and this, together with the exit of higher cost aircraft acquired as part of the acquisition of GB Airways, is expected to deliver the targeted benefits in aircraft ownership.

CHARTS REMOVED

*Underlying number; excludes an £11 million profit on the sale of three aircraft in 2009 and £12.9 million of one-off integration costs for GB Airways in 2008.

Headline profit before tax for 2009 was £54.7 million; after excluding the one-off benefit of the profit on sale of three ex-GB A321s, underlying profit before tax was £43.7 million. This is a fall of £79.4 million in underlying profit before tax compared to 2008, despite the fuel bill rising £98.5 million. With total revenue per seat increasing by 10.9% and total cost per seat increasing by 15.1%, profit margin dropped by 3.6 percentage points to 1.6%.

Profit after tax and return on equity

At the end of 2009, favourable resolution was reached with HMRC on a prior year tax matter resulting in the release of a provision. This release has contributed to an effective tax credit rate for the year of 30.2% compared to an effective tax charge rate of 24.5% in 2008. For 2010 the effective tax rate is expected to be a charge of 25%.

The tax provision release also had a significant impact on the return on equity in 2009. For the year it was 5.5% compared to 6.8% in 2008, a fall of 1.3 percentage points. Although underlying profit before tax fell by 64.5%, retained profit, significantly impacted by the tax provision release, fell by only 14.4%. With shareholders' funds broadly flat year on year, the resultant return on equity is therefore only down by 1.3 percentage points.

Basic earnings per share, at 16.9 pence, is down 14.6% compared to 2008, reflecting the significant drop in retained profit, being offset, to a large extent, by the tax provision release.

In line with established policy, no dividends have been paid or proposed in the year ended 30 September 2009 or during the comparative accounting period.

Balance sheet and cash flow

As discussed in the Business Review, the industry has faced challenging economic conditions in 2009. However, easyJet continued to generate a strong operating cash flow and ended the year with over £1 billion in cash and short-term liquid deposits, a strong balance sheet and significant undrawn committed financing to fund future aircraft deliveries.

A clear focus on working capital and balance sheet management has put easyJet in a strong position to withstand the current economic climate and to emerge stronger.

Despite a significant tightening of credit in capital markets, easyJet has capitalised on the strength of its business model and financial position to secure additional debt and lease financing to add to that agreed in December 2007.

Summary balance sheet

	2009 £ million	2008 (restated)* £ million	Change £ million
Goodwill	**365.4**	365.4	–
Property, plant and equipment	**1,612.2**	1,102.6	509.6
Other non-current assets	**213.2**	218.4	(5.2)
	2,190.8	1,686.4	504.4
Net working capital	**(537.3)**	(306.5)	(230.8)
Cash and cash equivalents	**788.6**	632.2	156.4
Money market deposits	**286.3**	230.3	56.0
Borrowings	**(1,120.6)**	(626.9)	(493.7)
Other non-current liabilities	**(300.5)**	(337.3)	36.8
Net assets	**1,307.3**	1,278.2	29.1
Share capital and premium	**748.5**	745.9	2.6
Reserves	**558.8**	532.3	26.5
Shareholders' funds	**1,307.3**	1,278.2	29.1

*Fair value adjustments in respect of GB Airways, see note 23 to the accounts.

Shareholders' funds increased by £29.1 million in the year, the profit after tax being offset by a reduction in the fair value of the Group's cash flow hedges net of deferred tax. The strengthening of the US dollar and the euro against sterling in the year has caused a significant reduction in the fair value of the Group's currency derivative portfolio; this was partially offset by a decrease in the value of the jet fuel derivative liability as fuel prices fell. These fair value gains and losses are deferred in equity and recycled to the income statement in line with the underlying hedged transaction.

Goodwill was £365.4 million at 30 September 2009. Provisional fair values of assets and liabilities acquired through a business combination may be adjusted for 12 months following the acquisition date; for GB Airways this period ended on 31 January 2009. Since 30 September 2008, the fair value of maintenance provisions has been increased reflecting additional liabilities relating to engines on aircraft held under operating leases. After allowing for tax relief, goodwill relating to the GB Airways acquisition increased by £5.6 million to £55.8 million. Comparative balances have been adjusted to reflect that these liabilities were extant at the acquisition date.

The net increase in property, plant and equipment in the year was £509.6 million. Additions in respect of new aircraft delivered, pre-delivery deposits for future deliveries and non-aircraft fixed assets totalled £515.0 million, this was offset by depreciation charged in the year of £55.4 million and disposals of £4.9 million. During the year, easyJet took delivery of an additional 20 A319 aircraft and the first 15 easyJet specification A320 aircraft. Three ex-GB Airways A321 aircraft were sold generating a profit of £11.0 million. These assets had been transferred to assets held for sale in 2008. Four A321 aircraft remain as assets held for sale at 30 September 2009. The five easyJet specification A319 aircraft disclosed as assets held for sale at 30 September 2008 were taken off the market in the year and returned to property, plant and equipment at their book value of £54.9 million. Potential purchasers have found credit hard to obtain in the current market and the Board has agreed to retain these owned aircraft to support the European expansion plans in 2010.

Net working capital improved by £230.8 million in the year. Assets held for sale decreased by £121.7 million with three A321s sold and five A319s returned to property, plant and equipment. Trade and other payables increased by £97.7 million as a result of additional unearned income, the increase in the size of the business and efficient working capital management. Unearned income increased due to the strength of the euro against sterling and as a result of the schedule now being on sale out for up to 11 months. In addition, the fair value of short-term derivative balances decreased £43.6 million year-on-year as the US dollar and euro strengthened against sterling.

The total of cash and cash equivalents and money market deposits was £1,074.9 million at 30 September 2009 up £212.4 million compared to 30 September 2008. Net cash of £134.5 million was generated from operations as a result of cash received in advance from customers and strong working capital management. £90.2 million was received from the sale of three ex-GB A321 aircraft and other fixed assets in the year. The purchase of aircraft in the year was funded predominantly by additional borrowings. Of the 35 A320 family aircraft delivered in the year, 31 were mortgage financed. Money market deposits are held partially in US dollars to provide a match against US dollar denominated borrowings.

Excluded from the above total is £72.3 million of restricted cash disclosed in other non-current assets and net working capital. These amounts relate principally to operating lease deposits and customer payments for holidays. The total of cash and cash equivalents, money market deposits and restricted cash at 30 September 2009 was £1,147.2 million (30 September 2008: £928.7 million).

As detailed above, most aircraft deliveries were funded from additional borrowings. Total borrowings increased by £493.7 million in the year to £1,120.6 million as a result of £468.2 million of new draw downs net of repayments and foreign exchange movements of £25.5 million on the retranslation of debt. Most borrowings are denominated in US dollars; however some facilities were drawn in euros for the first time in the year. The US dollar rate moved from 1.78 at 30 September 2008 to 1.60 at 30 September 2009.

Other non-current liabilities include maintenance provisions for work due to be performed in more than one year of £168.6 million, deferred income relating principally to the excess of sale price over fair value for aircraft subject to sale and leaseback of £52.6 million, deferred tax liabilities of £76.7 million and long-term financial instrument liabilities of £2.6 million.

Maintenance provisions have been impacted by the movement in the US dollar and euro exchange rates in the year. Deferred tax liabilities have decreased by £31.1 million since 30 September 2008 as a result of the reduction in the value of cash flow hedges, reduced accelerated capital allowances and the recognition of a deferred tax asset on losses; offset by a charge for increased short-term operating timing differences.

FINANCIAL REVIEW CONTINUED

Net (debt) / funds (excluding restricted cash)

	2009 £ million	2008 £ million	Change £ million
Cash and cash equivalents	**788.6**	632.2	156.4
Money market deposits	**286.3**	230.3	56.0
	1,074.9	862.5	212.4
Bank loans	**(1,010.7)**	(524.9)	(485.8)
Finance lease obligations	**(109.9)**	(102.0)	(7.9)
	(1,120.6)	(626.9)	(493.7)
Net (debt) / funds (excluding restricted cash)	**(45.7)**	235.6	(281.3)

The net of cash and cash equivalents, money market deposits and borrowings (excluding restricted cash) at 30 September 2009 was a net debt position of £45.7 million (30 September 2008: net funds of £235.6 million) following the funding of capital expenditure through additional borrowings in the year.

Gearing increased in the year from 28.7% to 37.6%. The increase is a result of additional borrowings relating to new owned aircraft and the movement in the US dollar exchange rate. Gearing is consistent with that reported at the half year. Additional debt drawdown in the second half of the year has been offset by improved shareholders' funds as a result of profits earned in the summer and the reversal of fair value fuel hedge losses deferred in equity at 31 March 2009.

Summary cash flow

	2009 £ million	2008 £ million	Change £ million
Cash generated from operations	**134.5**	296.2	(161.7)
Acquisition of GB Airways	**–**	(118.0)	118.0
Net capital expenditure	**(430.3)**	(299.9)	(130.4)
Net increase/(decrease) in loan finance	**470.1**	(5.5)	475.6
Net increase in money market deposits	**(29.0)**	(8.7)	(20.3)
Other including the effect of exchange rates	**11.1**	49.0	(37.9)
Net increase/(decrease) in cash and cash equivalents	**156.4**	(86.9)	243.3
Cash and cash equivalents at beginning of year	**632.2**	719.1	(86.9)
Cash and cash equivalents at end of year	**788.6**	632.2	156.4

Despite reduced profit levels in 2009, easyJet generated a positive operating cash flow in 2009 of £134.5 million as a result of a strong improvement in working capital.

Capital expenditure in the year was funded from further borrowings and is shown net of the proceeds from the sale of the three A321 aircraft and other assets in the year.

The value of cash holdings benefited from foreign exchange movements following the strengthening of both the US dollar and the euro against sterling.

CHART REMOVED

Undrawn committed financing facilities

	2009 US$ million	2008 US$ million	Change US$ million
December 2007 facility	**278**	885	(607)
Revolving credit facility	**250**	250	–
Facilities at 30 September	**528**	1,135	(607)
Sale and leaseback finance secured after the balance sheet date	**222**	–	222
Undrawn committed financing facilities	**750**	1,135	(385)

Of the $937 million aircraft financing facility agreed in December 2007, $52 million was drawn in the year ended 30 September 2008, an additional $607 million was drawn in the current year, leaving $278 million for future deliveries. Seven A320 deliveries in the year were funded from additional mortgage finance secured in September 2009.

In addition to the undrawn December 2007 facilities of $278 million, easyJet has an undrawn revolving credit facility in place for $250 million, giving total undrawn facilities at 30 September 2009 of $528 million.

Subsequent to the year end in November 2009, easyJet secured $222 million of additional sale and leaseback finance bringing total undrawn facilities to $750 million. Future aircraft deliveries will be funded through a combination of undrawn committed facilities and surplus cash.

Going concern

In adopting the going concern basis for preparing the accounts, the Directors have considered the business activities as set out on pages 16 to 19 as well as easyJet's principal risks and uncertainties as set out on pages 28 to 29. Based on easyJet's cash flow forecasts and projections, the Board is satisfied that easyJet will be able to operate within the level of its facilities and available cash for the foreseeable future. For this reason, easyJet continues to adopt the going concern basis in preparing its accounts.

Significant contracts

easyJet operates a fleet constituted mainly of Airbus* aircraft with some Boeings which are being phased out. Engines are provided by CFM and IAE and maintenance of aircraft and engines is undertaken by SRT, Virgin*, Aerotron*, GE, MTU and Lufthansa. The major lessors of aircraft to easyJet are AWAS*, BOC Aviation*, GECAS*, Nomura Babcock & Brown*, Royal Bank of Scotland* and Sumisho*. The major lenders to easyJet for aircraft purchase are Alliance & Leicester*, Bank of Tokyo-Mitsubishi*, BNP Paribas*, Calyon*, HSH Nordbank*, KfW*, Natixis*, PK AirFinance*, Royal Bank of Scotland*, Sumitomo Mitsui Banking Corporation* and WestLB*.

Our main insurers are Global, AIG, Kiln, Canada Life, QBE, Chubb, Ace and Allianz.

One of our biggest costs is fuel and our main suppliers are Shell, Air BP, Exxon and Q8. Our IT systems include agreements with AIMS, who provide crew, aircraft and flight management control and operation software; SAVVIS who provide data centre hosting facilities; Lufthansa who provide flight planning systems; SOPRA who develop our reservations system; and Agresso who provide our accounting system.

On 30 September 2009 the Company had 20 bases and they were operated by:

BAA
AdP
Saint Louis – EuroAirport Basel-Mulhouse-Freiburg
Manchester Airports Group
South West Airports
Abertis
Peel Holdings
Aeroports de Lyon
Flughafen Berlin-Schoenefeld
Aeroporti Di Milano
Newcastle Airport
Geneva International Airport
AENA

At these airports our ground handling was carried out by:

Menzies Aviation
Servisair
Group Europe Handling
Aviapartner
Swissport
SEA Handling
Globeground Berlin

Our main ancillary partners are Gate Gourmet, who provide our in-flight merchandise, Europcar, who provide car rental, Hotelopia and Laterooms who broker hotels and Alvia who, through the Mondial brand, provide insurance.

Our credit card acquirers are Elavon, Lloyds TSB, Euroconnect, Barclays Merchant Services and American Express. Our payment service providers are CyberSource and Bibit.

The Company is regulated by the CAA and easyJet Switzerland is regulated by FOCA. We have important relationships with NATS and Eurocontrol in relation to air traffic services.

The main unions we deal with in the UK are BALPA, UNITE and ALAE; in France they are SNPL and UNAC/CFTC; in Spain they are SEPLA and CCOO; in Italy ANPAC CISL; and in Switzerland BALPA and ESPA.

We use training services from CTC and flight simulation services from CAE.

We have a key relationship with easyGroup IP Licensing who own the easyJet brand.

*These contracts contain provisions giving the other party the right to terminate if there is a change in control in easyJet.

Policy and practice on payment of creditors

easyJet aims to have partnership agreements with suppliers, which stresses the importance of strong suppliers aligned to the success of easyJet as a business. Many of our supply agreements are unique and tailored to the needs of the business, to make sure that suppliers are rewarded appropriately for delivering services which meet pre-agreed performance targets and align with easyJet's own internal performance goals. Our 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 payments
- pay in accordance with contractual and other legal obligations

At 30 September 2009, the number of creditor days outstanding for the Group was 15 days (2008: ten days), and for the Company was nil days (2008: nil days).

FINANCIAL REVIEW CONTINUED

Principal risks and uncertainties

This section describes the principal risks and uncertainties which may affect easyJet's business, financial results and prospects.

Risk description	Potential impact	Mitigation
Safety and security		
Safety/security incident: Failure to prevent a safety or security incident or deal with it effectively.	Adversely affect our reputation, operational and financial performance.	Our number one priority is the safety of our customers and people. We operate a strong safety management system through: ✈ Fatigue Risk Management System; ✈ Incident reporting; ✈ Safety Review Board; ✈ Safety Action Group; We also have response systems in place and provide training for crisis management.
External risks		
Economic demand for air travel: easyJet's business can be affected by macro economic issues outside of its control such as weakening consumer confidence or inflationary pressures.	Adverse pressure on revenue, load factors and potentially residual values of aircraft.	Regular monitoring of markets and route performance by our network and fleet management teams. Strong balance sheet supports business through challenging economic conditions for the sector. Appropriate mix of owned and leased aircraft reduces residual value exposure.
Competition: easyJet operates in competitive marketplaces against both flag carriers and other low-cost airlines.	Loss of market share and erosion of revenue.	Routine monitoring of competitor activity. Rapid response in anticipation of and to changes.
Regulatory intervention: Many of the airports which easyJet flies to are regulated, and as such, charges are levied by way of regulatory decision rather than by commercial negotiation. Many airports are also slot constrained and therefore also subject to regulation.	Airport charges may rise. Furthermore, slots may not become readily available. This may adversely impact our cost base and require us to revise our network development plan.	easyJet has a key role in influencing the future state of regulations. One example of its pro-activeness is the instigation of a judicial review of the Civil Aviation Authority (CAA) which may lead to changes in the economic regulation of increases to UK airport charges.
Environmental impact: Consumer attitude to climate change.	Potential impact on consumer demand for the core business.	Environmental Management Group that co-ordinates environmental policy and public communications. easyJet operates modern, fuel-efficient aircraft operating at high capacity and flies to conveniently located airports.
Regulation and oversight across Europe: Retaining control and oversight of local regulatory and management issues across the network as the Company grows geographically.	Lack of awareness of local regulations or management issues could have adverse operational, reputational and financial consequences.	Country oversight boards are being established for our main markets.
Reputational risks		
Business continuity: easyJet's head office is located at a major London airport.	A loss of facilities could lead to disruption.	Alternative site is in place should there be a need to relocate at short notice due to loss of facilities.
IT security and fraud risk: easyJet receives most of its revenues through credit cards and as an e-commerce business, faces external and internal IT security risks.	A security breach could result in a material adverse effect for the business and severe reputational damage.	Systems are secured and monitored against unauthorised access. Scanning software for fraudulent customer activity that is monitored and controlled by Revenue Protection team.
Brand ownership: The claim brought by easyGroup IP Licensing Limited ('Licensor') against the Company in the High Court for clarification of certain terms of its Brand Licence agreement with the Company continues.	Earlier this year the Court held that some of the Licensor's requests for declarations about interpretation of Brand Licence provisions could only be tried if they were amended to breach of contract claims. The Licensor subsequently amended its case to claim specific breaches of contract and served a number of notices of breach. However, the substantive points of difference between the parties remain materially unchanged.	It is now anticipated that the case will be heard in the High Court during June 2010. The Company remains confident that its response to the claims is well founded.

Risk description	Potential impact	Mitigation
E-commerce risk		
Dependence on technology: easyJet is heavily dependent on the website easyJet.com and three key systems in particular: eRes, which is used to process seat purchases and manage reservations; RMS which is used for yield management; and AIMS, which is used to manage operational data and crew positioning.	An outage of any of these key systems could have a material adverse effect for the business.	Two server locations are run in parallel resulting in a highly resilient system architecture which is subject to review and testing. easyJet has a comprehensive system of back-up and protection.
People risks		
Industrial action: Large parts of the easyJet workforce are unionised. The same applies to our key third-party service providers, where similar issues exist.	If there is a breakdown in this process, then operations could be disrupted with a resultant adverse effect on the business.	Collective bargaining takes place on a regular basis.
Retention of key management: Due to easyJet's lean business model, the Company is reliant on certain key managers.	Loss of key personnel could result in a short-term lack of necessary expertise in certain positions.	Bi-annual talent management and succession planning of key positions.
Key supplier risk		
Dependence on third-party service providers: easyJet has entered into agreements with third-party service providers for services covering a significant proportion of its cost base. There can be no assurance that contract renewals will be at favourable rates.	The loss of any of these contracts, any inability to renew them or any inability to negotiate replacement contracts could have a material adverse effect on future operating costs.	Centralised procurement department that negotiates key contracts. Most developed markets have suitable alternative service providers.
Financial risks		
Fuel price and currency fluctuations: Sudden and significant increases in jet fuel price and foreign exchange rates would significantly impact fuel costs and other foreign currency denominated costs.	If not protected against, this would have a material adverse effect on financial performance.	Policy to hedge within a percentage band for rolling 24 month period. To provide protection, the Group uses a limited range of hedging instruments traded in the over the counter (OTC) markets, principally forward purchases, with a number of approved counterparties.
Financing and interest rate risk: All of the Group's debt is asset related, reflecting the capital intensive nature of the airline industry.	Market conditions could change the cost of finance which may have an adverse effect on the financial performance.	Group interest rate management policy aims to provide certainty in a proportion of its financing. Operating lease rentals are a mix of fixed and floating rates (currently 60% to 40%). All on balance sheet debt floating rate, re-priced up to six months. A portion of US dollar mortgage debt is matched with US dollar money market deposits.
Liquidity risk: The Group continues to hold significant cash or liquid funds as a form of insurance.	Lack of sufficient liquid funds could result in business disruption and have a material adverse effect on financial performance.	Board policy is to maintain an absolute minimum level of free cash and money market deposits. Allows business to ride out downturns in business or temporary curtailment of activities (e.g. fleet grounding, security incident, extended industrial dispute at key supplier). Committed borrowing facilities of US$0.5 billion at 30 September 2009.
Credit risk: Surplus funds are invested in high quality short-term liquid instruments, usually money market funds or bank deposits.	Possibility of material loss arising in the event of non-performance of counterparties given recent turmoil in financial markets.	Cash is placed on deposit with institutions based upon credit rating with a maximum exposure of £100 million for AAA ratings.

CORPORATE RESPONSIBILITY

Corporate responsibility and how we operate underpins our long-term prospects and our future financial performance. Safety, customer satisfaction, people and the environment all matter to our business.

Safety is our No.1 priority and a clear imperative for every airline, including easyJet. We recognise the risks associated with operating an airline and work tirelessly to ensure the safety of our customers, our people and our shareholders' investments.

At easyJet we believe people make the difference; by treating our people well, they will be more customer-focused and better represent the easyJet brand – and that in turn will drive greater customer satisfaction.

In order for aviation to have a long-term future, we must minimise our environmental impact, ensure that environmental impacts and the evolving regulatory environment are considered in all key business decisions and continue to invest in a fleet of young and fuel-efficient aircraft.

Safety and our customer proposition are key strategic priorities and are covered in detail on pages 8 to 9 and 12 to 13 of this publication and therefore this Corporate Responsibility report focuses on our approach to people and environmental management.

The big 5

Our values:

Our employees are driven by our core values of safety, teamwork, pioneering, passionate and integrity.

IMAGE REMOVED

People

Our business is only as good as the people that we recruit, train and retain. Our people strategy is underpinned by the cornerstones of talent, engagement and organisational design and aims to ensure that, through strong leadership, we have the right skills in the right place at the right time, thereby creating an environment where people perform better for us than they would for anyone else. We recognise that having the right skills, experience and culture directly influences our performance across all of our strategic objectives. Our ethos is expressed through five values: safety (our No.1 priority – no compromises), teamwork (we'll get there faster together), pioneering (breaking the mould to find new ways and new opportunities), passionate (we're ambitious to be the best we can be) and integrity (we mean what we say, and do it!).

Recruitment

Our employer brand remains a key strength – we received over 45,000 hits on our website for opportunities which resulted in over 20,000 applications; the quality of these applications was high and continues to ensure that we have buoyant holding pools from which to source our future employees.

We continue to focus on recruiting crew that live and breathe our values and have, for the past few years, changed the emphasis of our employment model to match the seasonal peaks of our business. We recruited 672 cabin crew in the year; our strategy to employ on fixed term contracts and invite people back year after year enables us to manage our business flexibly whilst maintaining our high standard of operation. We also operated the Flexicrew scheme for our pilot requirements, employing 92 pilots across seven bases for fixed periods of time, to meet our operational needs.

Following the consolidation of easyTech and GB into the easyJet engineering and maintenance function, our focus has been on integration and building talent for our future growth. We have recruited 28 people into the function this year following the in-sourcing of several activities previously undertaken by a third party supplier. This exercise has enabled us to manage the safety, oversight, availability and reliability of the ever growing fleet. This has been another positive step forward in ensuring a world-class operation and a fully integrated engineering and maintenance function.

IMAGE REMOVED

4 Me

Award-winning share plan

Over 80% of employees participate in our multi award winning easyJet Shares 4 Me.

Training

A wide variety of people joined easyJet through the year. We have looked to continuously improve our well-established and thorough induction training programme for crew and are in the process of refreshing our offering for those within the Management and Administration (M&A) population. This will ensure that all of our new joiners understand the easyJet culture, what we value, our strategic objectives and how they can contribute to our success from day one. easyJet wants people who are new to the organisation to settle in as quickly and efficiently as possible and will continue to invest in the induction process for everyone's benefit.

We continue to partner with leading schools such as Cranfield University and London City University to ensure our managers get high quality support in developing both their technical and management skills. We continue to build and maintain good relationships with well regarded research and advisory organisations and many of our senior managers continue to represent easyJet at numerous external events hosted by these leading organisations.

Retention

easyJet targets a sensible balance of retention and attrition, benefiting from our investment in recruitment and training, combined with continual injection of fresh thinking. Retention rates are influenced by rewards (including pay, benefits and career development opportunities) and employee engagement.

We recognise that it is often beneficial to the business to identify and develop talent internally together with recruiting externally. Four years ago, we developed our talent identification and succession planning process, which is now embedded in our organisation. As a result, we are more effective at identifying and retaining a pool of talent internally on which we can draw as key roles become vacant or new roles are created. Consequently, whilst we have experienced higher than normal turnover among senior managers this year, we have been able to source some replacements from within our talent pool whilst also taking the opportunity to refresh our talent mix from outside. Overall unforced staff turnover has improved by 5.1 percentage points to 6.9% since 2008, although understandably, the tough economic environment may have also significantly influenced employees' decision to stay at easyJet.

Turning Europe Orange

In line with our quest to "Turn Europe Orange" we have made significant progress in expanding our employer presence across Europe. In 2009, easyJet continued to grow its employee base in Italy, Spain and France, strengthening our position as a truly pan-European air transport network.

As at 30 September 2009, easyJet employed 6,666 people (2008: 6,107), based throughout Europe as illustrated below:

United Kingdom	4,473
Switzerland	498
France	435
Spain	432
Italy	521
Germany	307
Total	**6,666**

Equality and diversity

easyJet is an equal opportunities employer. We ensure that our employees and applicants do not receive less favourable treatment on the basis of their age, colour, creed, disability, full or part time status, gender, marital status, nationality or ethnic origin, race, religion or sexual orientation. Applications from disabled employees are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event that one of our people becomes disabled every effort is made to ensure that their employment at easyJet continues and training is arranged where appropriate.

Reward

easyJet offers a competitive rewards package and reviews salaries annually in line with market rates to ensure continued alignment to the market. The rewards package includes an annual performance-driven bonus, based on personal and Company performance, which encourages all employees to contribute towards achieving our strategic objectives. Employees are also eligible to participate in a Group personal pension towards which easyJet contributes, as well as having the option to make their own contributions through salary sacrifice.

Share schemes

easyJet once again offered all employees the opportunity to join its popular all-employee share plan, easyJet Shares 4 Me. The plan has won five major awards to date, and involves three elements: Save As You Earn (SAYE); Buy As You Earn (BAYE) and Free Shares. Each scheme is Her Majesty's Revenue & Customs (HMRC) approved and is open to all employees on the UK payroll. For employees who are on non-UK payrolls, international schemes have been established with similar terms and conditions to the UK scheme, albeit without the UK tax benefits. Participation in the scheme remains very strong, with over 80% of eligible staff now taking part in one or more of the plans.

CORPORATE RESPONSIBILITY CONTINUED

IMAGE REMOVED

IMAGE REMOVED

Your benefits

In January 2009, we introduced "Your Benefits" to UK staff. This enables employees to access programmes and savings which would not be available to them on an individual basis. The benefit choices for 2009 included car breakdown cover, childcare vouchers, a "cycle to work" scheme, dental and optical insurance, Give As You Earn, health screening, income protection insurance, life assurance and private medical insurance. There are also "lifestyle" products which offer discounts on a wide range of products and services.

Employees make further savings in tax and National Insurance for many of these benefits, through salary sacrifice. easyJet's National Insurance savings contribute to the financing of the scheme, which is fully outsourced.

Staff travel

Discounted staff travel continues to be a popular benefit available to all easyJet employees. Unlimited staff travel on the entire easyJet network is available for easyJet employees, their dependants and up to three nominated companions, subject to availability. easyJet employees made 73,461 bookings using staff travel during the year, a total of 126,562 seats flown. The most popular route purchased by our employees was the London Gatwick to Malaga route.

Employee engagement

Communication

easyJet is committed to ensuring high employee satisfaction and engagement levels across its business. Engaged and motivated employees are a critical enabler for us to deliver on all of our strategic objectives, for example by identifying ways that we can improve our customer proposition, decrease our cost base, and, operate safely at all times.

One way in which we achieve these high levels of employee advocacy and engagement is our ability to underpin our cultural values in how we work with our people through informing and consulting with them. Our flat management structure enables us to communicate directly with all our employees. A number of communication forums are also in place; in addition, easyJet is currently establishing a European works council called the easyJet European Forum. This representative group provides a communication vehicle for information and consultation at a European level for issues that affect employees in more than one country. The aim of this forum is threefold: to assist in sharing best practice and communication across the business, to raise awareness and understanding of European-wide issues and how they affect us, and to inform us on what we can do to ensure we remain successful and true to our principle of low cost.

We work with our employee representatives and recognise a number of trade unions across Europe. easyJet has not lost any days due to industrial action during the year. In addition, we have joint working groups actively engaged in improving productivity in lifestyle related matters for our crew; activities which are consistent with our brand promise and cultural values. We survey opinion directly with all our crew members to take "temperature checks" on how we are progressing and how their needs are changing.

Pulse

We monitor and identify ways to improve employee satisfaction through our annual Pulse survey, which all employees are encouraged to participate in. This year, only 36% of employees participated in Pulse – a disappointing response rate which we believe may be due to our crew's perception that management would be unlikely to put any suggestions into effect because of the difficult economic environment. Of those that did respond to the survey, however, 66% of our people indicated they are either satisfied or very satisfied, with high levels of both employer and service advocacy helping us to deliver our customer proposition. Summarised Pulse results are shown below:

	2009	2008	Variance
Response rate	**36%**	72%	(36)ppt
Satisfaction	**66%**	72%	(6)ppt
Service advocacy	**70%**	72%	(2)ppt
Engagement	**70%**	72%	(2)ppt
Great place to work	**60%**	69%	(9)ppt

IMAGE REMOVED

ETS

EU Emissions Trading Scheme
We were leading proponents for aviation's entry into EU ETS.

The executive management team expected that the Pulse results would decline in 2009 because of the unprecedented economic uncertainty and significant pressure to reduce costs. However, easyJet is focused on addressing any concerns identified and, to this end, has made a commitment to make a step change improvement in communication processes and resource across the business. In particular, there is a plan to re-energise the base sponsorship programme around the network for all members of the easyJet leadership team. This will improve the understanding between people based in the network and those based in the central office at Hangar 89.

GEM awards

During the year, we have continued to promote our values with our "Going the Extra Mile" employee award programme. These awards are designed to recognise employees who go beyond what can rightly be expected of them in their role in order to deliver business success. During the year, our people have been submitting nominations linked to our customer proposition and values, together with revenue generation and cost reduction recommendations.

Successful nominations by customer proposition

Low cost	Care	Convenience
12%	60%	28%

Successful nominations by easyJet value

Safety	Teamwork	Pioneering	Passionate	Integrity
20%	36%	5%	23%	16%

easyJet strives to ensure that our recognition programmes continue to align employee contribution with business results and, to that end, the award programme will be revised during 2010.

Charitable donations

Our charity policy is to recognise and devote efforts to a single charity each year. This year, our chosen charity was The Anthony Nolan Trust.

easyJet has worked with The Anthony Nolan Trust to help promote the charity, with activities including onboard collections, a "click and give" campaign from our website, fundraising activities initiated by our people, a feature in the inflight magazine and other public relations activities. £50,000 was donated to The Anthony Nolan Trust by easyJet as a corporate donation.

Political donations

easyJet does not make any donations to any political party. This in not in line with our values and would be deemed as inappropriate.

Gifts and gratuities

easyJet employees are sometimes sent gifts from various companies throughout the year. In order to provide clear guidance to employees and avoid potential conflicts of interest, we have a strict policy that prevents any employee accepting gifts over a nominal value of £35. Every Christmas (and less frequently, at various times through the year) easyJet holds a staff raffle of all the gifts that are received. Every employee across Europe is entered into the draw and allocated a unique reference number. Numbers are then drawn at random and winners have the gifts sent directly to their home.

easyJet and the environment

Environmental issues are important to all of us, and we are committed to ensuring that both easyJet, and the industry as a whole, play our part in meeting our environmental responsibilities. Everyone at easyJet helps deliver on our environmental commitments, from the cabin crew who collect waste for recycling to the senior management working with politicians on climate change and manufacturers to push for next generation aircraft.

Aviation contributes to climate change. The long-term predominant effect is from carbon dioxide (CO_2) emissions, of which aviation contributes around 3% of man-made CO_2 emissions. The overriding environmental issue is tackling climate change.

The target for the industry must be to reduce its emissions over time, and we welcome the UK Government's endorsement of this approach when it set industry emissions targets last year. The industry faces significant challenges: unlike many other sectors, there are no carbon free solutions on the horizon, and its high profile may put it at significant risk of punitive measures. This is why we have been at the forefront of efforts to put aviation into the EU Emissions Trading Scheme (ETS), a framework for reducing EU emissions, and driving the development of next generation aircraft. Taking responsible steps is not only the right thing to do, but it also limits the risk of unreasonable measures being imposed on the aviation industry. We are pleased to report that aviation's entry into EU ETS is now definite. We took a lead role in this work, and we are now working to ensure that easyJet is ready for formal entry in 2012. Entry into EU ETS carries both risks and opportunities. However, we believe that due to our efficiency, we are well placed relative to competitors.

CORPORATE RESPONSIBILITY CONTINUED

Our focus on efficiency is central to delivering our environmental commitments, and means we are significantly more environmentally efficient than most other airlines. Over time this will also give us a competitive advantage, as environmentally inefficient flying will become increasingly unsustainable.

The most significant effect of the emissions of mono-nitrogen oxides (NOx) from aviation are currently considered to be on local air quality around airports. All of our aircraft deliveries since February 2008 have been fitted with the new CFM56 "Tech Insertion" engines that reduce NOx emissions by 25% due to better combustion processes – almost a quarter of our fleet are now fitted with these more environmentally efficient engines which are also expected to deliver a 1% improvement in CO_2 emissions.

At the airports we operate from, we also have a local impact on the environment in the form of noise. However, our business model ensures that the impact of this on the local environment is less than for many other carriers. Our new aircraft are amongst the quietest in the industry and we have very few operations at night (2300 hrs – 0600 hrs) when noise is of the greatest concern. All of the aircraft in our fleet are compliant with the latest required international noise standards, known as "Chapter 3", but also with the latest more stringent standard, known as "Chapter 4".

Tackling climate change

The overwhelming majority of our greenhouse gas emissions come from flying (we estimate less than 1% of our emissions are non-flying related), and it is these emissions which we report on and focus our efforts on reducing. We are working to be as efficient as possible, in particular by flying new, highly efficient aircraft, using our aircraft as efficiently as possible, continually focusing on reducing the emissions from each flight and working to improve the efficiency of the airspace we fly in. Due to this, we are the most efficient airline on a significant majority of the routes we fly.

Our policy is to expand our fleet through the acquisition of the latest technology aircraft, as these are more fuel efficient than older models. Our average fleet age is 3.5 years, broadly flat compared to last year. We also use these aircraft as efficiently as possible, by maximising load factors and seating density (see "The easyJet efficiency advantage", right).

All aspects of our business model are designed around safety and efficiency. This focus on efficiency minimises the environmental impact of each passenger flight. Our network development has generally focused on substituting services in markets dominated by inefficient former state-owned airlines with our more efficient product – 80% of our capacity is deployed in established markets. While we aim to grow these markets through our low fares, when we enter a market we often substitute for existing less efficient services. The efficiency that we bring to a market can even result an overall reduction in emissions in absolute terms, even if total passenger numbers increase.

Alongside our operating model we work every day on improving the efficiency of our flying, and in the last year implemented a number of fuel saving initiatives (see page 15 for more detail). Finally, by pushing for more efficient airspace use, such as Continuous Decent Approaches, we are demanding that our service providers match our level of commitment.

Taking these together we have set a target to reduce our CO_2 emissions per passenger Km by 3% by 2011.

500

Shaping the future:
Over 500 global companies, including easyJet, have signed up to the Copenhagen Communiqué on Climate Change.

IMAGE REMOVED

The easyJet efficiency advantage

An easyJet passenger is responsible for 22% fewer emissions than a passenger on a traditional airline to the same destination and using the same plane

- The typical seating configuration of an Airbus A319 is 124[1] seats. Our Airbus A319s fly with 156 seats which is 26% more seats than the normal configuration
- Our average load factor (percentage of seats sold) in financial year 2009 was 85.5%; the average load factor for European airlines in 2009 was 68.0%[2]
- Therefore, we sell on average 133 seats per flight; a typical European airline would sell 84 seats per flight
- Each of our Airbus A319s therefore potentially carries 58% more passengers per flight than the European norm
- Even taking the additional fuel burn into account for the greater number of passengers, we estimate that we burn 22% less fuel than the typical European airline operating an A319 on the same route

Note 1: Source: Airbus.
Note 2: Source: AEA for January–August 2009.

CHARTS REMOVED

Reducing our emissions

During the year, efficiency improvements have led to a significant reduction in emissions intensity. In particular:

- Total emissions from our operations continue to grow at a slower rate than the total RPKs flown, indicating improving environmental efficiency
- Total CO_2 emissions from operations under our control grew by 2.5% from 4.3 million tonnes to 4.4 million tonnes, less than the 6.0% increase in RPKs
- CO_2 emissions per booked passenger trip fell by 0.9% from 98.6 Kg per passenger flight to 97.7 Kg per passenger flight, despite the 2.6% increase in average sector length
- Average CO_2 emissions from our flights reduced by 3.3% from 90.3 g CO_2 per passenger kilometre to 87.3 g CO_2 per passenger kilometre

During the last nine years our emissions of CO_2 per passenger kilometre have reduced by 25%.

22%

more efficient:
We estimate that we burn 22% less fuel than some of our competitors on the same route.

easyJet leads the way in shaping a greener future

easyJet believes that emissions from aviation will need to fall in the long-term, but that achieving this will require the industry and governments to work together. It will require step changes in efficiency, through new technologies, and the right policies from governments.

We continue to actively engage with both airframe and engine manufacturers in pursuit of this vision by 2017, further developing the vision we outlined in 2007 – the easyJet ecoJet. We have set out a platform for an aircraft that is 25% quieter, emitting 50% less CO_2 and 75% less NOx per passenger Km than today's aircraft.

We support efforts to include emissions from international transport into a post-Kyoto climate change agreement, and along with the business leaders of over 500 global companies, we have signed the Copenhagen Communiqué on Climate Change. We are committed to working with policy makers across Europe to help shape future policies. In addition to our work on ETS, we are working to improve the efficiency of airspace and are involved in the SESAR (Single European Sky ATM Research) programme, part of the implementation of the EU's Single European Sky (SES), which aims to reduce emissions by at least 10% across Europe.

Alongside this we are involved in a range of bodies, including the Sustainable Aviation group in the UK. We also answered the Carbon Disclosure Project Greenhouse Gas Emissions Questionnaire as part of the latest Carbon Disclosure Project (CDP7).

Crucially, we believe it is important that consumers are given full and accurate information on the carbon impact of their flight. We have provided a carbon calculator on our website, and consumers are informed of the emissions they are responsible for as they book and are given the opportunity to offset the carbon emissions of their flights as part of the booking process. Our offset scheme only uses United Nations certified carbon credits.

IMAGE REMOVED

GOVERNANCE DIRECTORS' PROFILES

IMAGES REMOVED

01 Sir David Michels
Non Executive Interim Chairman
David (1946) was appointed to the Board on 6 March 2006 and became the Chairman of easyJet on 1 July 2009. He is currently Deputy Chairman of Marks and Spencer plc and is also Non Executive director of Strategic Hotels & Resorts, Inc and the Jumeirah Group. David has held a number of senior management and plc board positions in the leisure industry. He spent 15 years with Grand Metropolitan, mainly in sales and marketing, which culminated in a board position as Worldwide Marketing Director. In 1989, he became Deputy Chairman of Hilton UK and Executive Vice President, Hilton International. He joined Stakis in 1991, as Chief Executive, and became Group Chief Executive of the Hilton Group (formerly Ladbroke Group) in June 2000, a position he held until 2006. He was previously Senior Independent Director at British Land Plc and Arcadia Plc. He is the current President of the British Hospitality Association and was knighted in June 2006 for services to the hospitality industry.

02 Sir Michael Rake
Non Executive Deputy Chairman and Senior Independent Director
Michael (1948) was appointed Deputy Chairman on 1 June 2009. He is Chairman of BT Group plc, The UK Commission for Employment and Skills, as well as a Director of Barclays PLC, McGraw-Hill, Inc and the Financial Reporting Council. He is also Chairman of the private equity oversight group, the Guidelines Monitoring Committee. From May 2002 to September 2007, Michael was Chairman of KPMG International. Prior to his appointment as Chairman of KPMG International, he was Chairman of KPMG in Europe and Senior Partner of KPMG in the UK.

03 Andrew Harrison
Chief Executive Officer
Andrew (1957) became Chief Executive Officer on 1 December 2005. He was previously the Chief Executive of RAC plc prior to its acquisition by Aviva plc in 2005. Andrew joined Lex Service plc in 1996 as Chief Executive and led its transformation from a vehicle distribution company into RAC plc, a strongly-branded, consumer-facing services company with 6.5 million members. RAC plc delivered strong growth in a variety of consumer services, which included BSM, financial and legal services, as well as good expansion in business services, winning large contracts. The successful integration of Lex and RAC resulted in a strong rise in profits and a tripling of the share price during Andrew's tenure as Chief Executive. Andrew was a Non Executive Director at Emap between 2000 and 2008 where he also chaired the Audit Committee. Prior to Lex Service, Andrew was an Executive Director of Courtaulds Textiles plc.

04 David Bennett
Independent Non Executive Director
David (1962) was appointed to the Board on 1 October 2005 and is Chairman of the Audit Committee. He was recently appointed as a Director of Pacnet Limited. Prior to this, David was an Executive Director of Abbey National Plc and was Group Chief Executive of Alliance & Leicester plc having previously served as Group Finance Director. David held a number of senior management positions at Cheltenham & Gloucester Building Society and Lloyds TSB. He was also an Executive Director of the National Bank of New Zealand Limited and is a member of the Association of Corporate Treasurers.

05 Sven Boinet
Independent Non Executive Director
Sven (1953) was appointed to the Board of easyJet in March 2008. A graduate of Stanford University, he was previously CEO of Lucien Barrière Group and was recently appointed CEO of Pierre & Vacances/Center Parcs Group, a €1.5 billion turnover company leader on the continent of resort and leisure lodging. He previously held a number of senior management roles over a 15 year period at the French hotels group, Accor. He was also a Non Executive Director of lastminute.com from 2003 until its sale to Sabre in 2005.

IMAGES REMOVED

06 John Browett

Independent Non Executive Director

John (1963) joined easyJet in September 2007. He is currently Chief Executive Officer of DSG International plc, a position he has held since December 2007. Prior to joining DSG International, John was the Operations Development Director of Tesco plc. He joined Tesco as Group Strategy Director in 1998 and held a number of Executive Director positions in the company including running Tesco.com from 2000 to 2004 where he was responsible for formulating and delivering its strategy from launch to profitability.

A graduate of Cambridge University and Wharton Business School, John was at the Boston Consulting Group between 1993 and 1998.

07 Professor Rigas Doganis

Independent Non Executive Director

Rigas (1939) was appointed to the Board on 1 December 2005. Rigas is an aviation consultant and strategy adviser to airlines, airports, banks and governments around the world. He is Chairman of the European Aviation Club in Brussels and a Non Executive Director of GMR Hyderabad International Airport, India. He is a former Chairman/CEO of Olympic Airways and was formerly a Non Executive Director of South African Airways. Rigas is also a visiting Professor at Cranfield University and the author of books on aviation economics and management.

08 Sir Stelios Haji-Ioannou

Non Executive Director

Stelios (1967) founded easyJet in 1995. He was easyJet's Non Executive Chairman until November 2002 and was reappointed to the Board in May 2005. A graduate of the London School of Economics and City University Business School, Stelios founded his first business, Stelmar Tankers, in 1992. This shipping company listed on the New York Stock Exchange in 2001 and was sold in 2005 to OSG shipping group.

Since 1999 Stelios has set up some 16 other "easy"-branded ventures, which are capitalised and managed separately from easyJet within easyGroup Holdings Ltd, Stelios' private investment vehicle. An up-to-date list of these businesses can be found on www.easy.com. easyGroup owns the "easy" brand and licenses it to the various easy-branded ventures (including easyJet) and is also a major shareholder in easyJet plc. Stelios was knighted in November 2006 for services to entrepreneurship.

09 Keith Hammil

Independent Non Executive Director

Keith (1952) was appointed to the Board on 1 March 2009. He is a Fellow of the Institute of Chartered Accountants, is chairman of Travelodge and was Chairman of Go, prior to its acquisition by easyJet in 2002. He has considerable experience as a Director of listed companies, is currently the Chairman of Tullett Prebon and Alterian and was Chairman of Luminar and Moss Bros. He is also a Director of Collins Stewart and has previously been a Director of Electrocomponents and Cadmus Communications Corp. He was Finance Director of WH Smith, Forte and United Distillers and a Partner in PricewaterhouseCoopers. He also chairs the board of the University of Nottingham.

10 Robert Rothenberg

Non Executive Director

Bob (1950), was appointed to the Board on 1 August 2009. He is Senior Partner in the London-based accountancy firm of Blick Rothenberg. Bob is a Governor of Highgate School and a Trustee of The Prince's Foundation for the Built Environment. He was made an MBE in the 2007 New Year's Honours List for services to business and to the community in London.

The following Directors resigned during the year:
Dawn Airey (resigned 31 December 2008)
Sir Colin Chandler (resigned 1 July 2009)
Jeff Carr (resigned 25 September 2009)

EXECUTIVE MANAGEMENT TEAM

IMAGES REMOVED

01 Andrew Harrison
Chief Executive Officer
See Directors' profiles.

02 Dana Dunne
Chief Commercial Officer
Dana (1963) joined easyJet in September 2009. Before joining easyJet, Dana was CEO of AOL Europe, one of the leading online companies in Europe. Prior to that he was head of the transformation of AOL in the US. Dana has held a number of other senior positions in the telecom and media industry. At Belgacom he was President of one of their four business units, Retail Carrier and Network Services, and prior to this was MD of the Business Division. At US West, Dana was Vice President of Strategy and Development for US West, Inc. and President of US West International. Prior to this Dana was at McKinsey & Company, in their Madrid, Brussels, and London offices where he was one of the leaders of their telecoms practice. Dana has an MBA from the Wharton School of Business, an MA from the University of Pennsylvania, and a BA from Wesleyan University.

03 Mike Campbell
People Director
Mike (1957) joined easyJet in October 2005 as People Director. Before joining easyJet Mike worked at Wedgwood in a broad role as Director of People and Brands and Managing Director for Canada, Australia and Pan-Asia. Prior to that Mike worked for 14 years at Fujitsu in a variety of development and personnel roles across Europe, Asia, Africa and the Middle East, ending up as Chief Personnel Officer. His early career was in education and research. Mike has a BSc in Mathematics and Masters in Fluid Dynamics.

04 Tim Newing
IT Director
Tim (1959) joined easyJet in August 2006. He has a wide range of experience across the technology spectrum and has played a major role in the development of the National Lottery over a ten year period, first as Technical Manager for IT supplier GTECH UK before joining Camelot as Head of Projects and Networks in December 2000 and becoming IT Director in March 2002. During this time, Tim successfully developed and delivered a series of programmes that saw a period of major technological innovation, significantly enhancing the systems architecture and key business processes within Europe's biggest lottery company, and, at the same time ensuring high reliability and availability from the production systems. His achievements saw him recognised as the 2005 IT Director of the Year in the Jaeger-LeCoultre Telegraph Business Awards.

IMAGES REMOVED

05 Cath Lynn

Director of Network Development and Planning

Cath (1964) spent 12 years in retail for J Sainsbury before being head hunted in 1998 by Barbara Cassani for the start up of Go where she was part of the management buy out team and headed up cabin services and on board product development and later customer services. Cath played an active role in the merger of Go into easyJet. Cath has successfully carried out a number of senior management roles at easyJet including Head of Ground Operations, Head of Airport Development and Procurement and Head of Network Development.

06 Cor Vrieswijk

Operations Director

Cor (1958) joined easyJet in January 2007 from Transavia.com which is a Dutch-based airline where he was Chief Operations Officer for nine years and brings 25 years' experience in the airline industry. His responsibilities at Transavia.com included flight operations, cabin operations, engineering and maintenance and ground handling, together with relevant experience in marketing, human resources and IT. Cor's first degree was in engineering followed up by a Masters Degree in organisational sciences.

07 Warwick Brady

Procurement Director

Warwick (1964) became Procurement Director on 5 May 2009. He has significant experience of leading low cost airlines in areas ranging from high growth and restructuring, through to turnarounds. Warwick was Deputy Operations Director at Ryanair from 2002 to 2005, where he held various executive roles including Deputy CEO of Buzz, following its acquisition from KLM. More recently, he spent two years in India as Chief Operations Officer of Air Deccan. Most recently, Warwick was CEO at Mandala Airlines.

08 Mark Adams

Interim Chief Financial Officer

Mark (1964) joined easyJet in September 2009 as Interim Chief Financial Officer. Mark is a Chartered Accountant and has held a number of senior finance roles across a range of sectors, including most recently Helphire Group plc, Alpha Airports Group plc and STA Travel Group.

CORPORATE GOVERNANCE

Principles statement

easyJet is committed to meeting the required standards of corporate governance.

Statement of compliance

During the year the Board considers that it and the Company have complied with the best practice provisions of Section 1 of the Combined Code on Corporate Governance of June 2008 without exception. The Combined Code is issued by the Financial Reporting Council and available on the Financial Reporting Council's website, http://www.frc.org.uk/corporate.

Board of Directors

As at 30 September 2009, the Board comprised nine Non Executive Directors (including the Interim Chairman) and one Executive Director.

The roles of Chairman (as fulfilled by Sir Colin Chandler and subsequently Sir David Michels as Interim Chairman) and Chief Executive (Andrew Harrison) are separated, clearly defined, and approved by the Board. Sir Michael Rake is the Senior Independent Non Executive Director and holds the post of Deputy Chairman.

The Company regards David Bennett, Professor Rigas Doganis, John Browett, Sven Boinet and Keith Hamill as Independent Non Executive Directors. Dawn Airey, who served for part of the year as Non Executive Director, was also regarded as independent. Sir David Michels was also regarded as independent until his appointment as Interim Chairman and Sir Michael Rake is regarded as independent.

Sir Stelios Haji-Ioannou is not regarded as independent due to his significant beneficial shareholding in the Company and his prior involvement in an executive management capacity. Bob Rothenberg is not considered to be independent due to his appointment by Sir Stelios Haji-Ioannou pursuant to Article 87 of the Company's Articles of Association, as set out below:

"87.1 For so long as the Controlling Shareholders directly or indirectly hold in aggregate at least 25 per cent of the issued ordinary share capital of the Company and the Company is entitled to continue to use the "easyJet" brand under the terms of the easyJet Brand Licence, the Controlling Shareholders (or either of them) shall be entitled to appoint any two persons to be Non Executive Directors and in addition Sir Stelios Haji-Ioannou shall be entitled to be the Chairman of the Board and of the Company.

"87.2 For so long as the Controlling Shareholders directly or indirectly hold in aggregate at least 10 per cent of the issued ordinary share capital of the Company and the Company is entitled to continue to use the "easyJet" brand under the terms of the easyJet Brand Licence, Sir Stelios Haji-Ioannou shall be entitled to be the Chairman of the Board and of the Company."

Board engagement with investors

The Board continues to consider that it is appropriate for the Chairman to be the primary conduit with investors given his experience in liaising with shareholders and relative longevity on the Board following his predecessor's departure.

Each Chairman of the Board has made himself available for investor meetings and questions, in person, during the year and has updated the whole Board on the results of his meetings and the opinions of investors. Each Senior Independent Non Executive Director has also acted as an alternative point of contact and attended meetings in order to help develop a balanced understanding of the issues and concerns of major shareholders. Regular feedback is provided to the Board on the opinions of shareholders and an investor perception audit is carried out by an independent third party on annual basis.

The Board meets regularly, with 12 meetings having been held during the year ended 30 September 2009. All members of the Board are supplied in advance with appropriate information covering matters which are to be considered. It is standard practice for the Non Executive Directors to meet without any Executive Directors present on a regular basis during the year, usually prior to or immediately after each Board meeting.

The appointments of Keith Hamill and Sir Michael Rake during the year as Non Executive Directors were the result of a search process carried out using external recruitment consultants in accordance with longstanding Board practice.

Meetings attended

Director	Board	Audit Committee	Remuneration Committee	Nominations Committee
Sir Colin Chandler (resigned 1 July 2009)	9	n/a	2*	3
Andrew Harrison	12	3*	2*	n/a
Jeff Carr (resigned 25 September 2009)	12	4*	1*	n/a
Professor Rigas Doganis	10	n/a	4	3
Sir Stelios Haji-Ioannou	12	n/a	n/a	n/a
John Browett	10	4	1*	n/a
Sir David Michels	11	2	4	n/a**
David Bennett	11	4	4	3
Sven Boinet	9	n/a	3	n/a
Dawn Airey (resigned 31 December 2008)	1	n/a	n/a	n/a
Keith Hamill (appointed 1 March 2009)	8	2	1***	n/a
Sir Michael Rake (appointed 1 June 2009)	3	1*	n/a	n/a
Bob Rothenberg (appointed 1 August 2009)	2	1*	n/a	n/a

* By invitation.
** Appointed Chairman of the Nominations Committee on 1 July 2009.
*** Appointed Chairman of the Remuneration Committee on 1 July 2009.

Sir Colin Chandler resigned during the year with effect from 1 July 2009 and, after consideration by the Nominations Committee and the Board, Sir David Michels was appointed Interim Chairman with Sir Michael Rake as Deputy Chairman.

Bob Rothenberg was appointed by easyGroup Holdings Limited and Sir Stelios Haji-Ioannou pursuant to the rights granted to them under Article 87 of the Company's Articles of Association. The members of the Nomination Committee also considered and approved his appointment. Separately, the Board has taken advice during the year from expert management search and development consultants with a view to both enhancing its development of key managers and reviewing its succession planning for the top executive roles in the Company.

Directors and officers insurance cover has been established for all Directors to provide cover against their reasonable actions on behalf of easyJet. During the year, the Interim Chairman undertook a performance review of the Board using an external evaluation tool provided by a corporate advisory company. The process involved a detailed questionnaire completed by each of the Directors, one on one discussions with individual Directors and a separate review of the outcome by the full Board in a plenary session. The performance of the Board (including the Interim Chairman), the Board's Committees and also that of the individual Board Directors was reviewed as part of the same process. The Board considered that given the short period of time for which Sir David Michels had held the position of Interim Chairman it would not be appropriate to have his performance reviewed as Chairman by the Senior Independent Non Executive Director prior to 30 September 2009.

The Board regularly receives updates, via the Company Secretary, on relevant legislation, regulation and governance best practice.

Board Committees

Remuneration Committee

At 30 September 2009, the Remuneration Committee comprised four Independent Non Executive Directors, namely Keith Hamill (Committee Chairman), David Bennett, Professor Rigas Doganis, and Sven Boinet. 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 and the Chairman. In addition to meetings to allot shares under the Company's share option schemes, the Remuneration Committee has met four times during the year.

The Board has reviewed the composition of the Remuneration Committee during the year and at the end of June 2009, Sir David Michels stood down as Chairman of the Committee in accordance with provision B.2.1 of the Combined Code, simultaneously standing down as member. From 1 July 2009, Keith Hamill was appointed to the Remuneration Committee and to act as its Chairman in place of Sir David Michels. The Board is satisfied that the Directors who are currently members of this Committee are those who are best able to contribute to the Committee's objectives.

Shareholders are generally required to approve all new long term incentive plans and significant changes to existing plans. Further details of these plans can be found in the Report on Directors' remuneration and the full text of the terms of reference for the Remuneration Committee is available in the governance section of easyJet's corporate website, http://corporate.easyJet.com.

Audit Committee

The Audit Committee comprises three Non Executive Directors, all of whom are independent. As at 30 September 2009, the Audit Committee members were David Bennett (Committee Chairman), John Browett and Keith Hamill, who was appointed on 1 March 2009. On 30 June 2009 Sir David Michels stood down from the Audit Committee in accordance with the provisions of the Combined Code. This Committee meets at least three times per year.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information in advance of publication, reviewing on a continuing basis the systems of internal controls regarding finance and accounting that management and the Board have established and reviewing generally the auditing, accounting and financial reporting processes. The ultimate responsibility for reviewing and approving the annual and other accounts remains with the Board. The Audit Committee has met four times during the course of the year, including an additional meeting in September 2009 to review the accounting policy issues raised in the statement of Sir Stelios Haji-Ioannou appended to the end of the preliminary results announcement of 18 November 2008.

The Audit Committee is charged with reviewing the effectiveness of internal control, approving and monitoring the internal audit work plan, considering issues arising from internal audit's work, reviewing management's response to internal control issues, approving the external audit fee, considering the external audit strategy and plans, reviewing the external auditors' reports and reviewing and approving the annual accounts. Both internal and external auditors are given the opportunity to meet privately with the Audit Committee without any member of management present. It is standard practice for the external auditors to meet with the Audit Committee without the executive being present at each Audit Committee meeting.

The terms of reference of the Audit Committee are documented and agreed by the main Board. The full text of the terms of reference is available in the governance section of easyJet's corporate website, http://corporate.easyJet.com. The key terms set out that the Audit Committee will:

- Serve as an independent and objective party to monitor the quality and timeliness of the financial reporting process and monitor the internal financial control system
- Review and appraise the audit efforts of the external auditors
- Provide an open avenue of communication among the external auditors, financial and senior management, and the Board
- Confirm and assure the independence and objectivity of the external auditors (in particular, in the context of the provision of additional services to the Company)
- Review and ensure the effectiveness of the risk management processes of the Company
- Review and monitor the effectiveness of the internal audit function and management's responsiveness to any findings and recommendations
- Assess potential conflicts of interest of Directors on behalf of the Board

The Audit Committee recently reviewed its terms of reference in line with the Financial Reporting Council's 2008 Guidance on Audit Committees and decided that no changes were required.

CORPORATE GOVERNANCE CONTINUED

The Audit Committee has the responsibility for appointing the external auditors. PricewaterhouseCoopers LLP were reappointed auditors of the Group at the Annual General Meeting, held in February 2009. In order to preserve auditor objectivity and independence, the Board has decided that PricewaterhouseCoopers LLP will not be asked to provide consulting services unless this is in the best interests of the Company. Clause 9 of the Audit Committee's terms of reference sets out the formal policy on non-audit work. The auditors are asked on a regular basis to articulate the steps that they have taken to ensure objectivity and independence. easyJet monitors the auditors' performance, behaviour and effectiveness during the exercise of their duties. This included this year obtaining a report on the auditors' own quality control procedures and a consideration of their annual audit, quality and transparency report. In the financial year, easyJet spent £0.1 million with PricewaterhouseCoopers LLP (2008: £0.9 million) in respect of non-audit services.

The Board is satisfied that the Directors who are currently members of this Committee are those who are best able to contribute to the Committee's objectives. David Bennett has served as the Chairman of the Committee during the year. David was until 31 July 2009 an Executive Director of Abbey National plc prior to which he was Chief Executive Officer and Finance Director of Alliance and Leicester plc, experience which the Board considers to be recent and relevant for the purposes of undertaking the role as Chairman of the Committee.

Nominations Committee

The Nominations Committee comprises at least three members. During the year, the Nominations Committee members were Sir Colin Chandler (Chairman until 30 June 2009), David Bennett, Professor Rigas Doganis, Dawn Airey (until 31 December 2008) and Sir David Michels who took over as Chairman on 1 July 2009. Sir Colin Chandler was not considered to be independent as he was Chairman of the Group before his retirement. However, the Board was satisfied that Sir Colin Chandler's personal integrity and experience made him a highly effective member of the Board and the Nominations Committee. The Board is satisfied on the same grounds with the appointment of Sir David Michels to the Nominations Committee.

This Committee is responsible for nominating candidates to fill Board positions and for making recommendations on Board composition and balance. In appointing Non Executive Directors, the Board's practice is to use an external recruitment agency.

The Nominations Committee has met three times during the year. The first meeting was to consider and approve the appointment of Keith Hamill. The second was to consider a long-term successor to Sir Colin Chandler as Chairman of the Company and resulted in the recommendation to the Board of Sir Michael Rake. The discussions at this meeting pertaining to the appointment of Chairman were chaired by David Bennett, in accordance with the provisions of the Combined Code. The third was to consider and approve the appointment of Sir David Michels as Interim Chairman and Sir Michael Rake as Deputy Chairman. The searches for Keith Hamill and Sir Michael Rake both involved the use of independent recruitment consultants. Sir David Michels was appointed Interim Chairman without the involvement of independent recruitment consultants or open advertising as his chairmanship is only intended to be short term until a new Chairman is formally appointed. The Committee is utilising independent recruitment consultants to identify a suitable successor to Jeff Carr as Group Finance Director, and the search process is well advanced.

The terms of reference of the Nominations Committee are documented and agreed by the main Board. The full text of the terms of reference is available in the governance section of easyJet's corporate website, http://corporate.easyJet.com.

Before selecting new appointees, the Nominations Committee considers the balance of skills, knowledge and experience on the Board to ensure that a suitable balance is maintained. All job specifications prepared include details of the time commitments expected in the role.

On joining the Board, new Board members receive a full and tailored induction. Shareholders are offered the chance to meet new Directors.

Contracts and letters of appointment with Directors are made available at the Annual General Meeting or on request.

Litigation Committee

As a result of the proceedings brought by easyGroup IP Licensing Limited (a company under the ultimate control of Sir Stelios Haji-Ioannou) in 2008 in relation to the clarification of the brand licence, the Board continues to operate a separate Litigation Committee to deal with the proceedings and all matters related to them. Neither Sir Stelios Haji-Ioannou nor Bob Rothenberg (as his nominee) sit on this Committee which comprises every other Director of the Board. It is anticipated that the Committee shall continue to exist until the proceedings and any related circumstances giving rise to a conflict of interest between Sir Stelios Haji-Ioannou's interests and those of the Company have been resolved. In this respect, a date in or around June 2010 for a High Court hearing to adjudicate the dispute is expected to be confirmed in due course.

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 on key business issues. easyJet has an investor relations department which runs an active investor relations programme to facilitate engagement with investors including one on one meetings, visits to easyJet's operations and presentations. The investor relations website was upgraded during the year with the aim of improving the information available to shareholders about easyJet. The website can be accessed at http://corporate.easyjet.com.

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.

The Board has conducted an annual review of the effectiveness of the system of internal control during the year under the auspices of the Audit Committee. No significant failings or weaknesses were identified during the course of this review.

The internal control regime is enhanced by the operation of a whistleblower reporting function. The system is operated by a specialist external third-party service provider and allows employees to report concerns in confidence on a no-names basis. The Audit Committee has approved the processes and reporting structure for the function and receives regular reports on the operation of the function.

Risk management

A formal bi-annual process is in place to identify, evaluate, manage and report upon significant risks faced by the Company and is operated by the Company Secretary under the direction of the Risk Committee. The process involves a rigorous mandatory reporting regime across middle tier management with reporting of risks subject to review by a cross-functional Risk Committee which produces consolidated risk reports for the Board.

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

- Ongoing 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 in weekly meetings. Operational meetings include the Safety Audit Group which meets monthly to discuss safety, security and environmental risks. The Safety Review Board meets monthly, or more regularly where events require, to review safety performance. In addition, there are regular Commercial, Financial and IT functional meetings;
- The Executive Management Team meets monthly to consider significant current risks. Individual department and overall business performance is reviewed. The reporting of significant risks to Executive Management Team and the Board of the Company has been enhanced by the risk management processes referred to above. Individual department and overall business performance is reviewed;
- Written reporting of current significant risks is provided to the Board on a monthly basis. Control weaknesses or failings are considered by the Board if they arise;
- Internal audit considers, reviews and tests internal control and business risk matters throughout the Group. Further details of the internal audit function's operations are set out below;
- As described above, a bi-annual risk and control identification process, together with annual control effectiveness testing, is conducted. The key risks are identified and the key controls to manage these risks to the desired level are also identified;
- Action plans are set to address any control weaknesses or gaps in controls identified.

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:

- 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; and
- Consideration by the Audit Committee of any reports from internal and external auditors;
- 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 which considers whether these high-level risks are effectively controlled.

Internal audit

Internal audit's work is focused primarily on areas of greatest risk to easyJet, as determined by management's risk identification and assessment processes as validated by Executive Directors. The output from this process is summarised in an audit plan, which is approved by the Board and Audit Committee, and updated on a rolling quarterly basis.

The Head of Internal Audit reports to the Group Finance Director and the Chairman of the Audit Committee. The Head of Internal Audit was invited to and attended all of the Audit Committee meetings in the year and has reported regularly on internal audit reviews to the Executive Management Team meetings during the course of the year. A formal audit charter is in place.

The internal audit department reviews the extent to which systems of internal control:

- are effective;
- are adequate to manage easyJet's significant risks; and
- safeguard the Company's assets.

The key objectives are to provide independent and objective assurance on risks and controls to the Board and senior management; and to assist the Board with meeting its corporate governance and regulatory responsibilities.

The role of internal audit and the scope of its work continue to evolve to take account of changes within the business and emerging best practice.

SHAREHOLDER INFORMATION

Share capital
Details of the movements in authorised and issued share capital during the period are provided in note 18 to the accounts.

The rights and obligations attaching to the Company's Ordinary Shares are set out in the Articles.

Voting rights and restrictions on transfer of shares
None of the ordinary shares carry any special rights with regard to control of the Company. There are no restrictions on transfers of shares other than:

- Certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing
- Pursuant to the Company's code for securities transactions whereby the Directors and designated employees require approval to deal in the Company's shares
- Where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares
- Where a proposed transferee of the Company's shares has failed to furnish to the Directors a declaration of nationality (together with such evidence as the Directors may require) as required by the Company's Articles of Association
- The powers given to the Directors by the Company's Articles of Association to limit the ownership of the Company's shares by non UK nationals and powers to enforce this limitation including the right to force a sale of any affected shares.

The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Employee share schemes – rights of control
The trustee of the easyJet Share Incentive Plan (the Plan) will, on receipt of any offer, compromise, arrangement or scheme which affects ordinary shares held in the Plan, invite participants to direct the trustee on the exercise of any voting rights attaching to the ordinary shares held by the trustee on their behalf and/or direct how the trustee shall act in relation to those ordinary shares. The trustee shall take no action in respect of ordinary shares for which it has received no directions or ordinary shares which are unallocated. Generally, on a poll the trustee shall vote in accordance with directions given by participants. In the absence of directions or on a show of hands the trustee shall not vote.

The trustee of the easyJet Employee Share Trust (the Trust), which is used in connection with the easyJet Long-Term Incentive Plan, has the power to vote or not vote at its discretion in respect of any shares in the Company held in the Trust.

Substantial interests
In accordance with the Disclosure and Transparency Rules DTR 5, the Company as at 13 November 2009, has been notified of the following disclosable interests of 3% or more in its issued ordinary shares:

	%
easyGroup Holdings Limited (holding vehicle for Sir Stelios Haji-Ioannou)	26.94
Polys Holdings Limited (holding vehicle for Polys Haji-Ioannou)	11.33
Standard Life Investments	7.00
Schroders plc	5.50
FMR LLC	5.10
Sanderson Asset Management	3.14

Financial calendar

Financial year end	30 September 2009
Annual General Meeting	18 February 2010
Announcement of 2010 results	
Release of interim results to 31 March 2010	11 May 2010
Results for the year to 30 September 2010	16 November 2010

Registered office
Hangar 89
London Luton Airport
Bedfordshire
LU2 9PF

Company registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be put to shareholders at the forthcoming Annual General Meeting.

Company number
3959649

REPORT ON DIRECTORS' REMUNERATION

Introduction

easyJet has produced a resilient performance in a very tough year. The airline industry has faced many challenges from a combination of economic slowdown, volatile fuel prices and currency fluctuations. The Company also faced a number of other difficult issues.

This report includes two major issues arising during the year:

1) Setting robust long-term performance targets has been difficult in this uncertain environment. As a result, following consultation with our larger shareholders and shareholder protection bodies, the Remuneration Committee made a change to the easyJet Long Term Incentive Plan's performance measures for awards during the year ended 30 September 2009. The change supported our strategy of creating sustainable returns for our shareholders over the long-term but recognised the unusual short-term challenges that required effective management at the time of the awards.

The Committee remains satisfied that, with this change, the overall packages were appropriate during the year under review in light of the prevailing economic circumstances. There were no increases to the Executive Directors' basic salaries and nor will there be for the 2010 financial year.

With regard to the Long Term Incentive Plan (LTIP), the performance measures will revert to the format that operated in the financial year ended 30 September 2008 for the 2010 financial year (as agreed with investors during consultation). Details of the performance conditions for awards made during the year under review are set out on page 53.

2) The Company has experienced issues over the retention of members of the Board and Executive Management Team. Accordingly, with effect from 15 May 2009, a number of changes were made to the contractual arrangements with the Chief Executive to facilitate retention and a period of continuity.

The Corporate Governance section gives full details of the changes that have taken place in the leadership team; these have included the need for the appointment of an Interim Chairman (leading to a change of Senior Independent Director), the appointment of a Deputy Chairman, the resignation of the Group Finance Director and the need to replace a number of key positions at the Executive Management Team level, including the Chief Commercial Officer and the Procurement Director. The Company and the Board have also been involved in a number of high profile issues including: the accounts for the year ended 30 September 2008, strategy, growth targets and the composition of the Board.

While these issues are now either resolved or subject to ongoing discussions, it was considered at that time that it was appropriate and in the best interests of easyJet and the shareholders to take action to ensure a period of management continuity. This decision took account of the need to maintain a management environment which was appropriate for the nature of the Company's operating activities.

With effect from 15 May 2009, amendments were made to the Chief Executive's terms to secure the retention of his services with easyJet. Details of these arrangements are set out on page 49. They include a potential lump sum payment equivalent to 12 months salary and on target bonus at 100% of salary, which would not be subject to mitigation, in the event of termination (other than for bad leaver reasons) or resignation after 31 March 2010.

easyJet has sought to maintain dialogue with shareholders and shareholder protection bodies over its policies on remuneration. The Committee would welcome feedback and questions from shareholders on the contents of this report and the Company's policies.

Directors' remuneration

This report sets out the Company's policy on Directors' remuneration and the details of remuneration paid to Directors in the year ended 30 September 2009. The report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports Regulations) 2008. Those sections of the report that have been subject to audit are identified below.

Membership and responsibilities of the Remuneration Committee

The responsibilities of the Remuneration Committee are disclosed in the Corporate Governance section on pages 40 to 43. The members of the Committee are: Keith Hamill (member and Chairman from 1 July 2009), Sir David Michels (Chairman until 30 June 2009), David Bennett, Sven Boinet and Professor Rigas Doganis.

The Committee continues to use Hewitt New Bridge Street ('HNBS') as remuneration advisers. Apart from advice regarding the design, establishment and operation of remuneration arrangements, HNBS provides no other services to the Company.

Activities of the Committee

The Committee has responsibility for determining, within agreed terms of reference, the specific remuneration packages for each of the Executive Directors and the Chairman, and making recommendations to the Board on the remuneration of the Company's senior executives.

During the year ended 30 September 2009, the Committee considered the following items of business:

- Executive Director and senior executive salary levels
- Review of the Chairman's fees
- Annual bonus awards for the financial year ended 30 September 2008
- The structure of the annual bonus scheme for the financial year ended 30 September 2009
- All employee Save As You Earn scheme grants
- The performance targets and award levels for grants during the financial year ended 30 September 2009 under the easyJet LTIP
- Testing of performance conditions and vesting of:
  - LTIP awards granted in December 2005
  - Share Options granted in December 2005
  - Chief Executive's Matching Award granted in February 2006
- Remuneration arrangements for the Chief Executive and, in particular, determining appropriate arrangements to facilitate a period of continuity.

Policy

easyJet's remuneration policy is to reward the Company's Executive Directors and senior executives competitively against the comparative market place, in order to recruit and retain Executive Directors and ensure that they are properly motivated to perform in the best interests of the Company and its shareholders. The Committee also oversees any significant changes to easyJet's employee remuneration structure and sets Directors' remuneration in this context. The Company aims to provide competitive 'total pay' for 'on target' performance, with superior rewards for exceptional performance.

The remuneration packages of the Executive Directors and senior executives comprise a combination of basic salary, annual bonus, participation in share-based long-term incentive plans, and a very low level of benefits provision. easyJet has a 'no frills' approach to pension and benefit provision and does not include, for example, company cars or final salary pensions as part of the package. Therefore, performance related elements form a significant proportion of the packages of the Executive Directors and senior executives. Reflecting best practice, the Committee regularly reviews the structure of its incentive arrangements and, in particular, the balance between short and long-term incentives in light of the circumstances prevailing each year.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

In response to the difficult trading conditions experienced in the airline industry during the financial year ended 30 September 2008, the Company completed an extensive shareholder consultation prior to the 2009 Annual General Meeting to amend LTIP performance targets applying to future awards. This enabled the LTIP to take into account the unique short-term challenges that required effective management at the same time as retaining a long-term focus on return on equity ("ROE") which remains a key long-term performance indicator at easyJet.

For the current financial year, the LTIP has again been amended with ROE once more becoming the sole measure of long-term performance as has been the case prior to the financial year under review. Full details of the targets set for the year under review and those that will apply for awards made to the senior executive team in the current financial year are set out below.

In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure, the Committee will ensure that the incentive structure for Executive Directors and senior executives will not raise environmental, social or governance ("ESG") risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account corporate governance on ESG matters and the Committee takes due account of issues of general operational risk when structuring incentives.

The Committee takes account of risk by regular liaison with the Audit Committee to ensure that the remuneration policies adopted do not encourage inappropriate risk-taking.

When setting remuneration policy for the Executive Directors and senior executives for the current financial year, the Committee considered pay and employment conditions elsewhere within easyJet. The Committee was informed of the proposed salary budget for easyJet as a whole and the changes to pay practices and staffing levels that took place during the year. These factors were significant contributory factors when determining Executive Directors' pay packages for the current year. The Committee did not consider it appropriate, for example, to award any salary increases for Executive Directors when very limited salary increases were given to other staff.

easyJet's normal remuneration policies are summarised below:

Element	Purpose	Policy	Delivery
Basic salary	• Reflect the value of the individual and their role • Reflect skills and experience	• Reviewed annually, effective 1 October • Agreed when previous results are finalised • Benchmarked against similar sized companies and industry comparators • Targeted at or around median • Considers individual contribution	• Cash • Paid monthly • Pensionable
Annual bonus	• Incentivise year on year delivery of short-term performance goals	• Major measure is profit before tax aligned to long-term targets • Other measures based on: – Revenue – Cost – Operational excellence	• Paid as cash • Not pensionable • May defer up to half of bonus into LTIP
Long Term Incentive Plan	• Aligned to business plan • Incentivise long-term growth in easyJet's ROE	• Subject to stretching ROE targets • Subject to 175% of salary shareholding requirement	• Annual grant of performance shares • Opportunity to defer bonus and obtain future matching share awards
Pension	• Provide minimum retirement benefits • Opportunity for Executive to contribute to their retirement	• Defined contribution • HMRC approved salary sacrifice arrangement	• Monthly employer contribution of 7% of basic salary • Non contributory • Salary sacrifice for employee contributions

The Board as a whole determines the remuneration of the Company's Non Executive Directors, with Non Executive Directors exempting themselves from discussions and voting as appropriate. When determining the remuneration of Non Executive Directors, account is taken of practice adopted in other similar organisations, committees chaired and anticipated time commitment.

Basic salary

The basic salaries of the Executive Directors are reviewed annually and are set taking account of the salary required to deliver an overall total package that reflects a number of factors including:

- practice adopted in companies of a broadly similar size
- a formal appraisal of their contribution to the business
- the competitive environment
- pay and employment conditions of employees elsewhere within easyJet

Annual bonus scheme

All Executive Directors participate in an annual bonus scheme. The maximum annual bonus opportunity of the Chief Executive during the year was 200% of salary, with a 100% of salary maximum for other senior executives. The maximum will remain at these levels during the financial year ending 30 September 2010.

Bonus targets are aligned with easyJet's vision and values, with specific targets around easyJet's key performance indicators. The performance targets that will apply to Executive Directors' annual bonus opportunities in the financial year ending 30 September 2010 are as follows:

Measure	% maximum bonus opportunity
Profit before tax	75%
Customer targets	10%
Operating costs	10%
On time performance	5%

Descriptions of the Executive Directors' performance against the targets set for the year under review are set out in the emoluments table on pages 50 to 51.

Long term incentive plan

The easyJet LTIP provides for annual awards of performance shares and matching shares. The plan was approved by shareholders at the AGM in 2005 and amended at the 2008 AGM with the performance targets further amended during the year under review.

The annual award limit for performance shares is 200% of basic salary.

Matching share awards are linked to the investment of up to 50% of annual bonus into easyJet shares, which are then matched on a 1:1 gross basis. This is the same as in the financial year ended 30 September 2008. No matching awards were granted in the financial year ended 30 September 2009.

Performance and matching share awards vest three years after grant, subject to continued employment and the Company achieving the ROE targets. This measure was chosen as it is a fundamental measure of financial performance and is linked to the generation of shareholder returns. The Board controls the rate of capital growth and balance sheet gearing, which ensures that ROE remains an appropriate measure of long-term performance.

The targets that applied during the year under review were amended to include short-term targets which reflected current circumstances. This was considered appropriate due to the difficulties that existed in relation to setting robust long-term targets at a time of exceptional fuel price volatility and uncertain economic circumstances. easyJet's major shareholders and the shareholder protection bodies were consulted on the revisions which are set out under the Executive Directors' Share Awards table on page 52.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

LTIP awards to be granted in 2010
Since the Committee now considers it possible to set robust long-term ROE performance targets there will not be a short-term performance element to the targets that will apply during the current financial year. Instead, the conditions will mirror the structure approved by shareholders at the 2008 AGM. Reverting to the same structure of target as operated immediately following the 2008 AGM is consistent with the future award policy communicated to our major shareholders during the 2009 consultation with the actual target ranges reflecting current economic conditions. The targets for awards to be made in financial year 2010 (with a base year of 30 September 2009) will be:

Awards up to 100% of salary

	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
Return on equity (year ending 30 September 2012)	9.0%	12.0%	15.0%

Awards over 100% of salary

	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
Return on equity (year ending 30 September 2012)	11.0%	13.0%	15.0%

ROE continues to be the Committee's preferred long-term performance measure for a number of reasons, including:

- It is a fundamental measure of easyJet's underlying performance and is directly linked to the generation of returns to shareholders
- It is directly connected to the self-sustaining growth rate of the business and incentivises management to achieve the appropriate balance between growth and returns, to deliver the best shareholder value

The performance targets detailed above that apply to the part of an award over 100% of salary are set to be tougher due to the higher potential quantum available.

All employee share plan participation
easyJet encourages share ownership throughout the Company by the use of a Share Incentive Plan and a Sharesave Plan. Take-up of the schemes remains very positive with over 80% of eligible staff now participating in one or more of the plans. Executive Directors may also participate in these plans which are summarised in the Corporate Responsibility section on page 31.

Previous share awards
Executive Share Option Scheme
The LTIP replaced the existing Approved and Unapproved Executive Share Option Schemes (the 'ESOS') as the primary long term incentive arrangement for the Executive Directors and other senior employees although the ESOS was retained for flexibility (e.g. options were granted to the Chief Executive under the ESOS on his appointment in 2005). However, there were no grants during the year and there is no current intention to make regular grants of options under the ESOS.

Shareholding guideline
Executive Directors are required to build up a shareholding equivalent to 175% of basic salary. This was increased from 100% of salary following the 2008 AGM.

For senior executives who report to the Executive Management Team and receive LTIP awards, a 50% share ownership guideline will apply.

Pension contributions
easyJet makes a contribution for Executive Directors, to a defined contribution pension scheme, of 7% of basic salary. While individuals are not obliged to make a contribution, easyJet operates a pension salary sacrifice arrangement where individuals can exchange their salary for Company paid pension contributions. Where individuals exchange salary this reduces easyJet's National Insurance contributions. easyJet credits half of this saving to the individual's pension (currently 6.4% of the amount exchanged).

External appointments
Executive Directors are permitted to accept one appointment on an external board or committee so long as this is not deemed to interfere with the business of the Group. Any fees received in respect of these appointments are retained directly by the relevant Executive Director.

Service contracts

The service contracts of the Executive Directors that served during the year were of no fixed term.

Andrew Harrison's service contract is terminable by the Company giving 12 months notice or by Andrew giving six months notice.

Provisions applying to termination prior to 31 March 2010

On termination of Andrew's employment he will receive a pro-rated bonus for the year of his termination based on performance up to the date of his termination. In addition, the Company has the right to pay Andrew, in lieu of notice and on a monthly basis until he secures commensurate employment, an amount equal to base salary, pension and bonus earned in the previous year.

Provisions applying to termination or resignation after 31 March 2010

In order to facilitate retention and a period of continuity, Andrew Harrison's contractual provisions on termination and resignation were revised on 15 May 2009.

The revised terms provide that in relation to a termination by the Company (other than for certain defined bad leaver reasons) or on resignation, Andrew Harrison has an entitlement to receive a payment in lieu of notice in respect of the full 12 month notice period with no obligation to mitigate the payment, which would also be provided as a single lump sum. The payment in lieu of notice would include the value of 12 months' basic salary, 12 months' pension contributions and the on target level of annual bonus of 100% of salary. Based on the current level of salary this would amount to £1,220,000. He would also receive a pro-rated bonus for the year of his termination based on performance up to the date of his termination. In addition, it was agreed that Andrew Harrison would be considered a good leaver for the LTIP award made in December 2007, subject to the usual pro-rating for performance and service. This is explained on page 54.

Jeff Carr's contract was changed during the year under review, in line with a new policy for Executive Directors, to be terminable on 12 months notice by both parties (formerly six months). Jeff resigned during the year and his resignation was effective on 25 September 2009. There were no express provisions for compensation on termination in Jeff's service contract. No payment was made, or will be made, in relation to his departure.

The Company's relationship with its Non Executive Directors is governed by letters of appointment. The Non Executive Directors are appointed for a period not exceeding three years and their appointment may be terminated with three months notice without compensation.

Sir Stelios Haji-Ioannou does not have a letter of appointment and his appointment is of no fixed term. He is however subject to re-election by shareholders every three years, and was last re-elected by shareholders in February 2009, although this does not prejudice his rights under the relationship agreement with the Company disclosed at the time of the Company's IPO, which are set out in the Corporate Governance section of this Annual report on page 40.

Details of the service contracts and letters of appointment currently in place for Directors who served during the year are as follows:

	Date of current letter of appointment	Unexpired term	Notice period	Provision for compensation
Executive				
Andrew Harrison	15 September 2005 (amended 15 May 2009)	n/a	12 months (6 months from executive)	12 months
Jeff Carr (resigned 25 September 2009)	24 November 2004	n/a	12 months (from 3 December 2008)	6 months
Non Executive				
Sir Colin Chandler (resigned 1 July 2009)	26 September 2007	n/a	3 months	None
Sir David Michels	26 September 2007	12 months	3 months	None
Sir Michael Rake (appointed 1 June 2009)	17 April 2009	2 years 9 months	3 months	None
Dawn Airey (resigned 31 December 2008)	26 September 2007	n/a	3 months	None
David Bennett	26 September 2007	12 months	3 months	None
Sven Boinet	11 February 2008	1 year 5 months	3 months	None
John Browett	27 September 2007	12 months	3 months	None
Professor Rigas Doganis	26 September 2007	12 months	3 months	None
Sir Stelios Haji-Ioannou	n/a	n/a	n/a	n/a
Keith Hamill (appointed 1 March 2009)	23 December 2008	2 years 5 months	3 months	None
Bob Rothenberg (appointed 1 August 2009)	29 July 2009	2 years 10 months	3 months	None

Non Executive Directors' letters of appointment are aligned to the standard terms appended to the Combined Code.

Copies of the service contracts and letters of appointment are available on request from the Company Secretary.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

Total shareholder return

Given the nature of easyJet's operations, the Committee does not consider that there is a suitable comparator group against which to measure total shareholder return. However, for completeness, the following graphs show the Company's performance compared with the performance of the FTSE 250 and that of a group of European Airlines[1]. The FTSE 250 has been chosen as it consists of companies of similar size to easyJet. The group of European Airlines comprises companies operating in a comparable sector.

Chart removed

Directors' emoluments (audited)

Details of emoluments, paid or payable by easyJet to the Directors of easyJet plc who served in the financial year ended 30 September 2009 are as follows:

	Salary/fee 2009	Bonus 2009	Total 2009	Total 2008	Pension contributions 2009	Pension contributions 2008
Executive						
Andrew Harrison	590	1,043	1,633	856	53	41
Jeff Carr (resigned 25 September 2009)	356	–	356	441	27	25
Non Executive						
Sir Colin Chandler (resigned 1 July 2009)	150	–	150	201	–	–
Sir David Michels	114	–	114	65	–	–
Sir Michael Rake (appointed 1 June 2009)	23	–	23	–	–	–
Dawn Airey (resigned 31 December 2008)	11	–	11	45	–	–
David Bennett	55	–	55	55	–	–
Sven Boinet	45	–	45	26	–	–
John Browett	45	–	45	45	–	–
Professor Rigas Doganis	45	–	45	45	–	–
Sir Stelios Haji-Ioannou	–	–	–	–	–	–
Keith Hamill (appointed 1 March 2009)	29	–	29	–	–	–
Diederik Karsten (resigned 21 February 2008)	–	–	–	18	–	–
Bob Rothenberg (appointed 1 August 2009)	8	–	8	–	–	–
	1,471	1,043	2,514	1,797	80	66

The table above excludes gains as a result of the exercise of share options. Details of share options and share awards and any movements during the year are shown on page 52.

Pension contributions for Andrew Harrison and Jeff Carr shown above are greater than 7% of salary as they include half of the National Insurance saving resulting from employee contributions made through easyJet's salary exchange scheme (equivalent to 6.4% of the sum sacrificed). Andrew Harrison exchanged £195,000 for additional pension contributions in the year (2008: £187,000) and Jeff Carr exchanged a total of £27,000 (2008: £27,000).

There was a pay freeze in place during the year under review for Executive Directors and the wider senior management population. Andrew Harrison's salary remained at £590,000 and Jeff Carr's salary remained at £360,000. It is not proposed that basic salary will be increased for Executive Directors in the 2010 financial year.

Achievement of Bonus for 2009

Andrew Harrison will be paid a bonus of £1,042,530 (177% of salary) in the year ending 30 September 2010 to reflect performance in the year ended 30 September 2009 (2008: 45% of salary).

Jeff Carr resigned on 25 September 2009 and will not be paid a bonus for the year ended 30 September 2009.

This bonus was earned against challenging targets that were set at the start of the financial year under review. These targets reflected the key short-term objectives of the business arising out of the exceptional fuel price volatility and economic uncertainty that was prevalent at the start of the financial year.

Performance over the year was stronger than the 'target' expectations set at the beginning of the year and resulted in the bonus earned being towards the top end of the bonus range. In a difficult consumer environment, a strong revenue performance helped to offset an increase in unit fuel costs equivalent to £86.1 million and the Committee is satisfied that easyJet's performance is robust in relation to other airlines.

Bonuses were determined by the Remuneration Committee in light of the Company's performance against a range of key financial and operational metrics. Performance achievement against these key performance indicators is shown below:

Chart removed

Directors' interests

The following Directors hold direct interests in the share capital of easyJet:

	30 September 2009	30 September 2008
Sir David Michels	12,100	12,100
Sir Michael Rake	3,100	–
David Bennett	10,000	10,000
John Browett	4,705	4,705
Professor Rigas Doganis	13,600	13,600
Sir Stelios Haji-Ioannou	66,076,451	66,076,451
Andrew Harrison	442,711	682,616

The interests of Sir Stelios Haji-Ioannou are held through easyGroup Holdings Limited.

On 12 October 2009, Andrew Harrison purchased 31 partnership shares and was allocated 31 matching shares under the Share Incentive Plan.
On 10 November 2009, Andrew Harrison purchased 34 partnership shares and was allocated 34 matching shares under the Share Incentive Plan.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

Executive Directors are deemed to be interested in the shares held by the easyJet UK Employee Share Ownership Trust, the easyJet Overseas Employee Share Ownership Trust, the Long Term Incentive Plan and the Share Incentive Plan Trust (the "Trusts"). At 30 September 2009, ordinary shares held in the Trusts were as follows:

	Number
Share Incentive Plan Trust (unallocated as employees are not entitled to these shares until the performance conditions attached to them are met)	1,883,799
Total unallocated	1,883,799
Long Term Incentive Plan (allocated)	292,012
Share Incentive Plan (allocated)	150,872
Total held by UK Trust (allocated)	9,229
Total held by Overseas Trust (allocated)	44,872
Total allocated	496,985
	2,380,784

Directors' share awards (audited)

Details of share options and share awards under the schemes described above granted to the Directors of the Company and any movements during the year are shown in the following table:

Andrew Harrison

Scheme	No. of shares/ options at 30 September 2008[1]	Shares/options granted in year	Shares/options lapsed in year	Shares/options exercised in year	No. of shares/ options at 30 September 2009[1]	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable	Expiry date
A	736,153	–	338,630	–	397,523	1 Dec 2005	3.30	–	1 Dec 2008	1 Dec 2015
B	9,095	–	4,183	–	4,912	1 Dec 2005	3.30	–	1 Dec 2008	1 Dec 2015
C	90,756	–	–	–	90,756	1 Dec 2006	–	–	1 Dec 2009	1 Jun 2010
C	104,796	–	–	–	104,796	3 Dec 2007	–	–	3 Dec 2010	3 Jun 2011
C	102,135	–	–	–	102,135	29 Feb 2008	–	–	28 Feb 2011	28 Aug 2011
C	–	358,818	–	–	358,818	16 Jan 2009	–	–	16 Jan 2012	16 Jul 2012
D	75,630	–	–	–	75,630	1 Dec 2006	–	–	1 Dec 2009	1 Jun 2010
D	88,529	–	–	–	88,529	3 Dec 2007	–	–	3 Dec 2010	3 Jun 2011
E	267,109	–	111,294	155,815	–	8 Feb 2006	–	3.02	8 Feb 2009	8 Aug 2009
F	3,589	–	–	3,589	–	2 Jun 2006	2.61	3.02	1 Aug 2009	1 Feb 2010
G	612	–	–	–	612	1 Dec 2006	–	–	1 Dec 2009	n/a
G	487	–	–	–	487	1 Dec 2007	–	–	1 Dec 2010	n/a
H	838	499	–	–	1,337		See note 2 below			

Jeff Carr

Scheme	No. of shares/ options at 30 September 2008[1]	Shares/options granted in year	Shares/options lapsed in year	Shares/options exercised in year	No. of shares/ options at 25 September 2009*	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable	Expiry date
A	108,079	–	–	108,079	–	2 Jun 2005	2.32	3.31	2 Jun 2008	2 Jun 2015
B	12,928	–	–	12,928	–	2 Jun 2005	2.32	3.31	2 Jun 2008	2 Jun 2015
C	75,793	–	25,264	50,529	–	1 Dec 2005	–	2.98	1 Dec 2008	1 Jun 2009
C	50,420	–	–	–	50,420	1 Dec 2006	–	–	1 Dec 2009	1 Jun 2010
C	63,943	–	–	–	63,943	3 Dec 2007	–	–	3 Dec 2010	3 Jun 2011
C	62,320	–	–	–	62,230	29 Feb 2008	–	–	28 Feb 2011	28 Aug 2011
C	–	218,939	–	–	218,939	16 Jan 2009	–	–	16 Jan 2012	16 Jul 2012
D	8,881	–	–	–	8,881	3 Dec 2007	–	–	3 Dec 2010	3 Jun 2011
G	487	–	–	–	487	1 Dec 2007	–	–	1 Dec 2010	n/a

* Jeff Carr's outstanding share awards were forfeited on his resignation effective 25 September 2009.

No Non Executive Director has been granted any share options or awards.

The closing share price of the Company's ordinary shares at 30 September 2009 was £3.79 and the range during the year ended 30 September 2009 was £2.06 to £4.04.

Notes

A Non-Approved Discretionary Share Option Scheme
B Approved Discretionary Share Option Scheme
C Long Term Incentive Plan – Performance Shares
D Long Term Incentive Plan – Matching Shares
E Chief Executive Officer Recruitment Award
F Sharesave (SAYE) scheme
G Share Incentive Plan – Free shares
H Share Incentive Plan – Matching Shares

Note 1. The number of shares are calculated according to the scheme rules of individual plans based on the middle-market closing share price of the day prior to grant (except for the June 2005 ESOS award which was based on the previous practice of the average middle-market price of the five days prior to grant). As is usual market practice, the option price for SAYE awards is determined by the Committee in advance of the award, by reference to the share price following announcements of results.

Note 2: Participants purchase shares monthly under the plan and the company provides one matching share for each share purchased. These are first available for vesting three years after purchase.

The potential vesting of outstanding awards if the performance were based at the end of the year under review is shown at the end of this section.

The performance criteria for vesting of these share options and awards are as follows:

Discretionary Share Option Schemes (A&B)

Based on the average annual growth in earnings per share (EPS), where no shares vest if EPS growth is less than RPI plus 5%, 30% vest where EPS growth is RPI plus 5% and 100% vest where EPS growth is RPI plus 20%. Straight-line vesting will occur between these points.

In relation to the provision, the Committee agreed on 15 May 2009 to facilitate Andrew Harrison's continued service at easyJet and agreed to exercise its discretion to extend the period for which his vested share options can be exercised to six months from the termination date.

Long Term Incentive Plan (C&D)

Awards prior to those made during the year under review were subject to the achievement of the following ROE targets:

Grant date	Basis year	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
December 2005	30 September 2006	8.4%	8.8%	10.0%
	30 September 2007	11.8%	12.4%	13.0%
	30 September 2008	12.5%	13.2%	15.0%
December 2006	30 September 2009	12.5%	14.0%	16.5%
December 2007	30 September 2010	12.5%	14.0%	16.5%
February 2008	30 September 2010	13.5%	15.5%	17.5%

Straight-line vesting will occur between the threshold, target and maximum targets set out above. The returns on equity shown for the February 2008 grant relate to awards in excess of 100% of basic salary.

The December 2006 award is due to vest in December 2009. The award has performance targets relating to return on equity achieved in the year ended 30 September 2009. However, the targets have not been met and the award will not vest.

The performance conditions that applied to the awards made during the year under review retained ROE as the primary measure of long-term performance. However, to enable the LTIP to take into account the unique short-term challenges that the airline industry was subject to during the year under review, additional short-term targets were also set for part of the awards.

The actual targets set reflected the extensive discussions that were undertaken with easyJet's major shareholders and the shareholder protection bodies. Both the range of ROE targets set and the short-term targets were felt to take full account of both (i) the exceptional volatility in the price of oil and (ii) economic uncertainty triggered by the banking crisis.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

The actual targets that applied to the awards of performance shares made to Executive Directors during the year under review were as follows:

Awards up to 100% of salary

	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
Return on equity (year ending 30 September 2011)	7.0%	10.0%	13.0%

Awards between 100% and 175% of salary

Vesting will take place based on the satisfaction of both of the following two targets:

- The award is subject to scale-back to the extent that a range of performance targets relating to the year ended 30 September 2009 are not met. Achievement of these targets, at 88.35%, was equal to the percentage of bonus payable, and so the award has been scaled back by 11.65%.
- ROE for the year ending 30 September 2011 must be at least 10% in order for the remaining award to vest.

No matching shares were granted in the year under review.

To facilitate a period of continuity and the retention of Andrew Harrison's services to the Company, in May 2009 it was agreed that Andrew Harrison would be treated as a 'good leaver' in respect of the LTIP award (performance and matching shares) granted in December 2007 upon his departure from easyJet, provided his service is to continue to 31 March 2010. The maximum number of performance and matching shares covered by this change is 193,325. Any vesting would be subject to pro-rating for both performance and service. Based on performance for the year ended 30 September 2009, none of these shares would vest.

With regard to future long-term incentive plan targets, it was agreed with investors during consultation that easyJet would revert to using ROE as the sole performance metric as soon as it was felt practicable to do so (e.g. once fuel price volatility had returned to more 'normal' levels). As a result, the performance targets that are to apply to awards made in the current year will be based on challenging ROE targets alone. These targets are considered to take into full account the current economic environment.

Chief Executive Officer Recruitment Award (E)

50% of the award is based on the average annual growth in EPS. No shares vest if EPS growth is less than RPI plus 5%, 30% vest where EPS growth is RPI plus 5% and 100% vest where EPS growth is RPI plus 20%. Straight-line vesting occurs between these points.

Potential vesting of outstanding awards

The table below shows how vesting of outstanding share awards plans would take place if the performance was based on that for the year under review.

Grant date	Actual basis year	Vesting
December 2006	30 September 2009	0%
December 2007	30 September 2010	0%
February 2008	30 September 2010	0%
January 2009	30 September 2011	0%

On behalf of the Board

Keith Hamill
Remuneration Committee Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts and the report on Directors' remuneration comply with the Companies Act 2006 and, as regards the Group accounts, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 36 and 37 confirm that, to the best of their knowledge:

- the Group and Company accounts, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

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

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Annual report on pages 1 to 55 was approved by the Board of Directors and authorised for issue on 16 November 2009 and signed on behalf of the Board.

David Mc Michels   Andy Harrison

Sir David Michels
Director

Andrew Harrison
Director

ACCOUNTS INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF easyJet PLC

We have audited the accounts of easyJet plc for the year ended 30 September 2009 which comprise the Consolidated income statement, Consolidated balance sheet, Consolidated cash flow statement, Consolidated statement of recognised income and expense, Company balance sheet, Company cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company accounts, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 55, the Directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the accounts.

Opinion on accounts

In our opinion:

- the accounts give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2009 and of the Group's profit and Group's and parent company's cash flows for the year then ended;
- the Group accounts have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company accounts have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the accounts have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group accounts, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Report on Directors' remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company accounts and the part of the Report on Directors' remuneration to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 27, in relation to going concern; and
- the parts of the Corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Roger de Peyrecave (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans, Hertfordshire

16 November 2009

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 30 September 2009 £ million	Year ended 30 September 2008 £ million
Passenger revenue		2,150.5	1,995.7
Ancillary revenue		516.3	367.1
Total revenue		2,666.8	2,362.8
Ground handling		(255.9)	(212.2)
Airport charges		(481.5)	(397.2)
Fuel		(807.2)	(708.7)
Navigation		(232.3)	(195.7)
Crew		(306.6)	(263.2)
Maintenance		(161.6)	(147.5)
Advertising		(47.0)	(46.5)
Merchant fees and commissions		(33.5)	(33.7)
Aircraft and passenger insurance		(11.3)	(9.1)
Other costs		(104.8)	(87.5)
GB Airways integration costs		–	(12.9)
EBITDAR		225.1	248.6
Depreciation	8	(55.4)	(44.4)
Profit on disposal of assets held for sale	11	11.0	–
Amortisation of intangible assets	7	(4.4)	(2.5)
Aircraft lease costs		(116.2)	(110.7)
Operating profit		60.1	91.0
Interest receivable and other financing income		22.5	53.2
Interest payable and other financing charges		(27.9)	(34.0)
Net finance (charges) / income	2	(5.4)	19.2
Profit before tax	3	54.7	110.2
Tax credit / (charge)	5	16.5	(27.0)
Profit for the year	20	71.2	83.2
Earnings per share, pence			
Basic	6	16.9	19.8
Diluted	6	16.6	19.4

CONSOLIDATED BALANCE SHEET

	Notes	30 September 2009 £ million	30 September 2008 £ million (Restated) (note 23)
Non-current assets			
Goodwill	7	365.4	365.4
Other intangible assets	7	81.7	80.6
Property, plant and equipment	8	1,612.2	1,102.6
Derivative financial instruments	24	7.8	21.3
Loan notes	9	12.6	12.0
Restricted cash	13	48.0	42.9
Other non-current assets	10	62.7	61.1
Deferred tax assets	5	0.4	0.5
		2,190.8	1,686.4
Current assets			
Assets held for sale	11	73.2	194.9
Trade and other receivables	12	241.8	236.9
Derivative financial instruments	24	68.0	96.5
Restricted cash	13	24.3	23.3
Money market deposits	13	286.3	230.3
Cash and cash equivalents	13	788.6	632.2
		1,482.2	1,414.1
Current liabilities			
Trade and other payables	14	(750.7)	(653.0)
Borrowings	15	(117.6)	(56.7)
Derivative financial instruments	24	(91.1)	(76.0)
Current tax liabilities		(57.7)	(73.2)
Maintenance provisions	17	(45.1)	(55.9)
		(1,062.2)	(914.8)
Net current assets		420.0	499.3
Non-current liabilities			
Borrowings	15	(1,003.0)	(570.2)
Derivative financial instruments	24	(2.6)	(0.3)
Non-current deferred income	16	(52.6)	(68.8)
Maintenance provisions	17	(168.6)	(160.4)
Deferred tax liabilities	5	(76.7)	(107.8)
		(1,303.5)	(907.5)
Net assets		1,307.3	1,278.2
Shareholders' funds			
Share capital	18	106.0	105.7
Share premium	20	642.5	640.2
Hedging reserve	20	(23.9)	27.6
Translation reserve	20	(0.4)	0.1
Retained earnings	20	583.1	504.6
		1,307.3	1,278.2

The accounts on pages 57 to 87 were approved by the Board of Directors and authorised for issue on 16 November 2009 and signed on behalf of the Board.

David MC Michels   Andy Harrison

Sir David Michels
Director

Andrew Harrison
Director

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 30 September 2009 £ million	Year ended 30 September 2008 £ million
Cash flows from operating activities			
Cash generated from operations	21	164.5	290.4
Net interest and other financing charges (paid) / received		(20.6)	20.0
Tax paid		(9.4)	(14.2)
Net cash generated from operating activities		134.5	296.2
Cash flows from investing activities			
Acquisition of subsidiary, net of cash and cash equivalents acquired	23	–	(118.0)
Purchase of property, plant and equipment		(515.0)	(324.0)
Proceeds from sale of assets held for sale		77.8	30.0
Proceeds from sale of property, plant and equipment		12.4	0.5
Purchase of other intangible assets		(5.5)	(6.4)
Redemption of loan notes		0.3	–
Proceeds from sale of investment in associate		–	0.3
Net cash used by investing activities		(430.0)	(417.6)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		2.6	6.9
Purchase of own shares for employee share schemes		(1.6)	(4.6)
Proceeds from drawdown of bank loans		543.1	40.2
Repayment of bank loans		(69.4)	(43.0)
Repayment of capital elements of finance leases		(3.6)	(2.7)
Net increase in money market deposits		(29.0)	(8.7)
(Increase) / decrease in restricted cash		(1.9)	17.8
Net cash generated from financing activities		440.2	5.9
Effect of exchange rate changes		11.7	28.6
Net increase / (decrease) in cash and cash equivalents		156.4	(86.9)
Cash and cash equivalents at beginning of year		632.2	719.1
Cash and cash equivalents at end of year	13	788.6	632.2

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Notes	Year ended 30 September 2009 £ million	Year ended 30 September 2008 £ million
Cash flow hedges			
Fair value (losses) / gains in year	20	(214.3)	143.6
Losses / (gains) transferred to income statement	20	228.8	(87.6)
Gains transferred to property, plant and equipment	20	(85.9)	(0.3)
Related tax	20	19.9	(14.4)
Translation differences on foreign currency net investments	20	(0.5)	0.1
Net (expense) / income recognised directly in shareholders' funds		(52.0)	41.4
Profit for the year		71.2	83.2
Total recognised income and expense attributable to shareholders		19.2	124.6

NOTES TO THE ACCOUNTS

1 Accounting policies

Statement of compliance

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

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, taking into account International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of the Companies Acts 1985 and 2006 applicable to companies reporting under IFRS. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board (IASB). References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

Basis of preparation

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

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

In adopting the going concern basis for preparing the accounts, the Directors have considered the business activities as set out on pages 16 to 19 as well as easyJet's principal risks and uncertainties as set out on pages 28 to 29. Based on easyJet's cash flow forecasts and projections, the Board is satisfied that easyJet will be able to operate within the level of its facilities and available cash for the foreseeable future. For this reason easyJet continues to adopt the going concern basis in preparing its accounts.

Significant judgements, estimates and critical accounting policies

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

The following four accounting policies are considered critical accounting policies as they require a significant amount of management judgement and the results are material to easyJet's accounts.

Goodwill and landing rights (note 7)

Goodwill and landing rights are tested for impairment at least annually. easyJet has one cash-generating unit, being its route network. In making this assessment, easyJet has considered the manner in which the business is managed including the centralised nature of its operations and the ability to open or close routes and redeploy aircraft and crew across the whole route network. The value in use of the cash-generating unit is determined by discounting future cash flows to their present value. When applying this method, easyJet relies on a number of estimates including its strategic plans, fuel prices, exchange rates, long-term economic growth rates for the principal countries in which it operates and its pre-tax weighted average cost of capital.

Assets held for sale (note 11)

When an aircraft is held for sale, the carrying value of the asset is assessed by comparison with its fair value less costs to sell the asset. The underlying market for aircraft is conducted in US dollars. In the current economic environment, where the market for used aircraft is thin, there are few transactions against which a market comparison of fair value can be made. In these circumstances easyJet uses data available from third party agencies and indications of interest from prospective purchasers to estimate the fair value at the balance sheet date. The time it will take to sell the aircraft held for sale is also uncertain, and asset values in sterling could rise or fall before a sale is completed.

Aircraft maintenance provisions (note 17)

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

A charge is made in the income statement based on hours or cycles flown to provide for the cost of these obligations. Estimates required include the likely utilisation of the aircraft, the expected cost of the heavy maintenance check at the time it is expected to occur, the condition of the aircraft and the lifespan of life-limited parts. The bases of all estimates are reviewed once each year, and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation, or changes in the cost of heavy maintenance services.

Tax (note 5)

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

NOTES TO THE ACCOUNTS CONTINUED

1 Accounting policies (continued)

Basis of consolidation

The consolidated accounts incorporate those of easyJet plc and its subsidiaries for the years ended 30 September 2008 and 2009.

A subsidiary is an entity controlled by easyJet. Control exists when easyJet has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities.

Intragroup balances, transactions and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated accounts.

Foreign currencies

The primary economic environment in which a subsidiary operates determines its functional currency. The consolidated accounts of easyJet are presented in sterling, which is the Company's functional currency and the Group's presentation currency. Certain subsidiaries have operations that are primarily influenced by a currency other than sterling. Exchange differences arising on the translation of these foreign operations are taken to reserves until all or part of the interest is sold, when the relevant portion of the exchange gains or losses is recognised in the income statement. Profits and losses of foreign operations are translated into sterling at average rates of exchange during the year, since this approximates the rates on the dates of the transactions.

Transactions arising in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange ruling at the balance sheet date and (except where the asset or liability is designated as a cash flow hedge) the gains or losses on translation are included in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated into sterling at foreign exchange rates ruling at the dates the transactions were effected.

Revenue recognition

Revenues comprise the invoiced value of airline services, net of air passenger duty, VAT and discounts, plus ancillary revenue.

Passenger revenue arises from the sale of flight seats and is recognised when the service is provided. Unearned revenue represents flight seats sold but not yet flown and is included in trade and other payables until it is realised in the income statement when the service is provided.

Ancillary revenue is generally recognised when the flight to which it relates departs. Certain types of ancillary revenue are recognised at the time the benefit of the service provided passes to the customer. Ancillary revenue in the form of fixed annual fees is recognised evenly throughout the year.

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

Business combinations

Business combinations are accounted for by applying the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred or assumed plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over easyJet's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Goodwill and other intangible assets

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Pre-delivery and option payments made in respect of aircraft are recorded in property, plant and equipment at cost.

Impairment of non-current assets

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

Leases

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

easyJet enters into sale and leaseback transactions whereby it sells to a third party rights to acquire aircraft. On delivery of the aircraft, easyJet subsequently leases the aircraft back, by way of an operating lease. Surpluses arising on disposal, where the price that the aircraft is sold for is above fair value, are recognised in deferred income and amortised on a straight-line basis over the lease term of the asset.

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

Financial instruments

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

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

NOTES TO THE ACCOUNTS CONTINUED

1 Accounting policies (continued)

Non-derivative financial assets
Non-derivative financial assets are recorded at amortised cost and include loan notes, trade receivables, cash and money market deposits. Restricted cash comprises cash deposits which have restrictions governing their use and is classified as a current or non-current asset based on the estimated remaining length of the restriction. Cash and cash equivalents comprise cash held in bank accounts with no access restrictions and bank or money market deposits repayable on demand or maturing within three months of inception.

Impairment losses are recognised on financial assets carried at amortised cost where there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows, discounted at the original effective interest rate. If, subsequently, the amount of the impairment loss decreases, and the decrease can be related objectively to an event that occurred after the impairment was recognised, the appropriate portion of the loss is reversed. Both impairment losses and reversals are recognised in the income statement as components of net finance (charges) / income.

Investments in equity instruments are carried at cost where fair value cannot be reliably measured due to significant variability in the range of reasonable fair value estimates.

Interest income on cash and money market deposits is recognised using the effective interest method.

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

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest expense on loans is recognised using the effective interest method.

Derivative financial instruments
Derivative financial instruments are measured at fair value.

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

Changes in intrinsic fair value are recognised in shareholders' funds to the extent that the cash flow hedges are determined to be effective. All other changes in fair value are recognised immediately in the income statement. Where the hedged item results in a non-financial asset or liability, the accumulated gains and losses previously recognised in shareholders' funds form part of the initial carrying amount of the asset or liability. Otherwise accumulated gains and losses are recognised in the income statement in the same period in which the hedged items affect the income statement.

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

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

Tax

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

Deferred tax is provided in full on temporary differences relating to the carrying amount of assets and liabilities, where it is probable that the recovery or settlement will result in an obligation to pay more, or a right to pay less, tax in the future, with the following exceptions:

- where the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting profit.
- deferred tax arising on investments in subsidiaries is not recognised where easyJet is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which recovery of assets and settlement of liabilities are expected to take place, based on tax rates or laws enacted or substantively enacted at the balance sheet date.

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

Deferred tax liabilities represent the amount of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

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

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

A number of leases also require easyJet to pay supplemental rent to the lessor. Payments may be either a fixed monthly sum up to a cap or are based on usage. The purpose of these payments is to provide the lessor with collateral should an aircraft be returned in a condition that does not meet the requirements of the lease. Supplemental rent is either refunded when qualifying maintenance is performed, or is offset against end of lease liabilities. Where the amount of supplemental rent paid exceeds the estimated amount recoverable from the lessor, provision is made for the non-recoverable amount.

Employee benefits
easyJet contributes to defined contribution pension schemes for the benefit of employees. The assets of the schemes are held separately from those of easyJet in independently administered funds. easyJet's contributions are charged to the income statement in the year in which they are incurred.

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

Share-based payments
easyJet has a number of equity settled share incentive schemes. The fair value of share options is measured at the date of grant using the Binomial Lattice option pricing model. The fair value of awards under the Long Term Incentive Plan and awards of free shares is the share price at the date of grant. The fair value of the estimated number of options and awards that are expected to vest is expensed to the income statement on a straight-line basis over the period that employees' services are rendered, with a corresponding increase in shareholders' funds. Where performance criteria attached to the share options and awards are not met, any cumulative expense previously recognised is reversed.

Segmental disclosures
easyJet has one business segment: the provision of a low cost airline service. easyJet has one geographical segment relating to the origin of its turnover which is Europe.

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

Assets held for sale
Where assets are available for sale in their current condition, and their disposal is highly probable, they are reclassified as held for sale and are measured at the lower of their carrying value and the fair value less costs to sell. Depreciation ceases at the point of their reclassification from non-current assets.

Impact of new International Financial Reporting Standards
The following interpretations are required to be implemented for the year ended 30 September 2009:

IFRIC 12 Service Concession Arrangements
IFRIC 13 Customer Loyalty Programmes (IAS 18)
IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IAS 19)
IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The adoption of these interpretations has had no impact on these accounts.

NOTES TO THE ACCOUNTS CONTINUED

1 Accounting policies (continued)

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations that have not been applied in preparing these accounts as their effective dates fall in periods beginning after 1 October 2008. At 30 September 2009, items indicated below with an asterisk had not been adopted by the European Union.

	Applies to periods beginning on or after
International Accounting Standards Board	
New and revised standards	
IAS 27 Consolidated and Separate Financial Statements (Revised)	1 July 2009
IFRS 1 First-time Adoption of IFRS (Revised)*	1 July 2009
IFRS 3 Business Combinations (Revised)	1 July 2009
IFRS 8 Operating Segments	1 January 2009
IAS 1 Presentation of Financial Statements (Revised)	1 January 2009
IAS 23 Borrowing Costs (Revised)	1 January 2009
IAS 27 Consolidated and Separate Financial Statements (Revised)	1 July 2009
Amendments to standards	
IAS 1 Presentation of Financial Statements (Puttable Financial Instruments and Obligations Arising on Liquidation)	1 January 2009
IAS 32 Financial Instruments: Presentation (Puttable Financial Instruments and Obligations Arising on Liquidation)	1 January 2009
IAS 32 Financial Instruments: Presentation (Classification of Rights Issues)*	1 February 2010
IAS 39 Financial Instruments: Recognition and Measurement (Eligible Hedged Items)	1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement (Embedded Derivatives)*	30 June 2009
IFRS 1 First-time Adoption of IFRS (Investment in Subsidiaries)	1 July 2009
IFRS 1 First-time Adoption of IFRS (Additional Exemptions for First-time Adopters)*	1 January 2010
IFRS 2 Share-based Payment (Vesting Conditions and Cancellations)	1 January 2009
IFRS 2 Share-based Payment (Group cash-settled share-based payment transactions)*	1 January 2010
IFRS 7 Financial Instruments: Disclosures (Improving Disclosures about Financial Instruments)*	1 January 2009
Improvements to IFRS (2007)	1 January 2009
Improvements to IFRS (2009)*	1 July 2009 and 1 January 2010
International Financial Reporting Interpretations Committee	
IFRIC 9 Reassessment of Embedded Derivatives (Amended)*	30 June 2009
IFRIC 15 Agreements for the Construction of Real Estate	1 January 2009
IFRIC 17 Distribution of Non-Cash Assets to Owners*	1 July 2009
IFRIC 18 Transfers of Assets from Customers*	1 July 2009

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

Under IFRS 8 Operating Segments, the Directors have determined that easyJet continues to operate in one business segment, namely the provision of a low cost airline service.

2 Net finance charges / (income)

	2009 £ million	2008 £ million
Interest receivable and other financing income		
Interest income	(18.4)	(48.9)
Net exchange gains on financing items (note 24)	(4.1)	(4.3)
	(22.5)	(53.2)
Interest payable and other financing charges		
Interest payable on bank loans	26.2	27.9
Interest payable on finance lease obligations	3.9	4.2
Other interest payable	(2.2)	1.9
	27.9	34.0
	5.4	(19.2)

Other interest payable in 2009 includes a credit of £3.3 million reversing a previous interest accrual.

3 Profit before tax

The following have been included in arriving at profit before tax

	2009 £ million	2008 £ million
Employee costs (note 4)	342.9	291.2
Depreciation of property, plant and equipment		
Owned assets	52.0	41.1
Under finance leases	3.4	3.3
Amortisation of intangible assets	4.4	2.5
Profit on disposal of property, plant and equipment	7.5	0.1
Operating lease rentals		
Aircraft	125.1	104.9
Other assets	2.7	2.7

Auditors' remuneration

During the year easyJet obtained the following services from easyJet's auditors and their associates (including foreign partners):

	2009 £ million	2008 £ million
Group audit fee	0.3	0.3
Audit of GB Airways purchase accounting	–	0.1
Total audit fee	0.3	0.4
Fees for other services		
GB Airways acquisition and integration	–	0.7
Other	0.1	0.1
	0.4	1.2

4 Employees

The average number of persons employed by easyJet was:

	2009	2008
Flight and ground operations	6,186	5,985
Sales, marketing and administration	292	390
	6,478	6,375

Employee costs for easyJet were:

	2009 £ million	2008 £ million
Wages and salaries	279.2	238.2
Social security costs	33.8	27.2
Pension costs	22.5	21.6
Share-based payments	7.4	4.2
	342.9	291.2

NOTES TO THE ACCOUNTS CONTINUED

4 Employees (continued)

Key management compensation was:

	2009 £ million	2008 £ million
Short-term employee benefits	4.5	3.5
Pension costs	0.2	0.4
Payments for loss of office	–	0.1
Share-based payments	0.7	0.5
	5.4	4.5

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

Emoluments paid or payable to the Directors of easyJet plc were:

	2009 £ million	2008 £ million
Remuneration	2.5	1.8
Gains made on the exercise of share options	0.1	–
Pension costs (two Directors)	0.1	0.1
	2.7	1.9

Details of directors' remuneration are disclosed in the Report on Directors' Remuneration.

5 Tax (credit) / charge

Tax on profit on ordinary activities

	2009 £ million	2008 £ million
Current tax		
United Kingdom corporation tax	6.9	14.8
Foreign tax	12.1	6.0
Prior year adjustments	(27.4)	(23.1)
	(8.4)	(2.3)
Deferred tax		
Temporary differences relating to property, plant and equipment	(13.1)	(2.4)
Other temporary differences	9.3	11.3
Prior year adjustments	(4.3)	20.4
	(8.1)	29.3
	(16.5)	27.0
Effective tax rate	(30.2)%	24.5%

During the year, agreement was reached with Her Majesty's Revenue & Customs on certain tax issues. This has resulted in the release to the income statement of £30.7 million relating to current tax liabilities provided for in prior years. In addition, easyJet has reassessed certain other open tax matters. The net impact of these has been classified as prior year current and deferred tax adjustments. The prior year adjustments in 2008 include a reclassification of £16.9 million from current tax to deferred tax.

Tax on items recognised directly in shareholders' funds

	2009 £ million	2008 £ million
Deferred tax credit / (charge) on share-based payments	1.1	(7.3)
Deferred tax credit / (charge) on fair value movements of cash flow hedges	19.9	(14.4)
Current tax credit on share-based payments	0.4	2.0
	21.4	(19.7)

Reconciliation of the total tax (credit) / charge

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

	2009 £ million	2008 £ million
Profit on ordinary activities before tax	54.7	110.2
Tax charge at 28%	15.3	30.9
Attributable to rates other than standard UK rate	(1.3)	(1.5)
Income not chargeable for tax purposes	(2.5)	(0.2)
Expenses not deductible for tax purposes	2.5	0.3
Share-based payments	1.2	0.2
Adjustments in respect of prior years – current tax	(27.4)	(23.1)
Adjustments in respect of prior years – deferred tax	(4.3)	20.4
	(16.5)	27.0

Deferred tax

The net deferred tax liability included in the balance sheet is as follows:

	Accelerated capital allowances £ million	Short-term timing differences £ million	Tax losses £ million	Fair value (gains)/losses £ million	Share-based payments £ million	Total £ million
At 1 October 2008 – originally reported	49.7	30.6	–	31.1	(3.8)	107.6
Adjustment re acquisition of GB Airways (note 23)	–	(0.3)	–	–	–	(0.3)
At 1 October 2008 – restated	49.7	30.3	–	31.1	(3.8)	107.3
Charged / (credited) to the income statement	(14.2)	23.3	(16.0)	–	(1.2)	(8.1)
Transfer from current tax liabilities	–	(1.9)	–	–	–	(1.9)
Credited to shareholders' funds	–	–	–	(19.9)	(1.1)	(21.0)
At 30 September 2009	35.5	51.7	(16.0)	11.2	(6.1)	76.3

	Accelerated capital allowances £ million	Short-term timing differences £ million	Tax losses £ million	Fair value (gains)/losses £ million	Share-based payments £ million	Total £ million
At 1 October 2007	51.9	(1.8)	–	(3.7)	(11.8)	34.6
Charged / (credited) to the income statement	1.5	35.6	–	(8.5)	0.7	29.3
Acquisition of GB Airways (note 23)	(3.7)	(3.2)	–	28.9	–	22.0
Charged to shareholders' funds	–	–	–	14.4	7.3	21.7
At 30 September 2008	49.7	30.6	–	31.1	(3.8)	107.6

Of the total net deferred tax liability of £76.3 million at 30 September 2009, it is estimated that assets of approximately £7.4 million will reverse during the year ending 30 September 2010. Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority. As a result the net UK deferred tax liability is £76.1 million (2008: £107.8 million). The net overseas deferred tax liability is £0.2 million (2008: asset of £0.5 million). There are no unrecognised deferred tax assets.

NOTES TO THE ACCOUNTS CONTINUED

6 Earnings per share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential shares. Share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year are considered to be dilutive potential shares. Where share options are exercisable based on performance criteria and those performance criteria have been met during the year, these options are included in the calculation of dilutive potential shares.

Earnings per share is based on:

	2009 £ million	2008 £ million
Profit for the year	71.2	83.2

	million	million
Weighted average number of ordinary shares in issue during the year used to calculate basic earnings per share	421.9	419.4
Weighted average number of dilutive share options	6.4	9.2
Weighted average number of ordinary shares used to calculate diluted earnings per share	428.3	428.6

Earnings per share

	2009 pence	2008 pence
Basic	16.9	19.8
Diluted	16.6	19.4

7 Goodwill and other intangible assets

		Other intangible assets			
	Goodwill £ million	Landing rights £ million	Contractual rights £ million	Computer software £ million	Total £ million
Cost					
At 1 October 2008 – originally reported	359.8	72.6	2.5	12.6	87.7
Adjustment re acquisition of GB Airways (note 23)	5.6	–	–	–	–
At 1 October 2008 – restated	365.4	72.6	2.5	12.6	87.7
Additions	–	1.4	–	4.1	5.5
At 30 September 2009	365.4	74.0	2.5	16.7	93.2
Amortisation					
At 1 October 2008	–	–	0.7	6.4	7.1
Charge for the year	–	–	1.0	3.4	4.4
At 30 September 2009	–	–	1.7	9.8	11.5
Net book value					
At 30 September 2009	365.4	74.0	0.8	6.9	81.7
At 1 October 2008 – restated	365.4	72.6	1.8	6.2	80.6

	Goodwill £ million	Other intangible assets Landing rights £ million	Contractual rights £ million	Computer software £ million	Total £ million
Cost					
At 1 October 2007	309.6	–	–	6.4	6.4
Acquisition of GB Airways (note 23)	55.8	72.4	2.5	–	74.9
Additions	–	0.2	–	6.2	6.4
At 30 September 2008	365.4	72.6	2.5	12.6	87.7
Amortisation					
At 1 October 2007	–	–	–	4.6	4.6
Charge for the year	–	–	0.7	1.8	2.5
At 30 September 2008	–	–	0.7	6.4	7.1
Net book value					
At 30 September 2008	365.4	72.6	1.8	6.2	80.6
At 1 October 2007	309.6	–	–	1.8	1.8

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

Pre-tax cash flow projections have been derived from the five-year strategic plan approved by the Board in June 2009, using the following key assumptions:

Pre-tax discount rate (derived from weighted average cost of capital)	10.69%
Fuel price, per metric tonne, in US dollars	775
Exchange rates	
US dollar	1.55
Euro	1.20
Swiss franc	1.70

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

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

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

8 Property, plant and equipment

	Aircraft £ million	Leasehold improvements £ million	Other £ million	Total £ million
Cost				
At 1 October 2008	1,177.8	12.5	26.6	1,216.9
Additions	511.5	–	3.5	515.0
Transfer from assets held for sale	67.9	–	–	67.9
Disposals	(10.1)	–	–	(10.1)
At 30 September 2009	1,747.1	12.5	30.1	1,789.7
Depreciation				
At 1 October 2008	93.1	6.4	14.8	114.3
Charge for the year	52.4	0.7	2.3	55.4
Transfer from assets held for sale	13.0	–	–	13.0
Disposals	(5.2)	–	–	(5.2)
At 30 September 2009	153.3	7.1	17.1	177.5
Net book value				
At 30 September 2009	1,593.8	5.4	13.0	1,612.2
At 1 October 2008	1,084.7	6.1	11.8	1,102.6

NOTES TO THE ACCOUNTS CONTINUED

8 Property, plant and equipment (continued)

	Aircraft £ million	Leasehold improvements £ million	Other £ million	Total £ million
Cost				
At 1 October 2007	987.8	12.2	22.4	1,022.4
Acquisition of GB Airways (restated – note 23)	82.5	–	–	82.5
Additions	319.5	0.3	4.2	324.0
Transfer to assets held for sale (restated – note 23)	(211.3)	–	–	(211.3)
Disposals	(0.7)	–	–	(0.7)
At 30 September 2008	1,177.8	12.5	26.6	1,216.9
Depreciation				
At 1 October 2007	68.2	5.6	12.8	86.6
Charge for the year	41.6	0.8	2.0	44.4
Transfer to assets held for sale	(16.4)	–	–	(16.4)
Disposals	(0.3)	–	–	(0.3)
At 30 September 2008	93.1	6.4	14.8	114.3
Net book value				
At 30 September 2008	1,084.7	6.1	11.8	1,102.6
At 1 October 2007	919.6	6.6	9.6	935.8

At 30 September 2009, easyJet is contractually committed to the acquisition of 74 (2008: 109) Airbus A320 family aircraft with a total list price of US$3.4 billion (2008: US$5.1 billion) before escalations and discounts, for delivery in the period to October 2013.

The net book value of aircraft at 30 September 2009 includes £148.5 million (2008: £188.1 million) relating to advance and option payments for future delivery of aircraft. This amount is not depreciated.

The net book value of aircraft held under finance leases at 30 September 2009 was £71.1 million (2008: £74.5 million). £3.4 million of the related accumulated depreciation was charged in the year ended 30 September 2009 (2008: £3.3 million).

At 30 September 2009, aircraft with a net book value of £984.5 million (2008: £610.9 million) were mortgaged to lenders as loan security.

9 Loan notes

In 2001, easyJet in consortium with six other UK airlines formed The Airline Group Limited in order to acquire a minority interest in NATS, the company that owns the UK air traffic control system. easyJet's investment is principally in the form of unsecured loan notes bearing interest at a fixed rate of 8%. Interest receivable is settled by the issue of additional loan notes. Redemption is governed by a priority agreement among the consortium members.

	2009 £ million	2008 £ million
At 1 October	12.0	11.1
Interest receivable converted to loan notes	0.9	0.9
Redemption of loan notes	(0.3)	–
At 30 September	12.6	12.0

10 Other non-current assets

	2009 £ million	2008 £ million
Recoverable supplemental rent on leased aircraft (pledged as collateral)	57.3	54.2
Deposits held by aircraft lessors	2.3	3.6
Other	3.1	3.3
	62.7	61.1

Supplementary rent is pledged to lessors to provide collateral should an aircraft be returned in a condition that does not meet the requirements of the lease and is refunded when qualifying heavy maintenance is performed, or is offset against the costs incurred at the end of the lease.

11 Assets held for sale

	£ million
At 1 October 2008 – originally reported	195.8
Adjustment re acquisition of GB Airways (note 23)	(0.9)
At 1 October 2008 – restated	194.9
Disposals	(66.8)
Transfer to property, plant and equipment	(54.9)
At 30 September 2009	73.2

During 2008, seven Airbus A321 and five Airbus A319 aircraft, measured at carrying value which is considered to be less than current market value, were reclassified from property, plant and equipment to assets held for sale. This carrying value was subsequently restated (see note 23).

During the year, three Airbus A321 aircraft have been sold, realising a net profit of £11.0 million. easyJet continues to market the remaining four A321 aircraft, and although the period over which the asset is classified as held for sale exceeds one year, the Directors consider that this classification remains appropriate.

In view of current market conditions and the challenges for potential purchases in arranging finance, the five A319 aircraft have been transferred back to property, plant and equipment, with a corresponding catch-up of related depreciation charged to the income statement.

12 Trade and other receivables

	2009 £ million	2008 £ million
Trade receivables	158.4	142.1
Less: provision for impairment of trade receivables	(2.9)	(2.6)
	155.5	139.5
Other receivables	22.8	27.1
Recoverable supplemental rent on leased aircraft (pledged as collateral)	4.5	20.6
Prepayments and accrued income	59.0	49.7
	241.8	236.9

Supplementary rent is pledged to lessors to provide collateral should an aircraft be returned in a condition that does not meet the requirements of the lease and is refunded when qualifying heavy maintenance is performed, or is offset against the costs incurred at the end of the lease.

Allowance for credit losses

Movements in the provision for impairment of trade receivables are shown below:

	2009 £ million	2008 £ million
At 1 October	2.6	1.2
Increase in provision (included in "Other costs")	0.9	2.2
Amounts written off	(0.6)	(0.8)
At 30 September	2.9	2.6

Trade receivables are monitored and allowances are created when there is evidence that amounts due, according to the terms of the receivable, may not be collected.

The following amounts of trade and other receivables are past due but not impaired:

	2009 £ million	2008 £ million
Up to three months past due	21.1	13.4
Over three months past due	0.3	1.7
	21.4	15.1

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

NOTES TO THE ACCOUNTS CONTINUED

13 Cash and money market deposits

	2009 £ million	2008 £ million
Cash and cash equivalents (original maturity less than three months)	788.6	632.2
Money market deposits (original maturity over three months)	286.3	230.3
Current restricted cash	24.3	23.3
Non-current restricted cash	48.0	42.9
	1,147.2	928.7

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

Restricted cash comprises:

	2009 £ million	2008 £ million
Customer payments for packaged holidays	23.4	23.3
Pledged as collateral to third-parties:		
Aircraft operating lease deposits	44.4	37.2
Aircraft mortgage collateral	2.7	4.0
Other	1.8	1.7
	72.3	66.2

14 Trade and other payables

	2009 £ million	2008 £ million
Trade payables	99.2	77.5
Other taxes and social security	7.8	10.2
Other creditors	63.6	41.8
Unearned revenue	324.3	286.2
Accruals and deferred income	255.8	237.3
	750.7	653.0

15 Borrowings

At 30 September 2009	Current £ million	Non-current £ million	Total £ million
Bank loans	113.8	896.9	1,010.7
Finance lease obligations	3.8	106.1	109.9
	117.6	1,003.0	1,120.6

At 30 September 2008	Current £ million	Non-current £ million	Total £ million
Bank loans	53.5	471.4	524.9
Finance lease obligations	3.2	98.8	102.0
	56.7	570.2	626.9

Bank loans, which bear interest at variable rates linked to LIBOR, were drawn down to finance the acquisition of aircraft that have been mortgaged to the lender to provide security.

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

The maturity profile of borrowings is set out in note 25.

16 Non-current deferred income

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

17 Maintenance provisions

	£ million
At 1 October 2008 – originally reported	209.4
Adjustment re acquisition of GB Airways (note 23)	6.9
At 1 October 2008 – restated	216.3
Exchange adjustments	21.6
Charged to income statement	41.2
Utilised in the year	(65.4)
At 30 September 2009	213.7

Maintenance provisions are analysed as follows:

	2009 £ million	2008 £ million
Current (restated – note 23)	45.1	55.9
Non-current	168.6	160.4
	213.7	216.3

The provision for maintenance liabilities is expected to be utilised within eight years.

18 Share capital

	Number		Value	
	2009 million	2008 million	2009 £ million	2008 £ million
Authorised				
At beginning and end of the year, ordinary shares of 25 pence each	500.0	500.0	125.0	125.0
Allotted, called up and fully paid				
At 1 October	422.7	419.1	105.7	104.8
Issued during the year under share incentive schemes	2.2	3.6	0.3	0.9
At 30 September	424.9	422.7	106.0	105.7

The weighted average share price for options exercised during the year was £3.09 (2008: £4.72).

easyJet's employee share trusts hold the following shares. The cost of these has been deducted from retained earnings:

	2009	2008
Number of shares (million)	2.0	1.9
Cost (£ million)	9.7	10.3
Market value at 30 September (£ million)	7.5	5.6

NOTES TO THE ACCOUNTS CONTINUED

19 Share incentive schemes

easyJet operates the following share incentive schemes, all of which are equity settled. The change in the number of awards outstanding and weighted average exercise prices during the year, and the number exercisable at each year end were as follows:

Awards by grant date	1 October 2008 million	Granted million	Forfeited million	Lapsed million	Exercised million	Expired million	30 September 2009 million
Pre-flotation scheme							
29 February 2000	3.6	–	–	–	(0.3)	–	3.3
26 September 2000	0.5	–	–	–	–	–	0.5
Discretionary schemes							
18 January 2001	0.1	–	–	–	–	–	0.1
19 January 2004	0.5	–	–	–	-	–	0.5
8 December 2004	4.6	–	(0.1)	–	(0.7)	–	3.8
2 June 2005	0.4	–	–	–	(0.4)	–	–
1 December 2005	0.7	–	–	(0.3)	–	–	0.4
Sharesave							
29 June 2005	0.6	–	–	–	(0.5)	(0.1)	–
2 June 2006	0.5	–	(0.1)	–	(0.2)	–	0.2
8 June 2007	0.5	–	(0.2)	–	–	–	0.3
6 June 2008	3.5	–	(0.4)	–	–	–	3.1
5 June 2009	–	1.4	–	–	–	–	1.4
Share incentive plan	1.9	0.3	–	–	–	–	2.2
Long term incentive plan							
1 December 2005	0.5	–	–	(0.2)	(0.3)	–	–
1 December 2006	0.7	–	(0.1)	–	–	–	0.6
3 December 2007	0.9	–	(0.2)	–	–	–	0.7
29 February 2008	0.4	–	(0.2)	–	–	–	0.2
16 January 2009	–	2.4	(0.3)	–	–	–	2.1
Chief Executive recruitment award	0.3	–	–	(0.1)	(0.2)	–	–
	20.2	4.1	(1.6)	(0.6)	(2.6)	(0.1)	19.4

Weighted average exercise prices	1 October 2008 £	Granted £	Forfeited £	Lapsed £	Exercised £	Expired £	30 September 2009 £
Pre-flotation scheme	1.66	–	–	–	1.62	–	1.66
Discretionary schemes	2.20	–	2.39	3.30	2.03	–	2.16
Sharesave	2.59	2.43	3.02	–	2.08	1.86	2.56

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

Number of awards exercisable	2009 million	2008 million
Pre-flotation scheme	3.8	4.1
Discretionary schemes	4.8	5.6
Sharesave	0.2	0.6
Share incentive plan	0.2	–
	9.0	10.3

Pre-flotation scheme
Options vested in tranches of 25% ending on the third anniversary of easyJet's admission to the Official List on 22 November 2000, and expire ten years after grant.

Discretionary schemes
Options awarded in 2001 in connection with easyJet's admission to the Official List had a three-year vesting period and no performance conditions.

All other awards have a three-year vesting period and performance conditions based on growth in earnings per share. During the year 54% of the options granted in December 2005 vested.

Sharesave
Sharesave is open to all employees on the UK payroll. Participants may elect to save up to £250 per month under a three-year savings contract. An option is granted by the Company to buy shares at a discount of 20% from market price at the time of the grant. At the end of the savings period, a tax-free bonus is applied to the savings and the option becomes exercisable for a period of six months. Employees who are not paid through the UK payroll may save under similar terms and conditions, albeit without tax benefits.

Share incentive plan
The share incentive plan is open to all employees on the UK payroll. Participants may invest up to £1,500 of their pre-tax salary each year to purchase partnership shares in easyJet. For each partnership share acquired easyJet purchases a matching share. Employees must remain with easyJet for three years from the date of purchase of each partnership share in order to qualify for the matching share, and for five years for the shares to be transferred to them tax free. The employee is entitled to dividends and to vote at shareholder meetings. Employees who are not paid through the UK payroll may save under similar terms and conditions, albeit without tax benefits.

In October 2006 and December 2007, easyJet also awarded free shares to all employees under the share incentive plan.

Long term incentive plan
The plan is open, by invitation, to Executive Directors and senior management, and provides for annual awards of performance shares worth up to 200% of salary each year and matching shares linked to the investment of up to 50% of annual bonus in easyJet shares. The vesting of these awards is dependent on return on equity targets being achieved.

Chief Executive recruitment award
In December 2005, on Andrew Harrison acquiring and retaining £1,000,000 worth of easyJet shares using his own funds, he was granted an equal number of shares with a three-year vesting period. Half of the award is subject to performance conditions relating to the growth in EPS over the three years to September 2008. The other half is subject to the same return on equity targets as the 2005 long term incentive plan award. During the year 50% of the award related to growth in EPS and 67% of the award related to return on equity vested.

The weighted average remaining contractual life for each class of share award is as follows:

	Years
Pre-flotation scheme	0.5
Discretionary schemes	5.1
Sharesave	2.5
Share incentive plan	3.0
Long term incentive plan	2.2

In accordance with the provisions of IFRS 2, fair values have not been calculated for grants of share options that occurred before 8 November 2002. Exercise prices for these options lie between £1.61 and £3.65.

NOTES TO THE ACCOUNTS CONTINUED

19 Share incentive schemes (continued)

The fair value of other grants under the discretionary and sharesave schemes is estimated by applying the Binomial Lattice option pricing model using the following key assumptions. The fair value of grants under all other schemes is the share price on the date of grant.

Grant date	Share price £	Exercise price £	Expected volatility %	Option life (years)	Risk-free interest rate %	Fair value £
Discretionary Schemes						
19 January 2004	3.80	3.60	40%	6.5	4.62%	1.90
8 December 2004	1.81	1.84	42%	6.5	4.45%	0.88
2 June 2005	2.25	2.32	42%	6.5	4.20%	1.08
1 December 2005	3.42	3.30	42%	6.5	4.15%	1.42
Sharesave						
29 June 2005	2.45	1.86	42%	3.5	4.09%	1.12
2 June 2006	3.66	2.61	42%	3.5	4.68%	1.79
8 June 2007	5.19	4.79	32%	3.5	5.76%	1.82
6 June 2008	2.86	2.40	41%	3.5	4.92%	1.16
5 June 2009	3.04	2.48	53%	3.5	2.52%	1.40
Share incentive plan	2.62–7.27	–	–	–	–	2.62–7.27
Long term incentive plan						
1 December 2005	3.42	–	–	–	–	3.42
1 December 2006	5.95	–	–	–	–	5.95
3 December 2007	5.63	–	–	–	–	5.63
29 February 2008	4.33	–	–	–	–	4.33
16 January 2009	2.88	–	–	–	–	2.88
Chief Executive recruitment award	3.76	–	–	–	–	3.76

The weighted average fair value of shares issued under the share incentive plan during the year was £3.00 (2008: £5.46).

Share price is the closing share price from the last working day prior to the date of grant. Exercise price for the discretionary schemes was determined using a five-day weighted average price. For the Sharesave scheme, a 20% discount has been given between share price and exercise price.

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

In all cases the assumed dividend yield is zero as easyJet does not pay dividends.

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

20 Shareholders' funds

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2008	105.7	640.2	27.6	0.1	504.6	1,278.2
Profit for the year	–	–	–	–	71.2	71.2
Cash flow hedges						
Fair value losses	–	–	(214.3)	–	–	(214.3)
Losses transferred to income statement	–	–	228.8	–	–	228.8
Gains transferred to property, plant and equipment	–	–	(85.9)	–	–	(85.9)
Related tax (note 5)	–	–	19.9	–	–	19.9
Share incentive schemes						
Proceeds from shares issued	0.3	2.3	–	–	–	2.6
Value of employee services	–	–	–	–	7.4	7.4
Related tax (note 5)	–	–	–	–	1.5	1.5
Purchase of own shares	–	–	–	–	(1.6)	(1.6)
Currency translation differences	–	–	–	(0.5)	–	(0.5)
At 30 September 2009	106.0	642.5	(23.9)	(0.4)	583.1	1,307.3

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2007	104.8	633.9	(13.7)	–	427.4	1,152.4
Profit for the year	–	–	–	–	83.2	83.2
Cash flow hedges						
Fair value gains	–	–	143.6	–	–	143.6
Gains transferred to income statement	–	–	(87.6)	–	–	(87.6)
Gains transferred to property, plant and equipment	–	–	(0.3)	–	–	(0.3)
Related tax (note 5)	–	–	(14.4)	–	–	(14.4)
Share incentive schemes						
Proceeds from shares issued	0.9	6.3	–	–	(0.3)	6.9
Value of employee services	–	–	–	–	4.2	4.2
Related tax (note 5)	–	–	–	–	(5.3)	(5.3)
Purchase of own shares	–	–	–	–	(4.6)	(4.6)
Currency translation differences	–	–	–	0.1	–	0.1
At 30 September 2008	105.7	640.2	27.6	0.1	504.6	1,278.2

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

21 Reconciliation of operating profit to cash generated from operations

	2009 £ million	2008 £ million
Operating profit	60.1	91.0
Adjustments for non-cash items:		
Depreciation	55.4	44.4
Profit on disposal of property, plant and equipment	(7.5)	(0.1)
Profit on disposal of assets held for sale	(11.0)	–
Amortisation of intangible assets	4.4	2.5
Share-based payments	7.4	4.2
Derivative financial instruments – time value	0.3	2.6
Unrealised foreign exchange differences	(6.2)	(3.4)
Changes in working capital and non-current deferred income:		
Decrease in trade and other receivables	3.2	10.1
Increase in trade and other payables	104.9	112.9
(Decrease) / increase in provisions	(27.8)	49.8
Increase in other non-current assets	(1.6)	(0.3)
Increase in derivative financial instruments	(0.9)	(5.3)
Decrease in non-current deferred income	(16.2)	(18.0)
	164.5	290.4

NOTES TO THE ACCOUNTS CONTINUED

22 Reconciliation of net cash flow to movement in net funds / (debt)

	1 October 2008 £ million	Exchange differences £ million	Loan issue costs £ million	Cash flows £ million	30 September 2009 £ million
Cash and cash equivalents	632.2	11.7	–	144.7	788.6
Money market deposits	230.3	27.0	–	29.0	286.3
	862.5	38.7	–	173.7	1,074.9
Bank loans	(524.9)	(14.0)	1.9	(473.7)	(1,010.7)
Finance lease obligations	(102.0)	(11.5)	–	3.6	(109.9)
	(626.9)	(25.5)	1.9	(470.1)	(1,120.6)
Net funds / (debt) (non-GAAP measure)	235.6	13.2	1.9	(296.4)	(45.7)

23 Acquisition of GB Airways

On 31 January 2008, easyJet acquired 100% of the share capital of and voting rights in GB Airways. At 30 September 2008 the fair values of assets acquired and liabilities assumed were determined on a provisional basis. These provisional fair values and subsequent adjustments made are as follows:

	Provisional fair value £ million	Adjustments £ million	Fair value £ million
Landing rights	72.4	–	72.4
Other intangible assets	2.5	–	2.5
Property, plant and equipment	83.4	(0.9)	82.5
Other non-current assets	2.7	–	2.7
Assets held for sale	30.0	–	30.0
Current assets excluding cash and cash equivalents	55.6	–	55.6
Cash and cash equivalents	15.1	–	15.1
Current liabilities, excluding borrowings and overdrafts	(91.6)	1.9	(89.7)
Overdrafts	(3.7)	–	(3.7)
Borrowings	(59.1)	–	(59.1)
Deferred tax liabilities	(22.0)	0.3	(21.7)
Maintenance provisions	(6.1)	(6.9)	(13.0)
Net assets acquired	79.2	(5.6)	73.6
Goodwill	50.2	5.6	55.8
	129.4	–	129.4

Purchase consideration	
Initial consideration paid	103.5
Deferred consideration paid	21.6
Direct acquisition costs	4.3
	129.4
Cash and cash equivalents acquired	(15.1)
Overdrafts acquired	3.7
Net cash outflow	118.0

Adjustments made since 30 September 2008, but within twelve months of the acquisition date, principally relate to maintenance provisions in respect of leased aircraft. Fair values are now final and no further adjustments may be made.

To report these adjustments in accordance with the provisions of IFRS 3 "Business Combinations", the consolidated balance sheet at 30 September 2008 has been restated as follows:

	Previously reported £ million	Adjustments £ million	Restated £ million
Goodwill	359.8	5.6	365.4
Assets held for sale (included on acquisition as property, plant and equipment)	195.8	(0.9)	194.9
Current tax liabilities	(75.1)	1.9	(73.2)
Maintenance provisions (current portion)	(49.0)	(6.9)	(55.9)
Deferred tax liabilities	(108.1)	0.3	(107.8)

24 Financial instruments

Carrying value and fair value of financial assets and financial liabilities

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

	Amortised cost		Held at fair value				
At 30 September 2009	Loans and receivables £ million	Financial liabilities £ million	Cash flow hedge £ million	Held for trading £ million	Non-financial instruments £ million	Carrying value £ million	Fair value £ million
Financial assets							
Loan notes	12.6	–	–	–	–	12.6	12.9
Restricted cash	72.3	–	–	–	–	72.3	72.3
Other non-current assets	59.6	–	–	–	3.1	62.7	62.7
Derivative financial assets	–	–	63.1	12.7	–	75.8	75.8
Trade and other receivables	193.1	–	–	–	48.7	241.8	241.8
Cash and money market deposits	1,074.9	–	–	–	–	1,074.9	1,074.9
Financial liabilities							
Trade and other payables	–	338.6	–	–	412.1	750.7	750.7
Borrowings	–	1,120.6	–	–	–	1,120.6	1,132.3
Derivative financial liabilities	–	–	93.7	–	–	93.7	93.7

	Amortised cost		Held at fair value				
At 30 September 2008	Loans and receivables £ million	Financial liabilities £ million	Cash flow hedge £ million	Held for trading £ million	Non-financial instruments £ million	Carrying value £ million	Fair value £ million
Financial assets							
Loan notes	12.0	–	–	–	–	12.0	12.3
Restricted cash	66.2	–	–	–	–	66.2	66.2
Other non-current assets	60.0	–	–	–	1.1	61.1	61.1
Derivative financial assets	–	–	116.4	1.4	–	117.8	117.8
Trade and other receivables	187.5	–	–	–	49.4	236.9	236.9
Cash and money market deposits	862.5	–	–	–	–	862.5	862.5
Financial liabilities							
Trade and other payables	–	304.1	–	–	348.9	653.0	653.0
Borrowings	–	626.9	–	–	–	626.9	627.8
Derivative financial liabilities	–	–	76.3	–	–	76.3	76.3

Fair value calculation methodology

Derivative financial instruments comprise forward contracts and (in the comparative period only) zero cost collars, and are valued based on market rates at each year end. Where carrying value does not equal fair value, the fair value has been estimated by discounting cash flows at prevailing interest rates and by applying year end exchange rates. For all other financial instruments fair value approximates to carrying value.

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

NOTES TO THE ACCOUNTS CONTINUED

24 Financial instruments (continued)

Fair value of derivative financial instruments

At 30 September 2009	Quantity million	Assets £ million	Liabilities £ million
Designated as cash flow hedges			
Forward US dollar contracts	874.2	39.9	(6.9)
Forward euro contracts	200.0	0.1	(15.4)
Forward jet fuel contracts	1.2	23.1	(71.4)
Designated as held for trading			
Forward US dollar contracts	825.0	12.7	–
		75.8	(93.7)
Less non-current portion:			
Forward contracts		7.8	(2.6)
Current portion		68.0	(91.1)

At 30 September 2008	Quantity million	Assets £ million	Liabilities £ million
Designated as cash flow hedges			
Forward US dollar contracts	1,876.2	100.7	–
Forward euro contracts	440.0	3.4	(1.1)
Forward Swiss franc contracts	100.0	–	(0.1)
Zero cost US dollar collars	72.0	0.6	–
Forward jet fuel contracts	0.7	11.7	(75.1)
Designated as held for trading			
Forward US dollar contracts	318.0	1.4	–
		117.8	(76.3)
Less non-current portion:			
Forward contracts		21.3	(0.3)
Current portion		96.5	(76.0)

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

Derivatives designated as cash flow hedges

All derivatives to which hedge accounting is applied are designated as cash flow hedges, with only the intrinsic value being designated for option instruments. Changes in fair value are recognised directly in shareholders' funds, to the extent that they are effective, with the ineffective portion being recognised in the income statement. Where the hedged item results in a non-financial asset or liability, the accumulated gains and losses previously recognised in shareholders' funds are included in the carrying value of that asset or liability. Otherwise accumulated gains and losses are recognised in the income statement in the same period in which the hedged items affects the income statement.

easyJet uses forward contracts and zero cost collars to hedge transaction currency risk, jet fuel price risk and surplus euro and Swiss franc monetary balances. Transaction currency risk includes capital expenditure, lease payments, debt repayments and fuel payments. Where these hedges are assessed as highly effective, gains and losses are deferred in shareholders' funds and transferred to the income statement or cost of property, plant and equipment when the related cash flow occurs. The cumulative net gains / (losses) deferred in shareholders' funds and their expected maturities are as follows:

At 30 September 2009	Within 1 year £ million	1–2 years £ million	Total £ million
Hedges of transaction currency risk	13.4	1.8	15.2
Hedges of jet fuel price risk	(53.1)	4.7	(48.4)
	(39.7)	6.5	(33.2)
Related deferred tax			9.3
Net losses			(23.9)

At 30 September 2008	Within 1 year £ million	1–2 years £ million	Total £ million
Hedges of transaction currency risk	86.0	15.7	101.7
Hedges of jet fuel price risk	(67.3)	3.8	(63.5)
	18.7	19.5	38.2
Related deferred tax			(10.6)
Net gains			27.6

The amount deferred and recognised in shareholders' funds during each financial year is disclosed in note 20.

Amounts recorded in the income statement were as follows:

	2009 £ million	2008 £ million
Gains / (losses) on cash flow hedges recycled from shareholders' funds into income statement captions:		
Revenue	(30.5)	–
Fuel	(209.3)	88.4
Maintenance	1.3	(0.2)
Other costs	1.4	–
Profit on disposal of assets held for sale	(4.4)	–
Aircraft lease costs	13.2	(2.2)
Undesignated portion of losses on cash flow hedges (time value)	(0.3)	(2.6)
	(228.6)	83.4

The amount transferred to property, plant and equipment from shareholders' funds during the period is a gain of £85.9 million (2008: gain of £0.3 million).

Changes in the fair value of options attributable to time value represent the undesignated portion of the gain or loss and are charged directly to the income statement.

NOTES TO THE ACCOUNTS CONTINUED

24 Financial instruments (continued)

Derivatives designated as held for trading

easyJet has US dollar net monetary liabilities at the balance sheet date of £518.7 million (2008: £181.0 million). easyJet has no other significant currency net monetary exposure at each balance sheet date. In accordance with IAS 21, monetary assets and liabilities are revalued using exchange rates at the balance sheet date. This exposure is managed by the use of forward foreign exchange contracts.

Net US dollar monetary liabilities at the balance sheet date were as follows:

	2009 £ million	2008 £ million
Cash and money market deposits	559.7	432.5
Borrowings	(935.9)	(453.5)
Maintenance provisions	(180.8)	(101.9)
Other	38.3	(58.1)
	(518.7)	(181.0)

Amounts recorded in the income statement in respect of revaluation of the monetary assets and liabilities and the gains and losses on derivatives designated as held for trading are as follows:

	2009 £ million	2008 £ million
Operating profit		
Unrealised revaluation gains on non-derivative financial instruments	30.9	15.5
Unrealised revaluation losses on other monetary assets and liabilities	(26.0)	(13.5)
Realised foreign exchange losses on financial instruments	(16.4)	(6.7)
Unrealised gains on derivatives	1.3	1.4
Realised gains on derivatives	16.6	10.8
	6.4	7.5
Net finance (charges) / income		
Unrealised revaluation gains on other financial instruments	12.8	0.7
Unrealised gains on derivatives	10.1	0.3
Realised (losses) / gains on derivatives	(18.8)	3.3
	4.1	4.3
Net gains	10.5	11.8

25 Financial risk and capital management

easyJet is exposed to financial risks including fluctuations in exchange rates, jet fuel prices and interest rates. Financial risk management aims to limit these market risks with selected derivative hedging instruments being used for this purpose. easyJet policy is not to trade in derivatives but to use the instruments to hedge anticipated exposure. As such, easyJet is not exposed to market risk by using derivatives as any gains and losses arising are offset by the outcome of the underlying exposure being hedged. In addition to market risks, easyJet is exposed to credit and liquidity risk.

The Board is responsible for setting financial risk and capital management policies and objectives which are implemented by the treasury function on a day-to-day basis. The policy outlines the approach to risk management and also states the instruments and time periods which the treasury function is authorised to use in managing financial risks. The policy is under ongoing review to ensure best practice in light of developments in the financial markets. There have been no changes to the policy in the current year.

Capital management

The objective of capital management is to ensure that easyJet is able to continue as a going concern whilst delivering shareholder expectations of a strong capital base as well as returning benefits for other stakeholders and optimising the cost of capital.

easyJet manages its capital structure in response to changes in both economic conditions and strategic objectives. The cash and net debt position, together with the maturity profile of existing debt, is monitored to ensure the continuity of funding. During the year, funding totalling $217 million for seven A320 aircraft was put in place and utilised. On 16 November 2009 lease funding for a further six A320 aircraft totalling $222 million was agreed.

The principal measure used by easyJet to manage capital risk is the gearing ratio of debt (defined as debt plus seven times aircraft operating lease payments less cash, including money market deposits and restricted cash) to shareholders' funds. Gearing increased in the year from 28.8% to 37.6%, principally due to the acquisition of new aircraft and the strengthening of the US dollar against sterling.

Liquidity risk management

The objective of easyJet's liquidity risk management is to ensure sufficient cash resources and the availability of funding as required. easyJet holds financial assets either for which there is a liquid market or which are expected to generate cash inflows that are available to meet liquidity needs. In addition, easyJet has committed undrawn bank facilities of $528 million (2008: $1,135 million), being a $250 million revolving credit facility and a remaining $278 million from facilities of $937 million put in place in December 2007. The cash, cash equivalent, restricted cash balances and money market deposits at 30 September 2009 totalled £1,147.2 million (2008: £928.7 million). easyJet continues to hold significant cash and liquid funds to mitigate the impact of potential business disruption events with Board approved policy stating an absolute minimum level of liquidity that must be maintained at all times. Surplus funds are invested, in line with Board approved policy, in high quality short-term liquid instruments, usually money market funds or bank deposits.

The maturity profile of easyJet's financial liabilities based on the remaining contractual maturities is set out below. The analysis represents undiscounted gross anticipated future cash flows.

30 September 2009	Within 1 year £ million	1–2 years £ million	2–5 years £ million	Over 5 years £ million
Borrowings	138.5	150.5	418.9	525.1
Trade and other payables	338.6	–	–	–
Derivative contracts – receipts	(1,482.2)	(217.7)	–	–
Derivative contracts – payments	1,541.3	232.8	–	–

30 September 2008	Within 1 year £ million	1–2 years £ million	2–5 years £ million	Over 5 years £ million
Borrowings	85.5	96.9	291.2	296.0
Trade and other payables	304.1	–	–	–
Derivative contracts – receipts	(1,759.9)	(336.9)	–	–
Derivative contracts – payments	1,729.6	310.3	–	–

Credit risk management

easyJet is exposed to credit risk arising from liquid funds, derivative financial instruments and trade and other receivables. Credit risk management aims to reduce the risk of counterparty default through limiting aggregate credit exposure to any one individual counterparty, based on its credit rating. Such counterparty exposures are regularly reviewed and adjusted as necessary. Accordingly, the possibility of material loss arising in the event of non-performance by counterparties is considered to be unlikely.

Credit risk is limited to the carrying amount recognised at the balance sheet date. Disclosure relating to the credit quality of trade and other receivables is detailed in note 12. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. For deposits with financial institutions, internal limits are placed on the maximum exposure to individual counterparties and a minimum external credit rating of A is required.

Foreign currency risk management

The principal exposure to currency exchange rates arises from fluctuations in both the US dollar and euro rates which impact operating, financing and investing activities. The aim of foreign currency risk management is to reduce the impact of exchange rate volatility on the results of easyJet. Foreign exchange exposure arising from transactions in various currencies is reduced through a policy of matching, as far as possible, receipts and payments in each individual currency. Any remaining significant anticipated exposure is managed through the use of forward foreign exchange contracts and zero cost collars. No new zero cost collars were put in place during the year ended 30 September 2009, and all existing positions matured prior to 30 September 2009. In addition, easyJet has substantial US dollar balance sheet liabilities, partly offset by holding US dollar cash; any residual net liability is managed through the use of forward foreign exchange contracts.

Financing and interest rate risk management

Interest rate cashflow risk arises on floating rate borrowings and cash investments.

Interest rate risk management policy aims to provide certainty in a proportion of financing while retaining the opportunity to benefit from interest rate reductions. Interest rate policy is used to achieve the desired mix of fixed and floating rate debt. All borrowings are at floating interest rates repricing every three to six months. A significant proportion of the US dollar loans are matched with US dollar cash, with the cash being invested to coincide with the repricing of the debt. Operating leases are a mix of fixed and floating rates. Of the operating leases in place at 30 September 2009 approximately 60% of lease payments were based on fixed interest rates and 40% were based on floating interest rates (2008: 60% fixed, 40% floating).

All debt is asset related, reflecting the capital intensive nature of the airline industry and the attractiveness of aircraft as security to lenders. These factors are also reflected in the medium-term profile of easyJet's borrowings and operating leases. During the year four aircraft were cash acquired (2008: 13 aircraft). Committed financing is in place for up to 21 of the 27 aircraft due to be delivered during the year to 30 September 2010.

NOTES TO THE ACCOUNTS CONTINUED

25 Financial risk and capital management (continued)

Fuel price risk management

easyJet is exposed to fuel price risk. The objective of the fuel price risk management policy is to provide protection against sudden and significant increases in jet fuel prices thus mitigating volatility in the income statement in the short term. In order to manage the risk exposure, forward contracts are used in line with Board approved policy to hedge between 50% and 80% of estimated exposures up to 12 months in advance, and to hedge a smaller percentage of estimated usage up to 24 months in advance. In exceptional market conditions, the Board may accelerate or limit the implementation of the hedging policy.

Market risk sensitivity analysis

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

The currency sensitivity analysis is based on easyJet's foreign currency financial instruments held at each balance sheet date taking into account forward exchange contracts and zero cost collars that offset effects from changes in currency exchange rates. The increased sensitivity in the US dollar and euro rate represents sterling weakening against each variable currency with the –10% sensitivity showing a stronger sterling sensitivity. The interest rate analysis assumes a 1% change in interest rates over the reporting year applied to end of year financial instruments. The fuel price sensitivity analysis is based on easyJet's fuel-related derivative financial instruments held at the end of each reporting period. The sensitivity applied to both currency rates and the fuel price is based on a reasonably possible change in the rate applied to the value of financial instruments at the balance sheet date.

	Currency rates					
At 30 September 2009	US dollar +10% £ million	US dollar –10% £ million	Euro +10% £ million	Euro –10% £ million	Interest rates 1% increase £ million	Fuel price 10% increase £ million
Income statement impact: gain/(loss)	17.9	(13.8)	(1.1)	0.9	0.4	–
Impact on shareholders' funds: increase/(decrease)	44.9	(37.6)	(14.5)	12.0	–	31.4

	Currency rates					
At 30 September 2008	US dollar +10% £ million	US dollar –10% £ million	Euro +10% £ million	Euro –10% £ million	Interest rates 1% increase £ million	Fuel price 10% increase £ million
Income statement impact: gain/(loss)	(3.6)	2.9	2.3	(1.9)	2.4	–
Impact on shareholders' funds: increase/(decrease)	86.8	(70.5)	(27.1)	22.1	–	27.6

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

26 Leasing commitments

Commitments under operating leases

	Aircraft		Other assets	
	2009 £ million	2008 £ million	2009 £ million	2008 £ million
Total commitments under non-cancellable operating leases due:				
Not later than one year	101.0	118.2	2.3	2.5
Later than one year and not later than five years	223.0	267.7	3.7	4.4
Later than five years	37.9	72.8	3.5	4.1
	361.9	458.7	9.5	11.0

easyJet holds 68 aircraft (2008: 84 aircraft) under operating leases, with initial lease terms ranging from seven to ten years. easyJet is contractually obliged to carry out maintenance on these aircraft, and the cost of this is provided based on the number of flying hours and cycles operated. Further details are given in the critical accounting policies section of note 1.

Commitments under finance leases

	2009 £ million	2008 £ million
Minimum lease payments fall due as follows:		
Not later than one year	6.6	6.9
Later than one year and not later than five years	28.7	28.5
Later than five years	92.3	91.4
	127.6	126.8
Future finance charges on finance leases	(17.7)	(24.8)
Carrying value of finance lease liabilities	109.9	102.0

easyJet holds six aircraft under finance leases with ten year initial lease terms. Further details are given in note 15.

27 Contingent liabilities

easyJet is involved in various disputes or litigation in the normal course of business. Whilst the result of such disputes cannot be predicted with certainty, management considers that the ultimate resolution of these disputes will not have a material effect on easyJet's financial position, results or cash flows.

At 30 September 2009 easyJet had outstanding letters of credit and performance bonds totalling £29.4 million of which £28.7 million expires on or before 30 September 2010. The fair value of these instruments was approximately equal to their carrying value.

COMPANY BALANCE SHEET

	Notes	30 September 2009 £ million	30 September 2008 £ million
Non-current assets			
Investments in subsidiary undertakings	b	65.7	700.2
Current assets			
Amounts due from subsidiary undertakings		1,049.0	362.4
Current liabilities			
Amounts due to subsidiary undertakings		(1.7)	(227.7)
Current tax liabilities		(2.8)	–
Other payables		(1.7)	–
		(6.2)	–
Net current assets		1,042.8	134.7
Net assets		1,108.5	834.9
Shareholders' funds			
Share capital	c	106.0	105.7
Share premium	c	642.5	640.2
Retained earnings	c	360.0	89.0
		1,108.5	834.9

The accounts on pages 88 to 91 were approved by the Board of Directors and authorised for issue on 16 November 2009 and signed on behalf of the Board.

David Michels Andy Harrison

Sir David Michels
Director

Andrew Harrison
Director

COMPANY CASH FLOW STATEMENT

	Notes	Year ended 30 September 2009 £ million	Year ended 30 September 2008 £ million
Cash flows from operating activities			
Cash used by operations	d	(4.6)	(12.5)
Interest received		2.0	5.3
Net cash used by operating activities		(2.6)	(7.2)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		2.6	7.2
Net movement in cash and cash equivalents		–	–
Cash and cash equivalents at beginning of year		–	–
Cash and cash equivalents at end of year		–	–

NOTES TO THE COMPANY BALANCE SHEET AND CASH FLOW STATEMENT

a) Income statement and statement of recognised income and expense

In accordance with section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement. The Company's profit for the year was £263.6 million (2008: £15.2 million). Included in this amount are dividends received of £261.7 million (2008: £nil). The Company recognised no other income or expenses in either the current or prior year.

The Company has eight employees at 30 September 2009 (2008: seven). These are the Non Executive Directors of easyJet plc; their remuneration is paid by easyJet Airline Company Limited. The Executive Directors of easyJet plc are employed and paid by easyJet Airline Company Limited. Details of Directors' remuneration are disclosed in the Report on Directors' remuneration and in note 4 to the consolidated accounts.

b) Investments in subsidiary undertakings

Investments in subsidiary undertakings were as follows:

	2009 £ million	2008 £ million
At 1 October	700.2	694.6
Capital contributions to subsidiaries	7.4	5.6
Capital distributions made by subsidiaries	(641.9)	-
At 30 September	65.7	700.2

During the year a group reorganisation was effected whereby a number of subsidiaries distributed their retained earnings and the majority of their share capital to easyJet plc. These distributions, being satisfied by the transfer of amounts due from another subsidiary undertaking, are non-cash transactions and have therefore been excluded from the Company cash flow statement.

The principal subsidiary undertakings, all of which are included in the consolidated accounts, are shown below. A full list of Group companies will be included in the Company's next annual return, in accordance with Section 410 of the Companies Act 2006.

	Country of incorporation	Principal activity	Class and percentage of ordinary shares held
easyJet Airline Company Limited	England and Wales	Airline operator	100%
easyJet Switzerland S.A.	Switzerland	Airline operator	49%
easyJet Aircraft Company Limited	Cayman Islands	Aircraft trading and leasing	100%
easyJet Sterling Limited	Cayman Islands	Aircraft trading and leasing	100%
easyJet Leasing Limited	Cayman Islands	Aircraft trading and leasing	100%
easyJet Malta Limited	Malta	Aircraft trading and leasing	100%

The Company has a 49% interest in easyJet Switzerland SA with an option that expires in 2014 to acquire the remaining 51%. easyJet Switzerland SA is consolidated as a subsidiary on the basis that the Company exercises a dominant influence over the undertaking. A minority interest has not been reflected in the accounts on the basis that holders of the remaining 51% of the shares have no entitlement to any dividends from that holding and the Company has an option to acquire those shares for a predetermined consideration.

c) Reconciliation of movement in shareholders' funds

	Share capital £ million	Share premium £ million	Retained earnings £ million	Total £ million
At 1 October 2008	105.7	640.2	89.0	834.9
Profit for the year	–	–	263.6	263.6
Share incentive schemes				
Proceeds from shares issued	0.3	2.3	–	2.6
Movement in reserves for employee share scheme	–	–	7.4	7.4
At 30 September 2009	106.0	642.5	360.0	1,108.5

	Share capital £ million	Share premium £ million	Retained earnings £ million	Total £ million
At 1 October 2007	104.8	633.9	68.2	806.9
Profit for the year	–	–	15.2	15.2
Share incentive schemes				
Proceeds from shares issued	0.9	6.3	–	7.2
Movement in reserves for employee share scheme	–	–	5.6	5.6
At 30 September 2008	105.7	640.2	89.0	834.9

The disclosures required in respect of share capital are shown in note 18 to the consolidated accounts.

d) Reconciliation of operating profit to cash generated from operations

	2009 £ million	2008 £ million
Operating profit	264.4	9.9
Adjustments for non-cash items:		
Unrealised foreign exchange differences	(8.5)	(10.1)
Dividends received from subsidiary undertakings	(261.7)	-
Changes in working capital:		
Decrease in amounts due from subsidiary undertakings	217.0	538.2
Increase in amounts due to subsidiary undertakings	(215.8)	(550.5)
	(4.6)	(12.5)

e) Guarantees and contingent liabilities

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

The Company has issued a guarantee in favour of easyJet Airline Company Limited, a subsidiary undertaking, in relation to the processing of credit card transactions, and also in respect of hedging transactions carried out according to treasury policy.

The Company has guaranteed the contractual obligations of easyJet Leasing Limited, a subsidiary undertaking, in respect of its contractual obligations to Airbus SAS in respect of the supply of Airbus 320 family aircraft.

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

The Company has guaranteed certain letters of credit which have been issued by a bank on behalf of subsidiary undertakings.

f) Related party transactions

Transactions with subsidiary undertakings, which principally relate to the provision of funding within the Group, are carried out on an arm's-length basis. Outstanding balances are placed on intercompany accounts with no specified credit period, are unsecured, and bear market rates of interest.

In addition, easyJet has a key relationship with easyGroup IP Licensing, which owns the easyJet brand.

GLOSSARY

Aircraft owned/leased at end of period	Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.
Available Seat Kilometres (ASK)	Seats flown multiplied by the number of kilometres flown.
Average fare	Passenger and ancillary revenue divided by passengers.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Cost per ASK	Revenue less profit before tax, divided by available seat kilometres.
Cost per seat	Revenue less profit before tax, divided by seats flown.
Cost per seat, excluding fuel	Revenue, less profit before tax, plus fuel costs, divided by seats flown.
EBITDAR	Earnings before interest, taxes, depreciation, amortisation, aircraft lease costs, and profit or loss on disposal of aircraft.
Load factor	Number of passengers as a percentage of number of seats flown. The load factor is not weighted for the effect of varying sector lengths.
Operated aircraft utilisation	Average number of block hours per day per aircraft operated.
Other costs	Administrative and operational costs not reported elsewhere, including some employee costs, compensation paid to passengers, exchange gains and losses and the profit or loss on the disposal of property plant and equipment.
Passengers	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Profit before tax per seat	Profit before tax divided by seats flown.
Return on equity	Profit for the year divided by the average of opening and closing shareholders' funds.
Revenue	The sum of revenue from ticket sales and ancillary revenue.
Revenue passenger kilometres (RPK)	Number of passengers multiplied by the number of kilometres those passengers were flown.
Revenue per ASK	Revenue divided by available seat kilometres.
Revenue per seat	Revenue divided by seats flown.
Seats flown	Seats available for passengers.
Sector	A one-way revenue flight.