easyJet plc

ANNUAL REPORT AND ACCOUNTS

2003

Registered number 3959649

Contents

Chairman's statement

This was an eventful year for easyJet, during which a number of factors presented major challenges. War in Iraq, economic uncertainty and the SARS epidemic all adversely affected sentiment about travel, both business and personal. The Company also substantially completed the assimilation of the airline Go Fly, decided to order 120 Airbus A319 aircraft and withdrew from the option to acquire Deutsche BA from British Airways. Throughout, the airline has continued to grow, itself another challenge. Yet the resilience and determination of the easyJet team, so ably led by Ray Webster, has enabled a highly creditable set of results to be produced.

For next year, the emphasis will be on improving margins, as the assimilation of Go Fly is substantially completed and we start to benefit from the introduction of the Airbus aircraft into service. A combination of a talented management team and a supportive board, which is exceptionally well balanced in terms of experience and expertise, gives me confidence that we will continue easyJet's admirable record of profitable growth. This has been my first year as Chairman and the single most impressive aspect of the Company for me has been the spirit and commitment of easyJet's people. On behalf of the board, I offer them many thanks and much appreciation for a job very well done.

Sir Colin Chandler
Chairman
17 November 2003

Chief Executive's review

Overview

In the year ended 30 September 2003, easyJet made a profit before tax of £51.5 million, a decrease of 28 per cent on the prior year. The adjusted profit before tax was £96.3 million (2002: - £90.2 million). Details of adjusting items may be found in the footnote below.

Earnings per share for the year were 8.24 pence (14.61 pence in 2002), or after adjusting for the items in the footnote below were 18.01 pence (18.95 pence in 2002).

The year demonstrated the strength of easyJet's business model, particularly given what has been a challenging environment for the airline industry. Despite difficult market conditions, easyJet's point-to-point short haul network, connecting major European airports, has continued to attract business and leisure travellers alike. This, combined with yield managed low fares, led to high levels of demand throughout the year, as evidenced by our load factor of 84.1% (2002: 84.8%).

With the load factor and an average fare of £43.28 (£46.37 in 2002) total revenues grew 69 per cent to £932 million, of which 21 per cent was due to organic growth and 48 per cent was due to the acquisition of Go Fly. The number of passengers rose 79.1 per cent to 20.3 million, of which 27 per cent was due to organic growth and 52 per cent was due to the acquisition of Go Fly.

Over the year, Available Seat Kilometres were 21,024 million (10,769 million in 2002), whilst the average sector length was up 8.0 per cent to 869 km. Revenue per Available Seat Kilometre was down 13.5 per cent to 4.43 pence.

As planned, the second half of the year had a slower rate of additional capacity growth, (17 per cent year on year in the second half compared to 38 per cent in the first half, on a proforma basis, as measured by sectors flown).

In the second half of the year an improved geopolitical background and some signs of increased confidence in a future economic recovery led to an improvement in the operating environment. Summer trading resulted in yields increasing to levels roughly comparable to the second half of the year ended 30 September 2002. With yields decreasing 1.2 per cent year on year in the second half and load factors averaging 85.7 per cent, a second half profit before goodwill amortisation, committed contribution to Deutsche BA, write off of investments, costs of integrating the businesses of Go Fly and easyJet, accelerated depreciation of certain owned aircraft, and tax of £118 million (2002: - £82 million) was earned.

Strategy and business model

Our strategy and business model have stood the test of this difficult year. Both remain unchanged. In a year of tough trading conditions and relatively strong organic growth (averaging 25.6% in terms of capacity), yields were 6.7 % below the previous year whilst the load factor was maintained at a level comparable with the prior year.

Footnote

The adjusting items are goodwill amortisation charge of £17.6 million (2002: £3.1 million), the committed contribution to Deutsche BA of £1.3 million (2002: - £1.4 million), the write off of investments: - in 2003, Deutsche BA totalling £7.8 million (2002: - The Airline Group totalling £7.1 million), costs of integrating the businesses of Go Fly and easyJet of £7.9 million (2002: - £7.0 million) and accelerated depreciation of certain owned aircraft of £10.2 million (2002: - £nil).

Chief Executive's review *(continued)*

Our over-riding commitment is to safety and customer service, rooted in a strong and dynamic culture that can accommodate our continuing rate of growth. The business model is:

- Dense point-to-point network
  - Linking major airports with large catchment areas
  - High levels of frequency
  - Attractive to business and leisure travellers

- Strong, visible brand
  - Extremely high levels of awareness with consumers
  - Supported by innovative and effective advertising

- Dynamic fares
  - Simple fare structure; the earlier you book, the less you pay
  - Aim to be the lowest fare on the route
  - Demand led, with proprietary yield management system

- 100% direct sales
  - easyJet does not pay commissions to intermediaries
  - over 90% of sales are on-line

- Highly utilised fleet
  - A large, modern, efficient and relatively environmentally friendly fleet
  - The introduction of Airbus A319 aircraft, combined with the retirement of "old generation" Boeing 737 aircraft, will result in a two-type "new technology" fleet, which will increase commonality and lessen complexity
  - High levels of asset utilisation reduce unit costs

- Scaleable
  - The key to sustaining high levels of growth is the scaleability of the operations
  - This also reduces the marginal cost of incremental growth
  - Increasing scale brings valuable economies

Acquisition of Go Fly and the DBA option

The integration of Go Fly, acquired on 31 July 2002, is now substantially complete. We are very pleased to have achieved a successful integration well ahead of our original timetable as this means that the costs of integration and the associated disruption have been minimised and the benefits have started to accrue earlier. Overall, the integration costs incurred during the year were £7.9 million, somewhat less than the originally anticipated £14 million. The first milestone was the creation of a single "easyJet" brand, with a single computer reservation system and single yield management system. The second milestone was the migration to a single UK Air Operator's Certificate (in addition to the Swiss Air Operator's Certificate). In practice this means that the airline's UK operations have been run as a single unified entity for most of the year.

In August 2002 easyJet signed an option agreement to purchase the German airline Deutsche BA. This represented a potentially attractive opportunity to enter the German domestic market. This option was terminated in March 2003 after it became apparent that the rigidity of German labour laws would prevent us from operating our low cost model and the domestic German market had further deteriorated. The total costs relating to this option in the financial year were £9.1 million.

Chief Executive's review *(continued)*

Network

The network has continued to develop well over the year and has readily absorbed the integration of both Go Fly and the 25.6% growth in new capacity, measured by sectors operated, added to the fleet. At 30 September 2003, the easyJet network covered 105 routes, 35 cities and 38 airports.

Our first priority continues to be increasing frequency on existing routes as this brings economies in terms of the operations and increases the attractiveness of easyJet's service to consumers – particularly in the business sector. It is also the lowest risk route to growth and in the year to September 2003 this accounted for approximately two thirds of the net growth in capacity.

Our second priority is to add flights between existing destinations, known as joining the dots, which benefits from synergies with existing operations and customer relationships at each destination. Our third priority is to add new destinations to the network. These collectively accounted for the other one third of the net growth in capacity in 2003.

During the year 21 new routes were added across Europe. A number of new routes have linked UK airports to European cities and leisure destinations, with additions particularly occurring at Newcastle and London Gatwick.

In Europe we have strengthened our presence in Paris with approximately 7,500 new slots at Orly. This has enabled us to commence five new non-UK routes linking Paris Orly to Barcelona, Milan, Marseille, Toulouse and Nice. This has provided a substantial presence at this major airport and we expect to grow our presence here in the future. We have been very pleased with the initial uptake on these new routes and their exciting future potential.

Following the year end we have also added some important new routes to London Gatwick, linking it to Bilbao, Marseille and Toulouse from 26 October. During the year we also entered into a competitive tendering process in order to encourage European airports to come to us with proposals for establishing low cost operations to their cities. This resulted in over 80 tenders, from which a shortlist of less than ten was selected for further negotiations. The selection criteria are based on both the attractiveness and convenience of the airport's catchment area as well as the willingness and ability of the airport to accommodate easyJet's low cost ethos and work practices. We announced on 5 November 2003 that Berlin Schoenefeld will become a new base for easyJet, with 11 new routes commencing before September 2004.

Recently, there has been speculation that the outcome of the European Commission's impending decision on Ryanair's relationship with Charleroi airport could impact on easyJet's business.

Our business model does not rely on the smaller publicly owned airports that Ryanair has made its bases in continental Europe. By contrast, easyJet serves the major airports in the major cities and while we negotiate excellent deals at these airports, we only aim for long term sustainable deals which provide shareholder value for both the airline and the airport.

This means working hard with our airport partners to reduce costs by making our joint businesses more efficient by applying well proven easyJet business processes. This does not mean that we don't negotiate hard, we do. But we don't believe that anything apart from a win:win for both parties is sustainable in the long term. We certainly don't expect any other party (the state, the airport or the community) to pay for our operation. We achieve low cost by design.

Chief Executive's review *(continued)*

Fleet

At the end of the financial year the fleet comprised 73 Boeing 737s and one Airbus 319, up from the 64 Boeing 737s at the start of the year. The Boeing fleet consists of 26 new 737-700s and 12 new 737-300s which have been sourced to our own specifications, and 35 variant 737-300s, many of which were former Go Fly aircraft. One new Airbus 319 was delivered in the second half of September 2003 and commenced flying after the year end.

The planned delivery stream underpins our anticipated long term capacity growth rate. Some capacity was brought forward to take advantage of specific opportunities at Paris Orly.

During the next four years a further six Boeing 737-700s and 119 Airbus 319s will be delivered and non-standard Boeing 737-300s will be retired. This will give us a modern fleet of aircraft that will underpin our high levels of asset utilisation, increase our operational efficiency and reduce our unit cost base.

Planned fleet changes - additions/(retirements):

	New Airbus 319s	New Boeing 737-700s and 737-300s	Variant Boeing 737-300s
At 30 September 2002	-	30	34
Year ending 30 September 2003	1	8	1
Year ending 30 September 2004	22	6	(10)
Year ending 30 September 2005	32	-	(9)
Year ending 30 September 2006	34	-	(10)
Year ending 30 September 2007	31	-	(6)
At 30 September 2007	120	44	-

Whilst we are very confident that we will successfully grow the business at this rate, we retain considerable flexibility to moderate, or accelerate, our capacity growth should the external environment necessitate any changes.

The first five Airbus aircraft have been introduced into Geneva which will quickly become a dedicated Airbus base, enabling us to establish and test operations with the new type of aircraft before rolling out the subsequent deliveries to other bases when the main delivery stream begins. Although Airbus is assisting with some of the costs of introducing the new aircraft, easyJet will also incur some additional costs. In 2004 financial year, this additional impost is expected to be in the order of £5 million, primarily due to the need to hire extra crew during the training period.

The new Airbus 319 aircraft have 156 seats, whereas the existing Boeing aircraft have either 149 or 148 seats.

Aircraft financing

During the year, easyJet took delivery of 9 new aircraft from either Boeing or Airbus. One was financed by debt, while seven were sold to lessors and leased back under operating leases. The remaining aircraft was purchased and refinanced early in the 2004 financial year, with an operating lease. A further older Boeing aircraft was leased.

At the year end, 12 aircraft were owned and 62 were under operating lease.

Debt finance has been arranged for the four Airbus deliveries in October 2003, and sale and lease back transactions have been arranged for the remaining six Boeing deliveries. These leases will be operating leases.

Chief Executive's review *(continued)*

Operations

Your management has continued to pursue opportunities to reduce the unit costs of the airline, in order to maximise our ability to compete with the high cost airlines and to optimise our returns for shareholders. We have been forced to accept some cost increases in areas such as air navigation charges, airport charges and ground handling, where reduced volumes post 11 September 2001 have led to the service providers fixed costs being spread less thinly.

Management's actions have served to reduce unit costs and overall there has been a reduction of 7.5 per cent over the year. Notable successes have resulted from the increased scale post the Go Fly acquisition and include the areas of maintenance charges and insurance costs. A further benefit has come from the closure of the Stansted call centre, most of which will first be seen in the next financial year, which was in turn facilitated by our ongoing programme of innovation which has increased functionality of our website and enabled it to take on an increasing proportion of the call centre's business. In addition, the Airbus deal, combined with continued favourable financing terms, should ensure that we drive unit cost savings of up to 10 per cent as the new aircraft are progressively introduced.

The major operational challenge in the year ahead will be the smooth integration of the new aircraft. In addition, a number of projects are under way to maintain the downward pressure on costs and increase ancillary revenues.

Our people

At 30 September 2003 there were 3,372 employees in easyJet.

To maintain the rate of growth, particularly whilst dealing with a difficult operating environment, the undertaking of a major merger and a number of other significant challenges, and still keep the downward pressure on our unit costs, is testament to all of our staff and the corporate culture that they live and espouse.

It has not been an easy year for many of easyJet's people and I am grateful to them for their continued professionalism and dedication to our values. Our continued success is rooted in them and their ability to adapt, innovate and act, and we look forward to many more years of continued growth.

Trading outlook

In the current financial year, we are planning capacity growth in the order of 20%. Although there remains a degree of uncertainty, the economic environment is improving and is substantially better than at this time last year. Our business model, based on low cost and convenience, has shown its resilience and I am cautiously optimistic about our performance in the current year.

Ray Webster
Chief Executive
17 November 2003

Operational and financial review

The following tables set forth certain consolidated operating and profit and loss account data. The data for the year ended 30 September 2002 includes the results of Go Fly for the two months commencing 1 August 2002, following its acquisition by easyJet.

Selected consolidated operating data	Year ended 30 September	
(unaudited)	**2003**	2002
Number of aircraft owned/leased at end of year(1)	**74**	64
Average number of aircraft owned/leased during year(2)	**67.8**	35.2
Number of aircraft operated at end of year(3)	**71**	63
Average number of aircraft operated during year(4)	**66.0**	34.2
Sectors(5)	**162,758**	89,939
Block hours(6)	**274,567**	142,348
Number of routes operated at end of year	**105**	83
Number of airports served at end of year	**38**	35
Owned/leased aircraft utilisation (hours per day)(7)	**11.1**	11.1
Operated aircraft utilisation (hours per day)(8)	**11.4**	11.4
Available seat kilometres ("ASK")(millions)(9)	**21,024**	10,769
Passengers (millions)(10)	**20.3**	11.4
Load factor(11)	**84.1%**	84.8%
Revenue passenger kilometres ("RPK")(millions)(12)	**17,735**	9,218
Average internet sales percentage during the year(13)	**93.8%**	90.9%
Internet sales percentage during final month of financial year(14)	**96.3%**	89.9%
Average sector length (kilometres)	**869**	804
Average fare(15)	**£43.28**	£46.37
Revenue per ASK (pence)(16)	**4.43**	5.12
Cost per ASK (pence)(17)	**4.19**	4.46
Cost per ASK before goodwill and non-recurring items (pence)(18)	**3.97**	4.29

Footnotes can be found at the end of this section.

Proforma economic data, on the basis that would have been reported had the acquisition of Go Fly by easyJet had occurred on 1 October 2001, may be found at the end of this section.

Operational and financial review *(continued)*

Results of operations

(unaudited)	2003 £ million	2003 %	2002 £ million	2002 %	Year on year change %
Passenger revenue	**880.0**	**94.4**	526.3	95.4	67.2
Non ticket revenue[19]	**51.8**	**5.6**	25.5	4.6	103.1
Revenue[20]	**931.8**	**100.0**	551.8	100.0	68.9
Ground handling charges, including salaries	**(95.2)**	**10.2**	(48.8)	8.8	95.3
Airport charges	**(149.3)**	**16.0**	(73.5)	13.3	103.1
Fuel	**(120.6)**	**12.9**	(55.2)	10.0	118.4
Navigation charges	**(72.0)**	**7.7**	(37.8)	6.8	90.5
Crew costs, including training	**(96.8)**	**10.4**	(57.8)	10.5	67.4
Maintenance	**(89.1)**	**9.6**	(52.5)	9.5	69.7
Advertising	**(27.7)**	**3.0**	(19.4)	3.5	43.2
Merchant fees & incentive pay	**(13.7)**	**1.5**	(9.1)	1.6	50.3
Costs of integrating businesses of easyJet and Go Fly	**(7.9)**	**0.8**	(7.1)	1.3	11.9
Other costs[21]	**(78.6)**	**8.3**	(58.2)	10.7	34.7
EBITDAR[22]	**180.9**	**19.4**	132.4	24.0	36.7
Depreciation	**(19.9)**	**2.2**	(18.7)	3.4	6.5
Accelerated depreciation of older Boeing 737-300 aircraft	**(10.2)**	**1.1**	-	-	-
Goodwill amortisation	**(17.6)**	**1.9**	(3.1)	0.6	469.3
Aircraft dry lease costs	**(82.7)**	**8.8**	(41.0)	7.4	101.4
Aircraft long-term wet lease costs	**(2.1)**	**0.2**	-	-	-
Group operating profit (EBIT)	**48.4**	**5.2**	69.6	12.6	(30.4)
Net interest receivable/(payable)	**12.2**	**1.3**	10.5	1.9	15.7
Committed contribution to Deutsche BA	**(1.3)**	**0.1**	(1.4)	0.2	(2.2)
Amounts written off investments	**(7.8)**	**0.9**	(7.1)	1.3	8.6
Income before tax	**51.5**	**5.5**	71.6	13.0	(28.0)
Tax	**(19.1)**	**2.0**	(22.6)	4.1	(15.3)
Retained profit for the year	**32.4**	**3.5**	49.0	8.9	(33.9)
Earnings per share (pence)					
Basic	**8.24**		14.61		(43.6)
Diluted	**8.04**		13.89		(42.2)
Basic, before goodwill amortisation	**12.72**		15.53		(18.1)
Diluted, before goodwill amortisation	**12.40**		14.78		(16.1)
Basic, before goodwill amortisation, committed contribution to Deutsche BA, amounts written off investments, costs of integrating businesses of easyJet and Go Fly and accelerated depreciation of certain owned aircraft	**18.01**		18.95		(4.9)
Diluted, before goodwill amortisation, committed contribution to Deutsche BA, amounts written off investments, costs of integrating businesses of easyJet and Go Fly and accelerated depreciation of certain owned aircraft	**17.56**		18.02		(2.5)

Year ended 30 September

Footnotes can be found at the end of this section.

Operational and financial review *(continued)*

Financial year 2003 compared with financial year 2002

Revenue

easyJet's revenue increased 68.9 per cent from £551.8 million to £931.8 million, from financial year 2002 to financial year 2003, driven by a 79 per cent growth in passenger numbers from 11.4 million to 20.3 million, partly offset by a 6.7 per cent decline in average fares. The number of passengers carried reflected an increase in the size of the easyJet fleet in operation from an average of 34.2 aircraft to an average of 66.0 aircraft set off by a small decline in the average load factor achieved from 84.8 per cent to 84.1 per cent.

Revenue from non-ticket sources, within ongoing operations, includes in-flight sales of food and beverages, excess baggage charges, change fees, credit card booking fees and commissions received from products and services sold such as hotel and car hire bookings and travel insurance. In financial year 2003, £51.8 million was earned from non-ticket sources, up 103 per cent from the prior year.

Ground handling charges, including salaries

easyJet's ground handling charges increased by 95.3 per cent from £48.8 million to £95.2 million, from financial year 2002 to financial year 2003. The increase in third-party ground handling charges reflects the increase in the number of sectors flown, the higher rates charged at certain primary airports where much of easyJet's organic growth was centred in 2003, and the mix effect of the rates charged for ground handling at airports of the old Go Fly network. Ground handling at Geneva and Luton grew less than the level of passenger increase reflecting the continued improvements in efficiency of self-handling at these airports.

Airport charges

easyJet's external airport charges increased by 103.1 per cent from £73.5 million to £149.3 million from financial year 2002 to financial year 2003. This increase was attributable to the increase in the number of sectors flown, increases in charges at certain airports following tightening of security, the higher rates charged at certain primary airports where much of easyJet's organic growth was centred in 2003, and the mix effect of the rates charged for ground handling at airports of the old Go Fly network.

Fuel

easyJet's fuel costs increased by 118.4 per cent from £55.2 million to £120.6 million from financial year 2002 to financial year 2003. The increase was considerably higher than the 93 per cent increase in number of block hours flown. This change is due to the 8 per cent increase in average sector length and an approximately 26 per cent increase in easyJet's average unit US dollar fuel cost, compared with the previous year, resulting in additional costs to easyJet of approximately £27 million. The increases in fuel costs were partly driven by the response of the market to events leading up to the Gulf War. The strengthening of the value of sterling against the US dollar, the currency in which fuel prices are denominated, over the course of financial year 2003 provided a set off benefit of approximately £11 million.

Navigation charges

easyJet's navigation charges increased by 90.5 per cent from £37.8 million to £72.0 million from financial year 2002 to financial year 2003. This increase was principally attributable to the increased number of sectors flown in financial year 2003 as well as an increase in unit charges following the events of 11 September 2001. The increase was also due to a 8 per cent increase in the average sector length to 869 kilometres (2002: 804 kilometres).

Operational and financial review *(continued)*

Crew costs, including training

easyJet's crew costs increased by 67.4 per cent from £57.8 million to £96.8 million from financial year 2002 to financial year 2003. The increase in crew costs resulted from an increase in headcount during the financial year 2003 to service the additional sectors and aircraft operated by easyJet during the year and the recruitment and training necessary for aircraft not yet delivered.

Maintenance

Maintenance expenses increased by 69.7 per cent from £52.5 million to £89.1 million from financial year 2002 to financial year 2003. easyJet's maintenance expenses consist primarily of the cost of routine maintenance and spare parts and provisions for the estimated future cost of heavy maintenance and engine overhauls on aircraft operated by easyJet pursuant to dry operating leases. The extent of the required annual maintenance reserve charges is determined by reference to the number of flight hours and cycles permitted between each engine shop visit and heavy maintenance overhaul on aircraft airframes. The increase in maintenance costs was largely due to the addition of further leased aircraft to the fleet during the year.

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

Advertising

Advertising costs increased by 43.2 per cent per cent from £19.4 million to £27.7 million from financial year 2002 to financial year 2003. Spend per passenger was approximately 21 per cent lower than the previous year which is principally due to market maturation and the synergistic benefits of the integration of the businesses of Go Fly and easyJet. It is also due to the fact that in 2002, easyJet entered the Paris market, with a resultant increase in expenditure. In 2003, the majority of organic growth during the period came from starting new routes linking cities already served by easyJet and increasing frequencies on existing routes. This focus on developing network density resulted in lower advertising than was required to establish new markets.

Merchant fees and incentive pay

Merchant fees and incentive pay increased by 50.3 per cent from £9.1 million to £13.7 million from financial year 2002 to financial year 2003. Merchant fees and incentive pay includes the costs of processing fees paid to credit card companies on all of easyJet's credit and debit card sales and the per-seat sold/transferred commission paid as incentive pay to easyJet's telesales staff. In financial year 2003, approximately 75 per cent of bookings were made using credit cards compared with 82 per cent in financial year 2002. Incentive pay paid to telesales personnel remained flat year-on-year due to the rise in initial sales made over the internet, from 90.9 per cent of initial seats sold during financial year 2002 to 93.8 per cent of initial seats sold during financial year 2003.

Cost of integrating businesses of easyJet and Go Fly

Costs of integrating the businesses of Go Fly and easyJet were £7.9 million in financial year 2003 (2002: - £7.1 million). Included within these costs are £1.2 million (2002: - £5.1 million) in respect of costs of the Management Combination Incentive Plan (the "Combination Plan"). The Combination Plan is designed to reward key participants in the process of combining the businesses of easyJet and Go Fly with free shares if performance milestones are met within certain periods. There were three key performance milestones of single brand, single AOC and combination completion. The milestones of single brand and single Air Operator's Certificate ("AOC") were met in January 2003. The final milestone of combination completion is yet to be achieved, however transformation is now substantially complete. Other costs have been incurred in respect of staff restructuring, systems, property and consultancy costs.

Operational and financial review *(continued)*

Other costs

Other costs increased by 34.7 per cent from £58.2 million to £78.6 million from financial year 2002 to financial year 2003. Items in this cost category include administrative and operational costs (not included elsewhere) including some salary expenses. Also this cost category includes short-term aircraft wet leases, compensation paid to passengers, certain other items, such as currency exchange gains and losses and the profit or loss on the disposal of fixed assets. The major influence of this category of costs was the growth in the scope of the operation.

The increase is significantly less than the growth in capacity. This was partly as a result of lower insurance costs, as lower rates have been negotiated. Aircraft insurance costs rose from £16.7 million in financial year 2002 to £21.4 million in financial year 2003.

Depreciation

Depreciation charges increased by 6.5 per cent from £18.7 million to £19.9 million from financial year 2002 to financial year 2003. The depreciation charge reflects depreciation on owned aircraft and capitalised aircraft maintenance charges, and also includes depreciation on computer systems and other assets. easyJet has owned an average of 10 B737-300 aircraft and 0.02 A319 aircraft during the financial year 2003 (2002: 10 B737-300 aircraft). The increase in depreciation reflects the additional number of owned aircraft set off against the 8 per cent improvement in the value of sterling against the US dollar, the currency in which the majority of easyJet's assets are denominated, and the additional depreciation of other assets such as spares and leasehold improvements.

Accelerated depreciation of older 737-300 aircraft

easyJet has reviewed the carrying and residual value of its 12 owned aircraft at 30 September 2003 and has concluded that the four oldest owned Boeing 737-300 aircraft required an acceleration in depreciation. The aircraft are due to be retired in 2004, earlier than originally planned, and given the distressed nature of the second hand aircraft market, the residual values have been reassessed. As a result, management has provided £10.2 million additional depreciation during the year.

Goodwill amortisation

Goodwill amortisation charges increased from £3.1 million to £17.6 million from financial year 2002 to financial year 2003. This increase reflects the charge of the goodwill arising on the acquisition of Go Fly for a full year, compared to two months in financial year 2002.

Aircraft dry lease costs

easyJet's aircraft dry lease costs comprise the lease payments paid by easyJet in respect of those aircraft in its fleet operated pursuant to dry operating leases. Aircraft dry lease costs increased by 101 per cent from £41.0 million to £82.7 million from financial year 2002 to financial year 2003. This increase was principally due to all but two of the aircraft introduced to the fleet during the period being under operating lease. During the period 8 new Boeing 737-700 aircraft, one new Airbus A319 aircraft and one leased Boeing 737-300 aircraft were added to the fleet. Over the period, easyJet has benefited from the strengthening of the value of sterling against the US dollar, the currency in which lease costs are denominated, and low dollar interest rates. As a consequence, easyJet has seen its average leasing cost per aircraft fall by around 13 per cent, year-on-year.

Operational and financial review *(continued)*

Aircraft long-term wet lease costs

easyJet's aircraft wet lease costs comprise the lease payments paid by easyJet in respect of those aircraft in its fleet operated pursuant to "ACMI" leases (that is, leases of an aircraft plus crew, maintenance and insurance) of a duration of more than one month. The £2.1 million charge in financial year 2003 relates to the costs incurred leasing two aircraft for 2.5 months under wet leases for part of the summer 2003 season. One aircraft was in order to be able to commence new routes from Paris Orly earlier than would otherwise have been possible. The other aircraft was to cover for the long term unavailability of an aircraft which was subject to hail damage.

Net interest

Net interest reflects interest paid or payable by easyJet net of interest received or receivable by easyJet. easyJet's net interest receivable increased from £10.5 million in financial year 2002 to £12.2 million in financial year 2003.

Committed contribution to result of Deutsche BA

In August 2002, easyJet and British Airways entered into an Option agreement under which the group was granted an option to acquire 100 per cent of the share capital of British Airways' wholly owned subsidiary Deutsche BA Holding GmbH ("Deutsche BA"). The group was obliged to make monthly capital contributions to British Airways whilst the option remained unexercised. Although the decision to terminate the option was made in March 2003, a total of €3.0 million (£1.9 million) was paid. After a release of accruals made in 2002 not required, Deutsche BA related costs were £1.3 million in 2003 (2002: - £1.4 million).

Amounts written off investments

In the financial year 2003, easyJet wrote off its investment in Deutsche BA after deciding not to exercise its option to purchase. The total amount written off of £7.8 million included £3.1 million for the cost of the option, plus £4.7 million of related professional costs.

In the financial year 2002, easyJet wrote off its investment in The Airline Group Limited of £7.1 million.

Taxation

In financial year 2003, easyJet incurred a tax charge of £19.1 million, an effective tax rate of 37 per cent (2002: - £22.6 million charge, being 31.5 per cent effective tax rate). The effective tax rate is higher than the UK standard rate of tax which is principally due to purchased goodwill not being tax deductible. A more detailed explanation may be found in note 7 below.

Operational and financial review *(continued)*

Retained profit for the year

For the reasons described above, easyJet's retained profit after interest and taxes decreased by 33.9 per cent from £49.0 million in financial year 2002 to £32.4 million in financial year 2003.

Earnings per share

The basic earnings per share reduced by 44 per cent from 14.61 pence in the financial year 2002 to 8.24 pence in the financial year 2003.

The basic earnings per share, before goodwill amortisation, reduced by 18 per cent from 15.53 pence in the financial year 2002 to 12.72 pence in the financial year 2003.

The basic earnings per share, before goodwill amortisation, committed contribution to Deutsche BA, amounts written off investments, costs of integrating the businesses of easyJet and Go Fly, and accelerated depreciation of certain owned aircraft reduced by 4.9 per cent from 18.95 pence in the financial year 2002 to 18.01 pence in the financial year.

Operational and financial review *(continued)*

The proforma results of the economic business, being the results of the combined businesses of Go Fly and easyJet assuming that the acquisition of Go Fly by easyJet had occurred on 1 October 2001, are as set out below. No adjustment has been made to goodwill other than adding the results of the two businesses together:

Proforma selected consolidated operating data

(unaudited)	Year ended 30 September 2003	2002 Proforma
Number of aircraft owned/leased at end of year[1]	**74**	64
Average number of aircraft owned/leased during year[2]	**67.8**	53.4
Number of aircraft operated at end of year[3]	**71**	63
Average number of aircraft operated during year[4]	**66.0**	52.1
Sectors[5]	**162,758**	129,624
Block hours[6]	**274,567**	208,203
Owned/leased aircraft utilisation (hours per day)[7]	**11.1**	10.7
Operated aircraft utilisation (hours per day)[8]	**11.4**	10.9
Available seat kilometres ("ASK")(millions)[9]	**21,024**	15,877
Passengers (millions)[10]	**20.3**	16.0
Load factor[11]	**84.1%**	83.0%
Revenue passenger kilometres ("RPK")(millions)[12]	**17,735**	13,492
Average internet sales percentage during the year[13]	**93.8%**	88.1%
Internet sales percentage during final month of financial year[14]	**96.3%**	89.9%
Average sector length (kilometres)	**869**	824
Average fare (£)[15]	**43.28**	45.74
Revenue per ASK (pence)[16]	**4.43**	4.84

Proforma results of operations

(unaudited)	Year ended 30 September 2003 £ million	%	2002 Proforma £ million	%
Passenger revenue[19]	**880.0**	**94.4**	731.7	95.2
Non ticket revenue[19]	**51.8**	**5.6**	37.1	4.8
Revenue[20]	**931.8**	**100.0**	768.8	100.0
Ground handling charges, including salaries	**(95.2)**	**10.2**	(67.1)	8.7
Airport charges	**(149.3)**	**16.0**	(104.6)	13.6
Fuel	**(120.6)**	**12.9**	(86.2)	11.2
Navigation charges	**(72.0)**	**7.7**	(48.3)	6.3
Crew costs, including training	**(96.8)**	**10.4**	(76.9)	10.0
Maintenance	**(89.1)**	**9.6**	(79.1)	10.3
Advertising	**(27.7)**	**3.0**	(31.6)	4.1
Merchant fees & incentive pay	**(13.7)**	**1.5**	(12.2)	1.6
Costs of integrating businesses of easyJet and Go Fly	**(7.9)**	**0.8**	(7.1)	0.9
Other costs[21]	**(78.6)**	**8.3**	(77.3)	10.1
EBITDAR[22]	**180.9**	**19.4**	178.4	23.2
Depreciation	**(19.9)**	**2.2**	(20.9)	2.7
Accelerated depreciation of older Boeing 737-300 aircraft	**(10.2)**	**1.1**	-	-
Goodwill amortisation	**(17.6)**	**1.9**	(3.1)	0.4
Aircraft dry lease costs	**(82.7)**	**8.8**	(72.2)	9.4
Aircraft long-term wet lease costs	**(2.1)**	**0.2**	-	-
Group operating profit (EBIT)	**48.4**	**5.2**	82.2	10.7

Footnotes

(1) Represents the number of aircraft owned (including those held on lease arrangements of more than one month's duration) at the end of the relevant financial year.

(2) Represents the average number of aircraft owned (including those held on lease arrangements of more than one month's duration) during the relevant financial year.

(3) Represents the number of owned/leased aircraft in service at the end of the relevant financial year. Owned/leased aircraft in service exclude those in maintenance and those which have been delivered but have not yet entered service.

(4) Represents the average number of owned/leased aircraft in service during the relevant financial year. Owned/leased aircraft in service exclude those in maintenance and those, which have been delivered but have not yet entered service.

(5) Represents the number of one-way revenue flights.

(6) Represents the number of hours that aircraft are in actual service, measured from the time that each aircraft leaves the terminal at the departure airport to the time that such aircraft arrives at the terminal at the arrival airport.

(7) Represents the average number of block hours per day per aircraft owned/leased during the relevant financial year.

(8) Represents the average number of block hours per day per aircraft operated during the relevant financial year.

(9) Represents the sum by route of seats available for passengers multiplied by the number of kilometres those seats were flown.

(10) Represents the number of earned seats flown by easyJet. Earned seats include seats that are flown whether or not the passenger turns up (except for those passengers which have purchased flexible fare seats), because easyJet is generally a no-refund airline and once a flight has departed a no-show customer is generally not entitled to change flights or seek a refund. Earned seats also include seats provided for promotional purposes and to easyJet staff for business travel. For those passengers, which have purchased flexible fare seats, the seat is only recognised on the earlier of the date the passenger flies and the date on which the flexible fare expires.

(11) Represents the number of passengers as a proportion of the number of seats available for passengers. No weighting of the load factor is carried out to recognise the effect of varying flight (or "stage") lengths.

(12) Represents the sum by route of passengers multiplied by the number of kilometres those passengers were flown.

(13) Represents the number of seats initially sold over the internet divided by the total number of seats initially sold, during the relevant financial year. Sales that are originally made via the internet, but are later amended by phone, are included.

(14) Represents the number of seats initially sold over the internet divided by the total number of seats initially sold, during the final month of the relevant financial year. Sales that are originally made via the internet, but are later amended by phone, are included.

(15) Represents the passenger revenue divided by the number of passengers carried.

(16) Represents the total revenue divided by the total number of ASK's.

(17) Represents the difference between total revenue and profit before tax, divided by the total number of ASK's.

(18) Represents the difference between total revenue and profit before tax less the amounts charged in respect of goodwill amortisation, committed contribution to Deutsche BA, amounts written off investments, costs of integrating the businesses of easyJet and Go Fly and accelerated depreciation of owned aircraft.

(19) Includes revenue from in flight sales, excess baggage charges, booking charge fees, credit card booking fees and commissions received from products and services sold such as hotel and car hire bookings and travel insurance.

(20) When easyJet makes refunds to customers, it records refunds made in the pre-flight period as reductions in revenue and any refunds made post-flight as marketing expenses, included in "Other costs", above.

(21) Includes principally administrative and operational costs not included elsewhere, the costs associated with short-term aircraft wet leases, insurance and any post-flight refunds, together with certain other items, such as currency exchange gains and losses and profit or loss on the disposal of fixed assets.

(22) EBITDAR is defined by the company as earnings before interest, taxes, depreciation, amortisation and lease payments (excluding the maintenance reserve component of operating lease payments). Maintenance reserve costs are charged to the cost heading, "Maintenance".

Corporate governance

Principles Statement

In June 1998 the London Stock Exchange adopted guidelines for Corporate Governance in the form of the Combined Code, which consolidated all prior guidance on such matters. A summary of how the provisions of that code have been applied together with a compliance statement is provided below.

During the year, reports on the role and effectiveness of non-executive directors (the "Higgs" report) and on audit committees (the "Smith" report) were released. The Board has reviewed the recommendations of these reports and has determined that easyJet complies with the vast majority of the recommendations that are applicable to the Company's circumstances. Notwithstanding this, the Board has initiated actions to enhance its level of compliance.

The major elements of these reports have been incorporated into a revised Combined Code on Corporate Governance (July 2003), which will supersede and replace the existing Combined Code for reporting years beginning on or after 1 November 2003, and which will therefore impact easyJet for the financial year ending 30 September 2005 and thereafter.

Board of Directors

As at 30 September 2003, the Board comprised six non-executive directors, including the Chairman, and two Executive directors, as set out on page 26 of this report.

The roles of Chairman (Sir Colin Chandler) and Chief Executive (Ray Webster) are separated and clearly defined. Tony Illsley is the Senior Independent Non-Executive director. The company regards Sir Colin Chandler, Colin Day, Nick Hartley, Tony Illsley and Diederik Karsten as independent Non-Executive directors.

Until November 2002, Nick Hartley provided services to private companies in which Stelios Haji-Ioannou had an interest. Since that time, his consultancy services have ceased and he has stepped down from the boards of easyCar Limited and easyInternetcafe Limited. He remains the chairman of Stelmar Shipping. As a consequence, the easyJet Board debated whether Nick Hartley should be considered independent and agreed that he should be considered to be so.

The Combined Code states that the holding of share options could be relevant to the determination of a non-executive director's independence. Share options were granted to some of the independent non-executive directors just prior to admission to the Official List of the UK Listing Authority in November 2000 and at the end of that financial year. In 2002, after discussion with shareholder lobby groups, those directors agreed that they would exercise their options as soon as is reasonably practical after the date that they are allowed to do so. The Board has considered the holding of these options and was aware of them at the time that it made its judgement as to which directors are to be considered independent. The judgement was made on the basis that the number of options were insignificant in relation to the financial affairs of each independent director.

Stelios Haji-Ioannou stepped down as Chairman and as a director on 26 November 2002. On that date Sir Colin Chandler assumed the chairmanship. John Quelch stepped down as a non-executive director on 14 February 2003.

There are matters which are reserved to the Board by virtue of a resolution of the Board. These include matters relating to share issues, material acquisitions and disposals of assets, connected party transactions, borrowings and guarantees, material contracts, capital expenditure, shareholder and investor relations, officers and employees, treasury policies, risk management policies, donations, litigation, strategy, internal control, budgets, accounting issues and authority levels. By resolution, the board has delegated certain authorities to management. This delegation covers areas such as finance (expenditure, treasury and the sale of assets), revenue management, customer compensation, contracts, leases, employment and business development.

The Chairman participates in investor meetings and makes himself available for questions, in person, at the time of major announcements. This direct contact, together with feedback from management and from the Company's two sponsors (UBS and Credit Suisse First Boston), is used to brief the Board. In addition, the Board has sought direct feedback from sources who are independent of easyJet. The Board considers that it is appropriate for the Chairman to be the conduit with investors, rather than the Senior Independent Non-Executive Director. Notwithstanding this policy, all directors have a standing invitation to participate in meetings with investors.

Corporate governance *(continued)*

The Board meets regularly, with 18 meetings being held during the year ended 30 September 2003. All members of the Board are supplied in advance with appropriate information covering matters which are to be considered.

	Number of meetings attended	Total number of meetings
Sir Colin Chandler	17	18
Tony Illsley	17	18
Amir Eilon	15	18
Colin Day	17	18
Nick Hartley	18	18
Diederik Karsten	14	18
Ray Webster	18	18
Chris Walton	17	18
Directors who resigned during the year:		
Stelios Haji-Ioannou	4	4
John Quelch	4	9

The Chairman confers with other non-executive directors on a regular basis, without the executive directors present.

All directors have access to the Company Secretary. They have access to resources and funding through the Company Secretary.

During the year, the Chairman undertook a performance review of the Board using an external evaluation framework. The process involved structured interviews with directors and management.

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

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

Corporate governance *(continued)*

Remuneration Committee

The Remuneration Committee comprises three independent Non-Executive directors, Tony Illsley, the Chairman, Colin Day and Nick Hartley. This Committee, which meets at least twice per year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the executive directors. In addition to meetings to allot shares under the company's share option schemes, the Committee has met seven times during the year, with all members attending each meeting.

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

The record of attendance is:

	Number of meetings attended	Total number of meetings
Tony Illsley	7	7
Colin Day	7	7
Nick Hartley	7	7
By invitation:		
Ray Webster	3	7

Audit Committee

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

In order to preserve auditor independence, the Board has decided that the auditor will not be used for consulting services unless this is in the best interests of the company. The auditors are asked on a regular basis to articulate the steps that they have taken to ensure their independence. easyJet then monitors the auditor's performance and behaviour during the exercise of their duties. In the financial year, easyJet spent £0.5 million (2002: £1.9 million) with KPMG in respect of non-audit services and £1.0 million (2002: £0.9 million) with other parties who are entitled to act as registered auditors. As a result, KPMG's share of this spend has reduced from 68% in 2002 to 33% in the current financial year.

Corporate governance *(continued)*

The Board has discussed the composition of the Audit Committee and is satisfied that the directors who are members of this Committee are those who are best able to contribute to the Committee's objectives. The chairman of the committee (Colin Day) is the Chief Financial Officer of a major FTSE 100 company, which the board considers to be recent and relevant experience.

The record of attendance is:

	Number of meetings attended	**Total number of meetings**
Colin Day	3	3
Tony Illsley	3	3
Diederik Karsten	2	3
By invitation:		
Ray Webster	1	3
Chris Walton	3	3

In January 2003, a report was issued by Sir Robert Smith on the effectiveness of audit committees. The recommendations in the report were reviewed by the audit committee. It is satisfied that it conducts its business in an appropriate manner.

Nominations committee

As at 30 September 2003, the Nominations Committee members are Sir Colin Chandler (Chairman) plus any two of Nick Hartley, Colin Day and Tony Illsley.

This committee is responsible for nominating candidates to fill Board positions and for making recommendations on Board composition and balance. In appointing Non-Executive directors, the Board's practice is to use an external recruitment agency. This was the case in the most recent appointment to the Board, which was the Chairman in April 2002.

The record of attendance is:

	Number of meetings attended	**Total number of meetings**
Sir Colin Chandler	1	1
Colin Day	1	1
Tony Illsley	1	1
Nick Hartley	1	1
Director who resigned during the year:		
Stelios Haji-Ioannou	0	0
By invitation:		
Ray Webster	1	1

Corporate governance *(continued)*

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

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

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

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

Combined Code - statement of compliance

The company complied with the provisions of the Combined Code (June 1998) during the year, with the exception of the following:

(a) During a portion of the year, the Remuneration Committee has not comprised wholly independent non-executive directors for the whole of the year. The board has satisfied itself that the directors who are members of this Committee are those who are best able to contribute to its objectives; and

(b) Prior to Admission to the Official List of the UK Listing Authority, the easyJet group granted share options without performance criteria attached to them. The majority of these options remain outstanding. Options granted since December 2000 have had performance conditions attached. The group does not intend to grant further share options to employees without attaching performance conditions to their exercise.

Internal control

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

Guidance for directors, 'Internal Control: Guidance for Directors on the Combined Code' was published in September 1999, in the form of the Turnbull Guidance. The company complied with the guidance throughout the year ended 30 September 2003. A formal on-going process has been established to identify, evaluate and manage significant risks faced by the company and this process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts and this has been regularly reviewed by the Board during the period.

Corporate governance *(continued)*

An ongoing process for the effective management of risk has been defined by the company 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 by the Quality Group, in weekly meetings, including Commercial Operations, Marketing and Finance, and in monthly Executive Committee Meetings, where individual department and overall business performance is reviewed. Control weaknesses or failings are considered by the Board if they arise;

- An internal control function has been established which considers, reviews and tests internal control matters throughout the group. This is not an internal audit function, but is an addition to existing processes within easyJet. The new function considers, reviews and tests internal control matters throughout the group;

- The Board considers the current significant risks at each of its formal meetings;

- Management considers current significant business risks in formal monthly meetings;

- Risk reviews form an integral part of specific projects, such as the acquisition of Go Fly and the decision to select Airbus as a new aircraft fleet supplier;

- An annual risk and control identification process, together with control effectiveness testing, is conducted. The key risks to significant business objectives are identified and the key controls to manage these risks to the desired level are identified. The controls, which mitigate or minimise the high level risks, are tested to ensure that they are in operation. The results of this testing are reported to the Board who consider whether these high level risks are effectively controlled;

- Action plans are set to address any control weaknesses or gaps in controls identified; and

- A register of all risks has been created forming a key risk register for the company.

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

- 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 external auditors.

Internal audit

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

Going concern

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

Social, environmental and ethical report

Safety

Health and safety is of paramount importance to easyJet.

Safety forms a central pillar of the easyJet culture. For example, there is a specific management board subcommittee (chaired by the Chief Executive Officer) that conducts a detailed review of safety each month. Safety performance and issues are reported to both the full management board and the main plc board. Where necessary, issues are dealt with as specific agenda items within the boards.

The airline has a comprehensive system of processes to proactively monitor and manage safety and risk issues. These processes are continually monitored, evaluated and revised to respond to changing circumstances.

easyJet undertakes to provide and maintain a safe and healthy working environment as required by law. The easyJet Operations Manuals contain detailed health and safety information with which employees must comply.

The Chief Executive has ultimate responsibility for the implementation, achievement and monitoring of safety policy and is responsible for ensuring the promotion of safety awareness throughout easyJet; the auditing of accidents; the devising of fire protection and other safety measures; and the publishing of safety rules and regulations pertinent to the work duties of employees.

easyJet believes that effective safety performance will only be achieved by the participation of all levels of people within easyJet. Everyone has a duty to ensure that duties are discharged in accordance with our procedures and rules which are devised specifically to ensure the health, safety and welfare at work of all employees, our customers and the public.

Environment

The nature of the easyJet business model reduces the impact of the airline's activities on the environment.

easyJet's stated aim is to operate a fleet of young aircraft. These have lower noise emissions and use less fuel than earlier models. easyJet is implementing a fleet replacement plan that will result in a fleet entirely composed of Boeing 737 New Generation and Airbus A320 family aircraft, which will have all been purchased from new by easyJet. The average fleet age at 30 September 2003 is currently 6 years and this is projected to reduce to four and a half years by September 2004.

Compared with most full-fare airlines, easyJet has high passenger load factors. This, coupled with a young modern fleet, means that noise emissions and fuel burn per passenger is significantly lower than many airlines. Also, easyJet actively manages and investigates incidences of fuel spillages related to our flights.

easyJet aids the reduction of demand for private car transport to and from the main airports from which it operates. easyJet provides support for the regular bus link between London Luton Airport and Luton Airport Parkway railway station, and has commercial arrangements with the Stansted and Gatwick express rail services. easyJet offers its customers incentives (in the form of cost subsidies) to use public transport to travel to both Luton and Stansted.

Waste production is reduced through our business model. Unlike most of our full-service competitors, we do not have printed tickets and we do not offer free newspapers or free meals on board. easyJet believes that this results in lower usage of packaging and paper and therefore less waste.

We operate an almost paperless administration office, with almost all filing, copying and faxing based upon the use of electronic images. Although some waste paper is produced, procedures are in place for collecting it for recycling.

Social

easyJet seeks to provide a unique and rewarding work environment for employees. The organisation has a relatively flat management structure and it does not have the trappings of hierarchy that many businesses have. For example, the main administration office does not have individual offices or secretaries.

Most of easyJet's corporate information is shared across the general population of staff. Individual employees are able to search and retrieve information electronically.

There is a dedicated director responsible for people development and cultural issues. In addition, there is a consultative council of elected staff which considers cultural issues and makes recommendations to the Chief Executive Officer. This ensures that people issues are given a high profile and are considered at the highest levels within the airline.

Social, environmental and ethical report *(continued)*

Social *(continued)*

A network of Works Councils exists, which ensures that there is formal representation of views from all areas of the business.

easyJet recognises that it is beneficial for employees to participate in the business alongside investors. Consequently, many staff employed have received either share options or share gifts.

Most staff have some form of incentive related pay. All administration staff are entitled to a substantial annual bonus, which is partly dependent on company performance.

easyJet is committed to being an equal opportunities employer as we wish to encourage all our employees to make the best use of their skills and experience. Our policy aims to ensure that no job applicant or employee receives 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. easyJet is building a workforce that has a balanced age profile and intends to maintain opportunities for younger and older people alike. easyJet does not tolerate harassment or bullying of any form.

easyJet provides support to charities in the form of free flights on easyJet flights. The board has a policy of supporting a single chosen charity, rather than trying to support many good causes.

Ethical

easyJet insists that every employee must:

- Keep all dealings open and legitimate. Ensure that these are always consistent with good business practices;
- Keep full and accurate records of all business dealings;
- Avoid any suspicion of a conflict of interest; and
- Refuse any gifts or gratuities, which may be considered to be bribes from any organisation with which they have, or might have, business dealings concerned with easyJet's affairs.

easyJet prides itself on the efficient and friendly service that it offers to its customers. Each employee contributes to this and easyJet requires that they must perform their duties with efficiency and diligence and behave towards fellow employees and customers with courtesy and decorum. They must not misuse, damage or misappropriate easyJet's property and not cause offence to customers or potential customers.

easyJet does not tolerate the verbal or physical assault of its customers or employees. An employee's actions when dealing with easyJet's customers, agents and suppliers should always be those of a competent ambassador.

Directors' report

The Directors present the audited consolidated financial statements for easyJet plc ('the company') for the year ended 30 September 2003.

Principal activity

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

Business review

easyJet operates one of Europe's leading low-fare scheduled passenger airline businesses. It provides high frequency services on short-haul and medium-haul point-to-point routes within Europe from its twelve crew bases at Belfast, Bristol, East Midlands, Edinburgh, Geneva, Glasgow, Liverpool, London Luton, London Stansted, London Gatwick Newcastle and Paris.

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

During the year ended 30 September 2002, easyJet acquired all the share capital of Newgol Limited, which was the ultimate holding company of Go Fly, a low cost airline. The merger of the businesses of Go Fly and easyJet is now substantially complete. Three key milestones were defined at completion of the purchase. The first two milestones of single brand and single AOC were met in January 2003. The third milestone, complete integration, has not yet been met. Further information can be found in the report on directors' remuneration below.

During the year, easyJet terminated its option to acquire Deutsche BA from British Airways plc. At the time of acquiring the option, the directors believed it to be the most attractive way of entering the German market. However, despite the best efforts of the parties involved, the difficulty in resolving certain key issues relating to the migration of Deutsche BA's business model to the one intended by easyJet resulted in the board's decision to terminate the call option.

During the year ended 30 September 2003, easyJet flew 20.3 million passengers. This represented an increase of 79 per cent on the previous year. The results of the previous year included passengers of Go Fly since its acquisition by easyJet on 31 July 2002.

Profit before tax for the year was £51.5 million, (2002: £71.6 million), which, after adding back goodwill amortisation of £17.6 million (2002: - £3.1 million), expenses related to the Deutsche BA option of £9.1 million (2002: - £1.4 million), Go Fly integration costs of £7.9 million (2002: - £7.0 million), accelerated depreciation of certain owned aircraft of £10.2 million (2002: - £nil) and the write off of the investment in The Airline Group of £nil (2002: - £7.1 million) amounted to £96.3 million (2002: £ 90.2 million).

Retained profit for the year was £32.4 million (2002: £ 49.0 million). The Directors do not recommend the payment of a dividend.

As at 30 September 2003 easyJet operated on 105 routes, serving 35 cities, and had a fleet of 73 Boeing B737 aircraft and one Airbus A319 aircraft. easyJet flew 162,758 sectors during the year, an increase of 81 per cent over the prior year. The average load factor over the financial year was 84.1 per cent, 0.7 percentage points lower than the 2002 financial year. Year-on-year, the average net fare fell 6.7 per cent to £43.28 (2002: £46.37).

During the year, two new cities were added to the easyJet network – Toulouse and Marseille. 21 new routes were started in 2003 with growth concentrated at Paris Orly and Newcastle.

easyJet has a purchase agreement with Boeing for 32 new "next generation" 737-700 aircraft. 26 of these have now been delivered with the remainder being due for delivery over the period up until May 2004. In March 2003, shareholders approved a purchase agreement with Airbus to supply 120 A319 aircraft. The first aircraft was delivered in September 2003 and the remainder will be delivered over the period until December 2007.

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

Directors' report *(continued)*

Safety and security

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

Customer service

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

easyJet operates an entirely ticketless sales and check-in service. This service is, easyJet believes, less burdensome for passengers. In addition, the service reduces the costs associated with ticket processing, including personnel costs, and simplifies administration and control.

In-flight service costs are kept to a minimum. Food and drinks are served on board and are paid for by the passenger. Third party suppliers provide the in-flight catering.

People and culture

easyJet's employees have defined a statement of the organisation's values – the "orange culture". The directors believe that the company's framework of "orange" values helps to motivate and align employees to the company's objectives.

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

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

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

easyJet is committed to generating an awareness among its employees of the group's performance, development and progress, and to providing employees with information on matters of concern to them. It achieves this through regular communication meetings, employee newsletters and management briefings. Also, communication meetings are used by employee representatives to air the views of employees.

Directors' report *(continued)*

Internet sales

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

In the year to 30 September 2003, 94 per cent of initial bookings were made via the internet. In September 2003 this figure was 96 per cent, which the directors believe to be one of the highest percentages for an airline. During the year, easyJet introduced new functionality to its website, allowing passengers to review bookings and make changes on-line. The high internet penetration and commitment to new functionality has given rise to the slogan "the web's favourite airline".

Directors and directors' interests

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

Non-executive:
Stelios Haji-Ioannou (resigned 26 November 2002)
Sir Colin Chandler
Amir Eilon
Nick Hartley
Anthony Illsley
Colin Day
Diederik Karsten
John Quelch (resigned 14 February 2003)

Executive
Ray Webster
Chris Walton

Directors' report *(continued)*

Executive directors are deemed to be interested in the shares held by the easyJet UK Employee Share Ownership Trust and the easyJet Overseas Employee Share Ownership Trust (the "Trusts"). At 30 September 2003, ordinary shares held in the Trusts were as follows:

		Ordinary shares
Total held by UK Trust of which:	Allocated	47,076
	Unallocated	85,704
Total held by Overseas Trust of which:	Allocated	61,230
	Unallocated	15,472

Details of share options and share gifts granted to the directors of the company are disclosed below in the report on directors' remuneration.

Policy and practice on payment of creditors

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

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

At 30 September 2003, the number of creditor days outstanding for the group was 10 days *(2002: 30 days)*, and the company, nil days *(2002: nil days)*.

Political and charitable contributions

During the year, the group made charitable contributions totalling £486 *(2002: £1,633)*. In addition, the group provides free flights to selected charities. There is minimal incremental cost to the group associated with these gifts.

There were no contributions made for political purposes.

Directors' report *(continued)*

Post balance sheet events

Since 30 September 2003,the group has committed to forward purchases of US dollars amounting to 85% of expected usage during the period ending 31 March 2004 at exchange rates between $1.643 and $1.668.

Substantial interests

As at 14 November 2003, the company has been notified of the following disclosable interests of 3 per cent or more in its ordinary shares:

	Number of shares	Percentage
easyGroup Limited (holding vehicle for Stelios Haji-Ioannou)	70,076,451	17.79%
Polys Holdings Limited (holding vehicle for Polys Haji-Ioannou)	47,954,575	12.17%
Clelia Holdings Limited (holding vehicle for Clelia Haji-Ioannou)	47,954,575	12.17%
Wellington Management Company LLP	20,944,283	5.31%

Auditors

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

On behalf of the board

C. J. Walton

C Walton
Director

easyLand
London Luton Airport
Luton
Bedfordshire LU2 9LS

17 November 2003

Directors

Sir Colin Chandler (Non-Executive Chairman)

Colin (63) joined easyJet in April 2002 and was appointed Chairman in November 2002. He is currently non-executive deputy chairman of Smiths Group plc, having been a non-executive director of TI Group since 1992. Colin is chairman of Vickers Defence Systems and was formerly chairman of Vickers plc. Earlier he was seconded from British Aerospace to the role of Head of Defence Export Services, Ministry of Defence. He was chairman of Racal Electronics plc. He is Pro-Chancellor of Cranfield University.

Ray Webster (Chief Executive)

Prior to joining easyJet in March 1996, Ray (57) had 27 years of experience in the airline industry at Air New Zealand. In his career with Air New Zealand he held various positions within the engineering business unit, formed their cargo business unit and had responsibility for marketing, sales and operations within the Americas market. His last role at Air New Zealand was as General Manager of Strategic Planning, where he was responsible for the identification, evaluation and implementation of corporate development options, including the concept development, planning and implementation of a start up "value based" (low-cost) airline serving short-haul routes within the Australasian market.

Chris Walton (Finance Director and CFO)

Chris (46) joined easyJet in 1999. Chris is also a director of easyJet Switzerland S.A. (owned 49% by easyJet plc). He has 17 years of experience in the airline and logistics industries working in senior finance and commercial capacities for Qantas Airways, Air New Zealand, Australia Post and Australian Airlines. At various times, his roles in these companies have included responsibility for sales and marketing, strategic planning and the negotiation of strategic alliances. Earlier in his career, he worked in non-financial roles in the mining and energy sectors, and in the Australian Senate. His financial experience includes a corporate trade sale, an IPO, corporate reconstructions, M&A transactions and cross border financings. Chris is a member of the Regional Economic Advisory Panel (South East & Anglia) of the Bank of England.

Colin Day (Independent Non-Executive Director)

Colin (48) joined easyJet in September 2000 and is Chairman of the Audit Committee. He is currently chief financial officer for Reckitt Benckiser Plc, the world's largest household cleaning products company. Before that Colin was group finance director of Aegis Plc, Europe's leading media buying and planning company. Prior to joining Aegis, Colin spent six years in a number of divisional finance director positions with ABB, latterly as group finance director of ABB Instrumentation. Much of his earlier career was spent in various finance positions with De La Rue Group. Colin is also a non-executive director of Bell Group Plc, a security systems company and was previously a non-executive director of Vero Group.

Amir Eilon (Non-Executive Director)

Amir (54) spent the major part of his career working for investment banks specialising in particular in global capital markets. Before joining easyJet in March 1999, Amir was at Credit Suisse First Boston private equity group where he had joint responsibility for Western Europe within its international group. Prior to that, Amir was at Barclays de Zoette Wedd for eight years where he was head of global capital markets. Amir is also a non-executive director of easyCar, Flamingo and Tidal Energy.

Nick Hartley (Independent Non-Executive Director)

Nick (66) acted as a consultant to Stelios Haji-Ioannou on the business strategy for easyJet prior to its incorporation. Prior to that, he worked as a consultant on business strategy for Stelmar Tankers and subsequently became a director and chairman of that company. Prior to 1992, he worked at BP for 35 years, where his posts included Managing Director of BP Southern Africa and Managing Director of BP Shipping.

Directors *(continued)*

Tony Illsley (Independent Senior Non-Executive Director)

Tony (47) joined the board of easyJet plc in September 2000 and is Chairman of the Remuneration Committee. He was formerly chief executive officer of Telewest plc prior to the merger with Flextech plc. Prior to this, he was with PepsiCo as President of Walkers Snack Foods and before this he was President of Pepsi-Cola Asia Pacific. He is also a non-executive director of Capital Radio plc, Jarvis Hotels plc, Lionhead Studios plc and Leisure Link Group Limited.

Diederik Karsten (Independent Non-Executive Director)

Diederik (46) joined easyJet in May 2001 and, from February 2000 to November 2001, was also chief executive officer of KPN Mobile N.V. Previously he was Director of the business unit Mobile Telephony and director of The Mobile Net, parts of KPN Telecom. Prior to joining KPN in 1996, Diederik held various management and marketing positions at Pepsi Co, including vice president of sales and marketing at Snacks Ventures Europe and sales and marketing director Pepsi Cola, Germany. Before that, Diederik held various marketing positions at Procter & Gamble.

Report on directors' remuneration

This report has been prepared in accordance with the directors' remuneration report regulations 2002 (the 'Regulations'), which introduced new statutory requirements for the disclosure of directors' remuneration.

The Regulations require the auditors to report to the company's members on the 'audited information' within the directors' remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). As a result, the report has been divided into separate sections for audited and unaudited information.

This report sets out the company's policy on directors' remuneration for the forthcoming year and, so far as practicable, for subsequent years.

Unaudited information

Membership and responsibilities of the Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, Tony Illsley, the Chairman, Colin Day and Nick Hartley. The Committee, meets at least twice a year. During the financial year, the Committee has met seven times, in addition to meetings to allot shares under the company's share option schemes. The Committee has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the executive directors.

The Board has delegated to the Remuneration Committee responsibility to:

- Make recommendations to the board in respect of the remuneration policy for executive directors and the group's other senior management;

- Approve any new service agreement entered into between the group and any executive director; and

- Make recommendations to the Board on the implementation of the group's performance bonus scheme, share option schemes and the Management Combination Incentive Plan.

KPMG and Norton Rose have provided professional services to the Committee in respect of the easyJet Management Combination Incentive Plan and the share option schemes. Salary surveys and job evaluation consultancy services have been provided to the group by the Monks Partnership.

Policy

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

Service contracts

The company has service contracts with all its executive directors. It is company policy that for executive directors such contracts should contain notice periods of not more than six months. There is no provision for compensation for loss of office other than the notice period of six months.

Non-executive directors do not have service contracts but are appointed for a period not exceeding three years. Their appointment may be terminated without compensation.

Report on directors' remuneration (continued)

Details of contracts currently in place for directors who have served during the year are as follows:

	Date of contract	Unexpired term	Notice period	Provision for compensation
Non-executive:				
Sir Colin Chandler	26 November 2002	2 years	3 year fixed term	None
Amir Eilon	22 October 2003	3 years	3 year fixed term	None
Nick Hartley	22 October 2003	1 year	3 year fixed term	None
Anthony Illsley	22 October 2003	3 years	3 year fixed term	None
Colin Day	22 October 2003	3 years	3 year fixed term	None
Diederik Karsten	8 May 2001	7 months	3 year fixed term	None
Executive				
Ray Webster	18 June 2002	n/a	6 months	6 months
Chris Walton	18 June 2002	n/a	6 months	6 months

Remuneration packages

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

The remuneration for executive directors comprises a combination of basic salary, annual bonus, pension contributions and participation in share option and gift schemes.

Basic salary and pension contributions

Basic salary is set relative to market rates based on the respective director's experience and complexity of his/her duties. The group pays into defined contribution pension schemes for executive directors at 7 per cent of their base salaries. Full details of the executive directors' remuneration is set out on page 36 below (for their remuneration) and page 38 below (for their share options).

The basic salary and pension contributions are supplemented by various performance related elements, such as the annual bonus scheme, management combination incentive plan and share option schemes (see below). The remuneration committee has concluded that these performance related elements form a significant proportion of the remuneration of the executive directors.

Annual bonus scheme

An annual bonus scheme exists for all executive directors. Ray Webster's bonus is derived from a base bonus of 50 per cent of salary and Chris Walton's bonus is derived from a base bonus of 25 per cent of salary. The actual bonus earned is calculated with reference to performance measures, namely personal performance and company performance. The company performance element of the annual bonus scheme is reviewed against the following headings: safety record, operational performance, financial performance and other achievements and challenges. These elements are felt to be challenging, aligned to shareholder interests and appropriate. Performance against these two measures is assessed and can result in a multiple of up to 200 per cent of basic salary for Ray Webster and 100 per cent of basic salary for Chris Walton.

Management combination incentive plan

To incentivise the management teams of both easyJet and Go Fly to ensure the successful integration of the two businesses, a management combination incentive plan was established. Ray Webster and Chris Walton, along with 37 other members of the senior management team were invited to participate. The incentive plan allows for the award of ordinary shares divided into three equal tranches. The number of shares in each tranche has been calculated by reference to the participant's basic annual salary after completion of the purchase of Go Fly divided by the average price of an easyJet share during the 21 days following completion.

Report on directors' remuneration (continued)

Management combination incentive plan (continued)

Each tranche of shares is subject to the performance conditions. These are based on the requirement to incentivise key management during the especially important period of the integration of easyJet and Go Fly. The three milestones were identified as challenging in the timescale involved and aligned to shareholder interests. They are as follows:

(1) the single brand milestone, which is triggered if within 12 months of completion of the purchase of Go Fly, the combined business has common inventory held on eRes (easyJet's booking system), yield managed in an identical way and sold off the same website, together with common check-in services around the combined network.

(2) The single AOC milestone, which is triggered if within 18 months of completion the combined business commences operation in the United Kingdom under one AOC.

(3) The combination completion milestone, which is triggered if within 24 months of completion all substantial issues arising from the integration of the businesses of easyJet and Go Fly are complete.

The single brand and single Air Operator's Certificate milestones were met in January 2003.

Whilst substantial progress has been made in the achievement of the third milestone, management's final report, which is subject to third party verification, has not yet been made available to the Board.

Not withstanding the above, the Board believes that it is appropriate to recognise the potential payment as part of the maximum reward under the Combination Plan achievable by the directors.

Report on directors' remuneration (continued)

Share options

The group provides for directors to participate in share option schemes, which are also open to other staff members. The schemes operated have been as follows:

The easyJet Key Employee Pre-Flotation Share Option Scheme

Except for the 3,710,238 share options issued to Amir Eilon, a non-executive director, which vested wholly upon Admission of the company to the Official List of the UK Listing Authority during 2000, 25 per cent of the share options granted vest or vested at the dates below:

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

Directors were not able to dispose of any shares that resulted from the exercise of options within two years from the date of Admission to the Official List of the UK Listing Authority, except to the extent of settling their liabilities to personal tax, National Insurance contributions and the exercise price per option exercised. All of the directors accepted the liability for employer's Secondary National Insurance contributions due on the exercise of the first tranche of options. It is also a condition of those options granted since March 2000 that the option holders accept liability for the employer's Secondary National Insurance contributions due on the exercise of the options.

Once vested, the options remain in place should the director leave the group and may be exercised within a period ending ten years from the date of grant

The easyJet plc Non-Approved Discretionary Share Option Scheme:

Awards were made of options over ordinary shares in easyJet plc in December 2001 and March 2003 to eligible easyJet group employees, including directors. The options granted are subject to a three year vesting period and will be exercisable subject to meeting performance criteria. The performance criteria are based on a sliding scale of earnings per share as published in easyJet's annual report and accounts for the completed year in which the option will vest. The remuneration committee chose these performance criteria because they were felt to be challenging, aligned to shareholder interests and appropriate at the time.

The easyJet plc Approved Discretionary Share Option Scheme:

Awards were made of options over ordinary shares in easyJet plc in December 2001 to eligible employees of the group on terms that meet Inland Revenue requirements for an Approved share option scheme. The options granted are subject to a three year vesting period and will be exercisable subject to meeting performance criteria. The performance criteria are based on a sliding scale of earnings per share as published in easyJet's annual report and accounts for the completed year in which the option will vest. The remuneration committee chose these performance criteria because they were felt to be challenging, aligned to shareholder interests and appropriate at the time.

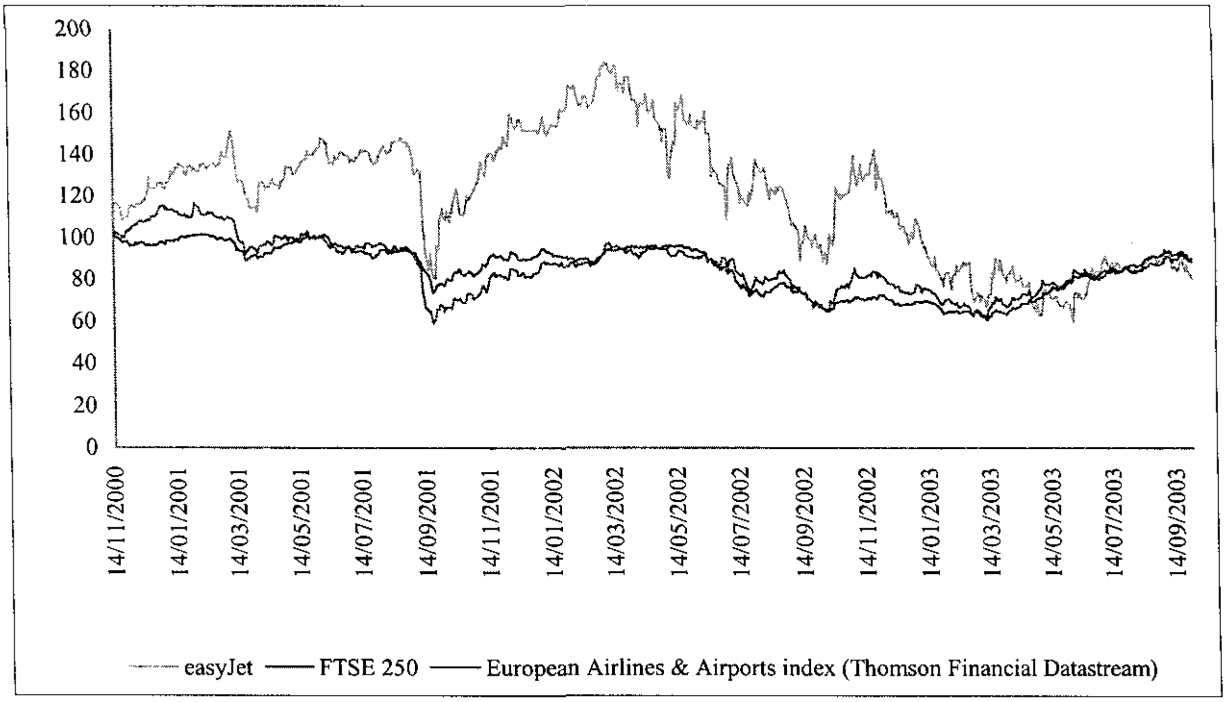
There are certain circumstances (for example injury, ill health, redundancy) where options under any of the schemes above can be exercised before the three year vesting period has been completed and without the performance criteria being met. We believe that these circumstances are the same as other scheme rules for comparator companies.

Report on directors' remuneration (continued)

In March 2003, options were granted to executive directors and senior executives under the easyJet plc Non-Approved Discretionary Share Option Scheme within the scheme limits. These limits relate to the number of shares under option and the price payable on exercise. The maximum limit for the grant of options to an executive director in any one year is equal to one times his/her annual basic salary. The grant of options will only become exercisable if the performance criteria , determined at the time of the grant, is achieved. The Remuneration Committee recommended the relevant performance criteria because it was felt to be challenging and aligned to shareholders' interests.

Total shareholder return

The following graphs show the company's performance, measured by total shareholder return compared with the performance of the FTSE 250 index. The FTSE 250 index has been chosen since it is an index of companies of similar size to easyJet. The total shareholder return index has been set to 100 as at 14 November 2000:



Report on directors' remuneration (continued)

Audited information

Directors' emoluments

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

	Emoluments excluding pension contributions				Pension contributions	
	2003			2002	2003	2002
	Salary/fees £000	Bonus £000	Total £000	Total £000	£000	£000
Non-executive:						
Stelios Haji-Ioannou (resigned 26 November 2002)	-	-	-	-	-	-
Sir Colin Chandler (appointed 17 April 2002)	**139**	-	**139**	34	-	-
Amir Eilon	**38**	-	**38**	30	-	-
Nick Hartley	**38**	-	**38**	30	-	-
Anthony Illsley	**48**	-	**48**	33	-	-
Colin Day	**48**	-	**48**	33	-	-
Diederik Karsten	**38**	-	**38**	30	-	-
John Quelch (resigned 14 February 2003)	**14**	-	**14**	30	-	-
Executive						
Ray Webster	**325**	**96**	**421**	416	**23**	19
Chris Walton	**167**	**35**	**202**	192	**12**	8
Mike Cooper (resigned 17 April 2002)	-	-	-	106	-	5
Vilhelm Hahn-Petersen (resigned 17 April 2002)	-	-	-	135	-	6
Keith McMann (resigned 17 April 2002)	-	-	-	57	-	4
	855	**131**	**986**	1,126	**35**	42

An accrual has been made for directors' bonuses for the 2003 financial year, but no agreement has been reached as to the amounts to be paid to individual directors. The bonuses reflected in the table above represent the amounts paid to the directors during that year for their services during the 2002 financial year.

Ray Webster has an agreement with Air New Zealand that he will perform two weeks' consultancy services each year in return for employer and employee contributions to a pension and free flights to New Zealand for him and his family. The Board has approved this arrangement.

Report on directors' remuneration (continued)

The table above excludes gains as a result of the vesting of shares granted under the management combination incentive plan and the key employee pre flotation share scheme. During the year, the following share options and awards vested. The value represents the number of shares or awards multiplied by the mid market closing price on the day that the share options or awards were first available for exercise and exercisable under the Code of Conduct for Transactions in Securities of easyJet plc, unless the options or awards were subsequently exercised at a different price during the current financial year. Out of the directors, only Anthony Illsley exercised options during the year. Details can be found below:

		2003		2002	
		Number of shares '000	Value £000	Number of shares '000	Value £000
Non-executive:					
Nick Hartley	**Key employee pre flotation share scheme**	**29,731**	14	**29,731**	57
Anthony Illsley	**Key employee pre flotation share scheme**	**3,666**	-	**3,666**	6
Colin Day	**Key employee pre flotation share scheme**	**3,666**	-	**3,666**	6
John Quelch (resigned 14 February 2003)	**Key employee pre flotation share scheme**	**3,666**	-	**3,666**	3
Executive					
Ray Webster	**Management combination incentive plan**	**153,855**	289	-	-
	Key employee pre flotation share scheme	**1,236,746**	565	**1,236,746**	2,352
Chris Walton	**Management combination incentive plan**	**96,764**	182	-	-
	Key employee pre flotation share scheme	**150,142**	69	**150,142**	286
Mike Cooper (resigned 17 April 2002)	**Key employee pre flotation share scheme**	-	-	**150,142**	286
Vilhelm Hahn-Petersen (resigned 17 April 2002)	**Key employee pre flotation share scheme**	-	-	**300,284**	571
Keith McMann (resigned 17 April 2002)	**Key employee pre flotation share scheme**	-	-	**86,482**	149
		1,678,236	1,119	1,964,525	3,716

In addition to his fees for services as a non-executive director, Amir Eilon received £nil (2002: £0.25 million) for consulting services. Amir Eilon resigned as a member of the Audit Committee prior to starting work on the services set out above. No amounts were paid to Amir Eilon in respect of consulting services during his time as a member of the Audit Committee.

Report on directors' remuneration (continued)

Directors' share options

Details of share options and awards under the schemes described above granted to the directors of the company are as follows:

Director	Grant date	Interest in options and awards over ordinary shares	Exercise price £	Date from which exercisable	Expiry date of grant or award	Notes
Non-executive						
Sir Colin Chandler	-	-	-	-	-	-
Amir Eilon	29 Feb 2000	3,603,407	1.6112	22 Nov 2002	29 Feb 2010	A
	26 Sep 2000	106,830	1.6112	22 Nov 2002	26 Sep 2010	A
	7 Dec 2001	931	4.0192	7 Dec 2004	7 Dec 2011	C
Nick Hartley	29 Feb 2000	118,924	1.6112	22 Nov 2000	29 Feb 2010	B
	7 Dec 2001	931	4.0192	7 Dec 2004	7 Dec 2011	C
Anthony Illsley	26 Sep 2000	14,667	2.0184	22 Nov 2000	26 Sep 2010	B
	7 Dec 2001	931	4.0192	7 Dec 2004	7 Dec 2011	C
Colin Day	26 Sep 2000	14,667	2.0184	22 Nov 2000	26 Sep 2010	B
	7 Dec 2001	931	4.0192	7 Dec 2004	7 Dec 2011	C
Diederik Karsten	7 Dec 2001	15,599	4.0192	7 Dec 2004	7 Dec 2011	C
Executive						
Ray Webster	29 Feb 2000	4,804,544	1.6112	22 Nov 2000	29 Feb 2010	B
	26 Sep 2000	142,442	1.6112	22 Nov 2000	26 Sep 2010	B
	7 Dec 2001	51,029	4.0192	7 Dec 2004	7 Dec 2011	C
	7 Dec 2001	7,459	4.0192	7 Dec 2004	7 Dec 2011	D
	1 Aug 2002	230,782	nil	1 Aug 2002	1 Aug 2004	E
	6 Mar 2003	151,088	1.9995	6 Mar 2006	6 Mar 2013	C
Chris Walton	29 Feb 2000	600,568	1.6112	22 Nov 2000	29 Feb 2010	B
	7 Dec 2001	28,994	4.0192	7 Dec 2004	7 Dec 2011	C
	7 Dec 2001	7,459	4.0192	7 Dec 2004	7 Dec 2011	D
	1 Aug 2002	145,146	nil	1 Aug 2002	1 Aug 2004	E
	6 Mar 2003	79,186	1.9995	6 Mar 2006	6 Mar 2013	C

Report on directors' remuneration (continued)

Directors' share options *(continued)*

Notes

A Vested in full on Admission to the Official List of the UK Listing Authority but were not exercisable until the second anniversary of Admission.

B 25 per cent of the share options granted vest at the dates below:

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

C Granted under the easyJet Non-Approved Discretionary Share Option Scheme and subject to meeting certain earnings per share targets

D Granted under the easyJet Approved Discretionary Share Option Scheme and subject to meeting certain earnings per share targets

E Granted under the Management Combination Incentive Plan and subject to meeting certain combination milestones as set out above

Only Anthony Illsley exercised options during the year. He exercised 11,000 options granted under the key employee pre flotation share scheme at an exercise price of £2.0184. The mid market price on the day of exercise was £2.025. The resulting gain on exercise was £73.

During the year, awards of shares were made to Ray Webster (153,855) and Chris Walton (96,764) under the Management Combination Incentive Plan. These were in respect of the first two milestones of single brand and single Air Operator's Certificate. Half of these shares were awarded on 6 January 2003 in respect of the single brand milestone, when the closing mid market share price was 289.5 pence. The remaining half were awarded on 17 January 2003 in respect of the single AOC milestone, when the closing mid market share price was 240 pence. This was during a close period for directors' trading of shares. On 25 February 2003, the first day when trading was possible, the closing mid market price was 213 pence. Further shares are also available on completion of the combination completion milestone of 76,927 for Ray Webster and 48,382 for Chris Walton.

There were no share options exercised by directors during the financial year 2002.

The middle market price of the company's ordinary shares at 30 September 2003 was 219.75 pence and the range during the year to 30 September 2003 was 163 pence to 390 pence.

The shares granted on 29 February 2000, 26 September 2000, 22 November 2000 and 7 December 2001 have been amended, both in number and exercise price, to reflect the bonus effect of the Rights Issue in 2002. The table above reflects the position after the amendments had been made.

Report on directors' remuneration (continued)

Details of movements during the year in the number of directors' share options and awards are as follows:

Amir Eilon

	Key Employee Pre-Flotation Share Scheme	Non-Approved Discretionary Share Option Scheme	Approved Discretionary Share Option Scheme	Management Combination Incentive Plan	Total
At 1 October 2002	3,710,237	931	-	-	3,711,168
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
At 30 September 2003	**3,710,237**	**931**	**-**	**-**	**3,711,168**

Nick Hartley

	Key Employee Pre-Flotation Share Scheme	Non-Approved Discretionary Share Option Scheme	Approved Discretionary Share Option Scheme	Management Combination Incentive Plan	Total
At 1 October 2002	118,924	931	-	-	119,855
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
At 30 September 2003	**118,924**	**931**	**-**	**-**	**119,855**

Anthony Illsley

	Key Employee Pre-Flotation Share Scheme	Non-Approved Discretionary Share Option Scheme	Approved Discretionary Share Option Scheme	Management Combination Incentive Plan	Total
At 1 October 2002	14,667	931	-	-	15,598
Granted	-	-	-	-	-
Exercised	(11,000)	-	-	-	(11,000)
At 30 September 2003	**3,667**	**931**	**-**	**-**	**4,598**

Colin Day

	Key Employee Pre-Flotation Share Scheme	Non-Approved Discretionary Share Option Scheme	Approved Discretionary Share Option Scheme	Management Combination Incentive Plan	Total
At 1 October 2002	14,667	931	-	-	15,598
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
At 30 September 2003	**14,667**	**931**	**-**	**-**	**15,598**

Report on directors' remuneration (continued)

Diederik Karsten

	Key Employee Pre-Flotation Share Scheme	Non-Approved Discretionary Share Option Scheme	Approved Discretionary Share Option Scheme	Management Combination Incentive Plan	Total
At 1 October 2002	-	15,599	-	-	15,599
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
At 30 September 2003	**-**	**15,599**	**-**	**-**	**15,599**

Ray Webster

	Key Employee Pre-Flotation Share Scheme	Non-Approved Discretionary Share Option Scheme	Approved Discretionary Share Option Scheme	Management Combination Incentive Plan	Total
At 1 October 2002	4,946,986	51,029	7,459	230,782	5,236,256
Granted	-	151,088	-	-	151,088
Exercised	-	-	-	-	-
At 30 September 2003	**4,946,986**	**202,117**	**7,459**	**230,782**	**5,387,344**

Chris Walton

	Key Employee Pre-Flotation Share Scheme	Non-Approved Discretionary Share Option Scheme	Approved Discretionary Share Option Scheme	Management Combination Incentive Plan	Total
At 1 October 2002	600,568	28,994	7,459	145,146	782,167
Granted	-	79,186	-	-	79,186
Exercised	-	-	-	-	-
At 30 September 2003	**600,568**	**108,180**	**7,459**	**145,146**	**861,353**

John Quelch

	Key Employee Pre-Flotation Share Scheme	Non-Approved Discretionary Share Option Scheme	Approved Discretionary Share Option Scheme	Management Combination Incentive Plan	Total
At 1 October 2002	14,667	931	-	-	15,598
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
Lapsed	(3,667)	(931)	-	-	(4,598)
At 14 February 2003 (date of resignation)	**11,000**	**-**	**-**	**-**	**11,000**

Sir Colin Chandler has never been granted any share options or awards.

Stelios Haji-Ioannou, who resigned on 26 November 2002, was never granted any share options or awards.

Report on directors' remuneration (continued)

Directors' share interests

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

	30 September 2003	1 October 2002
Stelios Haji-Ioannou (resigned 26 November 2002)	**n/a**	85,576,451
Sir Colin Chandler	**9,700**	Nil
Colin Day	**20,454**	20,454
Nick Hartley	**116,542**	101,575
Tony Illsley	**11,000**	Nil
Ray Webster	**2,104,975**	2,104,975

The interests of Stelios Haji-Ioannou are held indirectly through easyGroup Holdings Limited (formerly easyGroup Limited). The interests of Ray Webster are held indirectly through Elura Investments Limited.

On behalf of the board

Sir Colin Chandler
Chairman
17 November 2003

Statement of directors' responsibilities

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

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

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

KPMG

KPMG Audit Plc

PO Box 695
8 Salisbury Square
London

Independent auditor's report to the members of easyJet plc

We have audited the financial statements on pages 46 to 85. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on page 43, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

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

We review whether the statement on pages 16 to 21 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report on whether it does not. We are not required to consider whether the Board's statements on internal controls cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risks and other control procedures.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 2003 and of the profit of the group for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc 17 November 2003

Chartered Accountants
Registered Auditor

Consolidated profit and loss account

for the year ended 30 September

	Notes	2003	2002
		£000	£000
Turnover	1,2	**931,845**	551,844
Cost of sales		**(774,989)**	(413,209)
Gross profit		**156,856**	138,635
Distribution and marketing expenses		**(60,985)**	(40,634)
Administrative expenses	3	**(47,422)**	(28,429)
Group operating profit		**48,449**	69,572
Loss from interest in associated undertaking:			
- committed contribution to Deutsche BA		**(1,329)**	(1,359)
Total operating profit: group and share of associate		**47,120**	68,213
Amounts written off investments	11	**(7,777)**	(7,159)
Interest receivable and similar income	5	**13,729**	15,751
Interest payable	6	**(1,549)**	(5,228)
Profit on ordinary activities before taxation	3	**51,523**	71,577
Tax on profit on ordinary activities	7	**(19,121)**	(22,568)
Retained profit for the financial year	17	**32,402**	49,009
		Pence	Pence
Earnings per share			
Basic	8	**8.24**	14.61
Diluted	8	**8.04**	13.89
Basic, before goodwill amortisation	8	**12.72**	15.53
Diluted, before goodwill amortisation	8	**12.40**	14.78
Basic, before goodwill amortisation, committed contribution to Deutsche BA, amounts written off investments, costs of integrating the businesses of easyJet and Go Fly, and accelerated depreciation of certain owned aircraft	8	**18.01**	18.95
Diluted, before goodwill amortisation, committed contribution to Deutsche BA, amounts written off investments, costs of integrating the businesses of easyJet and Go Fly, and accelerated depreciation of certain owned aircraft	8	**17.56**	18.02

All activities relate to continuing operations in the current and previous year.

Consolidated balance sheet

as at 30 September

	Notes	2003 £000	2003 £000	2002 £000	2002 £000
Fixed assets					
Intangible assets	*9*		**329,836**		349,685
Tangible assets	*10*		**320,772**		185,098
Investments	*11*		**-**		6,624
			650,608		541,407
Current assets					
Debtors	*12*	**141,564**		96,005	
Cash at bank and in hand		**335,405**		427,894	
		476,969		523,899	
Creditors: amounts falling due within one year	*13*	**(260,925)**		(260,614)	
Net current assets			**216,044**		263,285
Total assets less current liabilities			**866,652**		804,692
Creditors: amounts falling due after more than one year	*14*		**(65,322)**		(48,600)
Provisions for liabilities and charges	*15*		**(42,869)**		(28,388)
Net assets			**758,461**		727,704
Capital and reserves					
Called up share capital	*16*		**98,485**		97,919
Share premium account	*17*		**539,632**		533,263
Profit and loss account	*17*		**120,344**		96,522
Shareholders' funds – equity			**758,461**		727,704

These financial statements were approved by the board of directors on 17 November 2003 and were signed on its behalf by:

R Webster
Director

C. J. Walton

C Walton
Director

Cash flow information

for the year ended 30 September

Reconciliation of operating profit to net cash flows from operating activities

	Notes	**2003 £000**	2002 £000
Group operating profit		**48,449**	69,572
Goodwill amortisation		**17,598**	3,091
Depreciation of tangible fixed assets		**30,090**	18,677
Loss on sale of assets		**15**	834
Increase in debtors		**(43,374)**	(16,615)
Increase in creditors and provisions		**24,453**	8,672
Cash flow from operating activities		**77,231**	84,231

Consolidated cash flow statement

		2003 £000	2002 £000
Cash flow from operating activities		**77,231**	84,231
Committed contribution to associate		**(1,929)**	(759)
Returns on investments and servicing of finance	*21*	**11,852**	10,703
Taxation		**(16,520)**	489
Capital expenditure	*21*	**(175,343)**	(3,392)
Acquisitions and disposals	*21*	**1,098**	(267,233)
Cash outflow before management of liquid resources and financing		**(103,611)**	(175,961)
Management of liquid resources		**68,623**	(72,712)
Financing	*21*	**11,122**	359,420
(Decrease)/increase in cash in the year		**(23,866)**	110,747

Financing cash flow in 2003 includes £3.8 million in respect of the exercise of employee share options. In 2002, financing cash flow included £70.1 million (net of issuing costs) for an Open Offer of new shares in October 2001, £23.8 million (net of issuing costs) for the issue of new shares following a Placing in November 2001, £271.9 million (net of issuing costs) for the issue of new shares in connection with the purchase of the entire issued share capital of Newgo1 Limited in July 2002, the holding company of the business of Go Fly, and £1.9 million in respect of the exercise of employee share options. Total cash inflow from the issue of shares during the year, net of issuing costs, was £3.8 million (2002 - £367.7 million).

Cash flow information *(continued)*

Reconciliation of net cash flow to movements in net funds

	Notes	2003 £000	2002 £000
(Decrease)/increase in cash in the year		**(23,866)**	110,747
Cash (inflow)/outflow from the (increase)/ decrease in debt	21	**(7,287)**	8,293
Cash (inflow)/outflow for increase in liquid resources		**(68,623)**	72,712
Change in net funds resulting from cash flows		**(99,776)**	191,752
Exchange difference on loans		**4,181**	5,289
(Decrease)/increase in net funds for the year		**(95,595)**	197,041
Net funds at the start of the year		**358,195**	161,154
Net funds at the end of the year		**262,600**	358,195

Net funds at the end of the year comprises:

	2003 £000	2002 £000
Cash at bank and in hand	**335,405**	427,894
Bank loans	**(72,805)**	(69,699)
	262,600	358,195

£19.1 million (2002 - £87.7 million) of the cash at bank and in hand is subject to restrictions governing its use.

Consolidated statement of total recognised gains and losses

for the year ended 30 September

	2003 **£000**	2002 £000
Retained profit for the year	**32,402**	49,009
Foreign currency translation differences	**(5,480)**	(5,509)
Total recognised gains and losses for the year	**26,922**	43,500

Consolidated reconciliation of movements in shareholders' funds

for the year ended 30 September

	2003 **£000**	2002 £000
Retained profit for the year	**32,402**	49,009
Foreign currency translation differences	**(5,480)**	(5,509)
Shares issued by easyJet plc	**6,935**	369,436
Movement in reserves for employee share scheme	**(3,100)**	(1,723)
Net addition to shareholders' funds	**30,757**	411,213
Opening shareholders' funds	**727,704**	316,491
Closing shareholders' funds	**758,461**	727,704

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated financial statements of the group.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements incorporate those of the holding company and its subsidiaries for the years made up to 30 September 2003 and 2002. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

In accordance with Section 230 of the Companies Act 1985, the company is exempt from the requirement to present its own profit and loss account. The company's loss for the financial year was £8.1 million (2002: profit of £7.4 million).

Goodwill

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

On the subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Associates

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

Investments

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

Notes *(continued)*

1 Accounting policies *(continued)*

Revenue

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

Commissions from the sale of insurance, accommodation and car hire to passengers are recognised in the profit and loss account in the period during which the commissionable service is provided.

Change fees (paid for alteration of flight details), together with associated costs, are recognised as revenue on the date that the change is requested.

Credit card fees, together with associated costs are recognised as revenue on the date that a booking is made.

Tangible fixed assets and depreciation

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

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

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

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

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

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

Interest incurred on borrowings that specifically fund progress payments on assets under construction is capitalised, either as part of the asset or if that asset is subsequently sold and leased back, deferred and amortised over the term of the lease.

Notes (continued)

1 Accounting policies *(continued)*

Profit and loss on disposal of fixed assets

Profits and losses on the disposal of fixed assets are generally charged to the profit and loss account as incurred. However, where the group sells its rights to acquire an aircraft (from either Airbus or Boeing) to an external lessor and then leases the aircraft back then, subject to complying with the conditions of SSAP 21, the profit or loss on disposal is spread over the lease term. The balance deferred is then included within either debtors or creditors due within one year as appropriate. The disposal of the purchase rights (being the amount of pre-delivery deposits paid) are recognised as a disposal from tangible fixed assets.

Pensions

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

Employee share schemes

The cost of performance related awards to employees that take the form of rights to acquire or receive shares is recognised over the period of the employees' related performance. The cost represents the difference between the option exercise price (if any) and the market value of the shares at the date of gift or grant. Where there are no performance criteria, the cost is recognised over the period from gift or grant to when the employee becomes unconditionally entitled to the shares. Where contingently issuable shares are gifted the cost of the share gift is recognised upon the crystallisation of the contingency. Where performance criteria exist, the full potential cost is recognised over the period from gift or grant to when the employee becomes unconditionally entitled to the shares. If it becomes reasonably certain that certain performance criteria will not be met, the costs already accrued in respect of these are then credited to the profit and loss account. These costs are included in administrative expenses.

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies (continued)

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

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

Financial instruments

Gains and losses on derivative financial instruments are recognised in the profit and loss account when realised as an offset to the related income or expense, as the group does not enter into any such transactions for speculative purposes. Costs of procuring financial instruments are held in debtors and matched against the period to which they relate.

Leases

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

Aircraft maintenance

Provision is made for the estimated future costs of major overhauls of leased airframes, engines and auxiliary power units by making appropriate charges to the profit and loss account calculated by reference to the number of hours or cycles operated during the year as a consequence of aircraft rectification obligations placed on the group by the operating lease agreements.

Cash and liquid resources

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

Liquid resources comprise deposits which have restrictions governing their use.

2 Segmental information

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

The geographical analysis of turnover is as follows:

	2003	2002
	£000	£000
Within the United Kingdom	**206,314**	120,453
Between the United Kingdom and the Rest of Europe	**646,086**	388,877
Within the Rest of Europe	**79,445**	42,514
	931,845	551,844

Notes *(continued)*

2 Segmental information (continued)

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

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

3 Profit on ordinary activities before taxation

	2003	2002
	£000	£000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Amortisation of goodwill	**17,598**	3,091
Depreciation of tangible fixed assets	**30,090**	18,677
Remuneration of the auditor and its associates (including foreign partners):		
Audit	**150**	190
Other	**461**	405
Remuneration of other parties entitled to act as registered auditor:		
Audit	**10**	-
Other	**964**	869
Operating lease rentals:		
Aircraft	**84,753**	41,027
Other	**948**	1,246
Foreign currency translation differences	**(1,413)**	4,832
Costs of integrating the businesses of Go Fly and easyJet	**7,900**	7,057
Loss on disposal of fixed assets	**15**	834

Excluded from the profit and loss account for remuneration payable to the auditor is £nil *(2002: £1.5 million)* for non-audit related services. In 2002 these costs were £0.1 million in respect to the Placing of ordinary shares in November 2001, £1.0 million in respect of the acquisition of Newgo1 Limited and the related Rights issue of ordinary shares and £0.4 million in respect of the acquisition of an interest in Deutsche BA. The total payable to the auditor for audit and non-audit services during the year was £0.6 million (2002: £2.1 million).

Auditor's remuneration for audit of the company as a stand-alone entity was £15,000 (2002: £15,000).

Costs of integrating the businesses of Go Fly and easyJet totalled £7.9 million (2002: - £7.1 million). Included within these costs is £1.2 million (2002: - £5.1 million) in respect of the costs of the Management Combination Incentive Plan (the "Combination Plan"). The Combination Plan is designed to reward key participants in the process of combining the businesses of easyJet and Go with free shares if performance milestones are met within certain periods. There were three key performance milestones of single brand, single AOC and combination completion. The milestones of single brand and single AOC were met in December 2002. The final milestone of combination completion has not yet been met. Further information can be found in the report on directors' remuneration.

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees	
	2003	2002
Operations and administration	**2,862**	1,804
Sales and marketing	**364**	241
	3,226	2,045

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£000	£000
Wages and salaries	**100,923**	60,826
Social security costs	**10,927**	6,030
Pension costs	**4,146**	2,532
	115,996	69,388

Notes *(continued)*

4 Staff numbers and costs *(continued)*

Details relating to the emoluments paid by the group to the directors of easyJet plc for the year as directors of that company are as follows:

	2003	2002
	£000	£000
Total emoluments:		
Remuneration	**986**	1,126
Pension contributions	**35**	42
	1,021	1,168
In relation to the highest paid director:		
Remuneration	**421**	416
Pension contributions	**23**	19
	444	435

Further details of directors' remuneration, including share options and pension entitlements are set out in the report on directors' remuneration on pages 31 to 42.

5 Interest receivable and similar income

	2003	2002
	£000	£000
Bank interest receivable	**11,985**	15,751
Exchange gain	**1,744**	-
	13,729	15,751

6 Interest payable

	2003	2002
	£000	£000
On bank loans	**1,549**	5,228
	1,549	5,228

Notes *(continued)*

7 Taxation

The taxation charge is made up as follows:

	2003 £000	2002 £000
Current taxation:		
UK corporation tax	**11,783**	15,155
Overseas taxation	**463**	312
Total current taxation	**12,246**	15,467
Deferred taxation		
Capital allowances in advance of depreciation	**6,854**	(1,241)
Future credits not taxable	**(1,783)**	-
Other fixed asset timing differences	**1,804**	6,149
Utilisation of prior year losses	**-**	2,193
Total deferred taxation	**6,875**	7,101
Total taxation	**19,121**	22,568
Effective tax rate	**37.1%**	31.5%

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30%. The actual current tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2003 £000	2002 £000
Profit on ordinary activities before tax	**51,523**	71,577
Tax charge at 30% (2002 – 30%)	**15,457**	21,473
Expenses not deductible for tax purposes	**-**	2,502
Income not taxable	**(1,650)**	-
Lower tax rates in certain overseas jurisdictions	**(3,526)**	(2,137)
Movement in share option scheme deduction	**2,097**	2,695
Losses incurred in previous years used in period	**3**	(5,574)
Purchased goodwill not deductible	**5,313**	927
Fixed asset timing differences	**(6,421)**	(4,419)
Capital gains in excess of profit realised	**3,761**	-
Adjustments in respect of prior periods	**(2,788)**	-
Total current taxation	**12,246**	15,467
Deferred tax	**6,875**	7,101
Total taxation	**19,121**	22,568

Notes *(continued)*

7 Taxation *(continued)*

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

	At 30 September 2003 £000	At 30 September 2002 £000
United Kingdom	-	-
Overseas	**26**	21
	26	21

Share options

A deduction is available for the difference between the market value of the shares at the date of exercise of the share option (or the market value at 30 September 2003 if the options remain unexercised) and the option price for UK employees. This deduction has only been available since 22 November 2000, the date that easyJet plc's shares were first admitted to the Official List of the London Stock Exchange.

If the share price increases between 30 September 2003 and the date of exercise of the outstanding options, then a further tax deduction will be recognised in subsequent financial years. However, if the share price falls, then there will be a tax charge. Given the number of options outstanding (see note 18 below), movements in the share price could potentially cause a significant variation in the tax charge and the effective tax rate in future years.

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

The effect of a one penny movement in the share price is £0.2 million (2002 - £0.2 million).

The closing price at 30 September 2003 was £2.1975 (2002: £2.60).

easyJet Switzerland, a group member, has the benefit of an exemption from communal and cantonal taxes in Switzerland until 1 January 2008, subject to meeting certain conditions. The effective tax rate in Switzerland at present is 7.6%, but will rise to 27.5% from 1 January 2008 assuming that tax rates remain unchanged.

Notes (continued)

8 Earnings per share

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

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

The earnings per share are based on the following:

	Year ended 30 September 2003	Year ended 30 September 2002
Profit for the year retained for equity shareholders (£000's)	**32,402**	49,009
	Number	Number
Weighted average number of ordinary shares in issue during the year used to calculate basic earnings per share (000's)	**393,165**	335,493
Weighted average number of dilutive share options used to calculate dilutive earnings per share (000's)	**10,087**	17,232

The derivation of profit for the calculation of adjusted EPS before goodwill amortisation is as follows. This measure has been chosen to show the performance excluding goodwill amortisation, which is a significant non cash balance in the profit and loss account:

	Year ended 30 September 2003 £000	Year ended 30 September 2002 £000
Profit for the year retained for equity shareholders	**32,402**	49,009
Add back: goodwill amortisation	**17,598**	3,091
	50,000	52,100

Notes *(continued)*

8 Earnings per share *(continued)*

The derivation of profit for the calculation of adjusted EPS before goodwill amortisation, committed to contribution to Deutsche BA, amounts written off investments and costs of integrating the businesses of easyJet and Go Fly is as follows. This measure has been chosen because it removes the effects of non-recurring items, significant non-cash items and items which have had a disproportional effect on the earnings of the business during the year:

Year ended 30 September 2003:

	Pre-tax amount £000	**Tax effect £000**	**Post-tax amount £000**
Profit for the year retained for equity shareholders	**51,523**	**(19,121)**	**32,402**
Add back:			
Goodwill amortisation	**17,598**	**-**	**17,598**
Committed contribution to Deutsche BA	**1,329**	**-**	**1,329**
Amounts written off investments	**7,777**	**(947)**	**6,830**
Costs of integrating the businesses of easyJet and Go Fly	**7,900**	**(2,370)**	**5,530**
Accelerated depreciation of certain owned aircraft	**10,194**	**(3,058)**	**7,136**
	96,321	**(25,496)**	**70,825**

Year ended 30 September 2002:

	Pre-tax amount £000	Tax effect £000	Post-tax amount £000
Profit for the year retained for equity shareholders	71,577	(22,568)	49,009
Add back:			
Goodwill amortisation	3,091	-	3,091
Committed contribution to Deutsche BA	1,359	-	1,359
Amounts written off investments	7,159	(2,057)	5,102
Costs of integrating the businesses of easyJet and Go Fly	7,057	(2,057)	5,000
	90,243	(26,682)	63,561

Notes *(continued)*

9 Intangible fixed assets

	Goodwill £000
Cost	
At 1 October 2002	**353,179**
Additions – adjustments to purchase consideration (see below)	**(2,251)**
At 30 September 2003	**350,928**
Amortisation	
At 1 October 2002	**3,494**
Charge for the year	**17,598**
At 30 September 2003	**21,092**
Net book value	
At 30 September 2003	**329,836**
At 30 September 2002	349,685

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

On 31 July 2002, the group acquired Newgo1 Limited, the ultimate holding company of Go Fly Limited, an operator of low cost airline services. Adjustment has been made to the goodwill arising on the basis that additional cashflows occurred during the year relating to the acquisition of Go Fly which had not been provided for at 30 September 2002. In particular, £2.6 million of retention monies were received, reducing the cost of the investment. In addition, a further £0.3 million of acquisition costs were paid. The fair value of the net assets acquired has not changed. Goodwill on this acquisition is amortised to the consolidated profit and loss account over its estimated useful life of 20 years.

Notes *(continued)*

10 Tangible fixed assets

	Aircraft	Payments on account-aircraft deposits	Leasehold improvements - buildings	Fixtures, fittings and equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 October 2002	191,545	49,123	2,827	10,236	253,731
Exchange differences	(6,870)	(5,993)	-	-	(12,863)
Additions	58,172	171,615	724	3,394	233,905
Disposals	(20,857)	(37,944)	-	(925)	(59,726)
At 30 September 2003	**221,990**	**176,801**	**3,551**	**12,705**	**415,047**
Depreciation					
At 1 October 2002	62,351	-	952	5,330	68,633
Exchange differences	(3,300)	-	-		(3,300)
Charge for year	26,317	-	841	2,932	30,090
Disposals	(372)	-	-	(776)	(1,148)
At 30 September 2003	**84,996**	**-**	**1,793**	**7,486**	**94,275**
Net book value					
At 30 September 2003	**136,994**	**176,801**	**1,758**	**5,219**	**320,772**
At 30 September 2002	129,194	49,123	1,875	4,906	185,098

At 30 September 2003, aircraft with a net book value of £74.4 million (2002: £79.6 million) were mortgaged to lenders as security for loans (see notes 13 and 14).

easyJet has reviewed the carrying and residual value of its 12 owned aircraft at 30 September 2003 and has concluded that the four oldest owned Boeing 737-300 aircraft required an acceleration in depreciation. The aircraft are due to be retired in 2004, earlier than originally planned, and given the distressed nature of the second hand aircraft market, the residual values have been reassessed. As a result, management has provided £10.2 million additional depreciation during the year.

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

	2003	2002
	£000	£000
Amounts capitalised during the year	**-**	-
Aggregate amounts included within cost of aircraft and aircraft deposits	**586**	586

No interest has been capitalised since the financial year 2000.

Notes *(continued)*

11 Investments

	The Airline Group £000	Deutsche BA £000	Total £000
Cost			
At 1 October 2002	7,159	6,624	13,783
Additional investments made	-	1,153	1,153
Disposal of investment	-	(7,777)	(7,777)
At 30 September 2003	7,159	-	7,159
Provisions made			
At 1 October 2002	(7,159)	-	(7,159)
Charge for the year	-	-	-
At 30 September 2003	(7,159)	-	(7,159)
Net book value			
At 30 September 2003	-	-	-
At 30 September 2002	-	6,624	6,624

The Airline Group

easyJet Airline Company Limited, a subsidiary of easyJet plc, is one of the seven shareholders in the Airline Group, which is a consortium of airlines set up to bid for the partial ownership of the UK air traffic control system (NATS). Following the success of the bid in March 2001, easyJet invested £7.2 million (including £0.3 million legal and consultancy fees) as its investment to provide the Airline Group with the initial capital base needed for the purchase. This investment was written off during the year ended 30 September 2002. The amount written off includes loan notes of £6.6 million. The accrued interest on the loan notes (including that which has been internally capitalised within the Airline Group) is £1.5 million (2002: £0.8 million). This accrued interest has not been recognised since its recovery is uncertain.

Deutsche BA

In August 2002, easyJet and British Airways Plc ('British Airways') entered into an agreement under which the group was granted an option to acquire from British Airways its 100 per cent holding in Deutsche BA Holding GmbH ("DBA"). The option was terminated in March 2003 and the investment has been written off as a result. During the year £1.2 million was incurred in respect of the investment, principally professional costs.

Notes *(continued)*

12 Debtors

	2003 **£000**	2002 £000
Trade debtors	**76,215**	43,095
Other debtors	**13,954**	13,728
Deferred tax	**1,783**	-
Prepayments and accrued income	**49,612**	39,182
	141,564	96,005

Included in prepayments and accrued income above is £9.1 million (2002 - £5.2 million) in respect of amounts which are recoverable in more than one year.

Management believes that the projected future profits of the group are sufficient to offset the carrying value of the deferred tax asset.

13 Creditors: amounts falling due within one year

	2003 **£000**	2002 £000
Bank loans (note 14)	**7,483**	21,099
Trade creditors	**20,642**	26,900
Other taxes and social security	**2,807**	2,748
Other creditors	**7,055**	9,793
Corporation tax	**13,846**	18,053
Unearned revenue (including Government taxes)	**104,979**	94,266
Accruals	**104,113**	87,755
	260,925	260,614

14 Creditors: amounts falling due after more than one year

	2003 **£000**	2002 £000
Bank loans:		
Due within one to two years	**5,944**	3,842
Due in two to five years	**25,313**	13,058
Due after five years	**34,065**	31,700
	65,322	48,600

Notes *(continued)*

14 Creditors: amounts falling due in more than one year (continued)

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

An arrangement with a consortium headed by Fortis Bank, one of the group's debt providers allowed the consortium at its own option to require the entire loan balance to be repaid on 19 August 2003. As a result in 2002, £14.3 million of debt was reclassified from long term to being due within one year. The consortium did not elect to exercise its option, and accordingly the debt has been reclassified as long term.

Interest and repayment terms and also maturity details for the bank loans are set out in note 22.

15 Provisions for liabilities and charges

	2003	2002
	£000	£000
Maintenance liabilities	**31,624**	25,801
Deferred taxation	**11,245**	2,587
	42,869	28,388

Maintenance liabilities

	2003	2002
	£000	£000
At 1 October 2002	**25,801**	1,920
Arising on acquisition of subsidiary undertaking	**-**	19,197
Arising during the year	**13,350**	6,320
Utilised	**(7,651)**	(1,647)
Reclassified from debtors	**499**	-
Exchange adjustments	**(375)**	11
At 30 September 2003	**31,624**	25,801

The group incurs liabilities for maintenance costs in respect of its leased aircraft during the course of the lease term. These are as a result of obligations in the lease contract in respect of the return conditions applied by lessors, which require aircraft airframes, engines and auxiliary power units to reach at least a specified condition on their return at the end of the lease. This requires significant spend, often towards the end of the lease period. The group pays maintenance reserves to lessors on a monthly basis in respect of certain leases, based on usage, to provide a security deposit for the lessor should the aircraft be returned without meeting its return conditions. These maintenance reserves are then returned to the group on production of evidence that qualifying maintenance expenditure has been incurred. However, in many instances maintenance reserves payable by the group are insufficient to meet the expected cost of the return conditions imposed. A further amount is provided in respect of the expected average monthly maintenance charge to be incurred over the life of the lease, less the net maintenance reserves paid to the lessor by the group and additional maintenance costs incurred.

Notes *(continued)*

15 Provisions for liabilities and charges *(continued)*

Deferred taxation

Deferred taxation provided in the accounts and amounts not provided are as follows:

	Provided 2003 £000	Provided 2002 £000	**Not provided 2003 £000**	Not provided 2002 £000
Capital allowances in advance of depreciation	**3,292**	-	-	-
Depreciation in advance of capital allowances	-	(3,562)	-	-
Losses available	-	-	-	-
Other fixed asset timing differences	**7,953**	6,149	-	-
Future credits not taxable	**(1,783)**	-	-	-
Deferred tax liability	**9,462**	2,587	-	-

Deferred taxation provided is included in the balance sheet as follows:

	2003 £000	2002 £000
Deferred tax liability (provisions for liabilities and charges)	**11,245**	2,587
Deferred tax asset (debtors, note 12)	**(1,783)**	-
	9,462	2,587

Movements in amounts provided are as follows:

	2003 £000	2002 £000
At 1 October 2002	**2,587**	-
Depreciation in advance of capital allowances	**6,854**	(3,562)
Other fixed asset timing differences	**1,804**	6,149
Future credits not taxable	**(1,783)**	-
At 30 September 2003	**9,462**	2,587

Deferred tax liabilities not provided are subject to set off against deferred tax assets in each individual company in which they arise.

Notes *(continued*

16 Called up share capital

	2003 £000	2002 £000
Authorised		
At beginning of the year	**125,000**	100,000
Authorised during 2002:		
Increase in authorised share capital: 100 million Ordinary shares of 25 pence each	-	25,000
At end of the year:		
500 million (2002: 500 million) Ordinary shares of 25 pence each	**125,000**	125,000
Allotted, called up and fully paid		
At beginning of the year	**97,919**	65,108
Issued during 2002:		
Open Offer – 19.5 million Ordinary shares of 25 pence each	-	4,883
Placing – 6.5 million Ordinary shares of 25 pence each	-	1,625
Rights Issue – 104.4 million Ordinary shares of 25 pence each	-	26,107
Share Option Schemes – 0.9 million Ordinary shares of 25 pence each	-	196
Issued during 2003:		
Share Option Schemes – 2.3 million Ordinary shares of 25 pence each	**566**	-
At end of the year:		
394.0 million (2002: 391.7 million) Ordinary shares of 25 pence each	**98,485**	97,919

Between 1 October 2002 and 30 September 2003, a further 2.3 million new Ordinary shares have been issued pursuant to the terms of the easyJet share option schemes (see note 18 below).

17 Share capital and reserves

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 1 October 2002	97,919	533,263	96,522	727,704
Issue of ordinary share capital:				
Share option schemes (see note 18)	566	6,369	-	6,935
Movement in profit and loss account for employee share schemes	-	-	(3,100)	(3,100)
Retained profit for the year	-	-	32,402	32,402
Foreign currency translation differences	-	-	(5,480)	(5,480)
At 30 September 2003	**98,485**	**539,632**	**120,344**	**758,461**

Notes (continued)

18 Share options and other share awards

The table below presents for the various share option schemes the options outstanding and their exercise price, together with an analysis of the movements in the number of options during the year.

	Exercise price Restated £	At 1 October 2002 Restated Number '000	Granted or issued Number '000	Lapsed Number '000	Exercised Number '000	At 30 September 2003 Number '000
(i) Pre-Flotation scheme						
	1.61	25,800	-	(286)	(1,885)	23,629
	1.81	2,342	-	(159)	(361)	1,822
	2.02	1,154	-	-	(11)	1,143
	2.74	302	-	(3)	-	299
Total		29,598	-	(448)	(2,257)	26,893
(ii) Non-approved discretionary scheme	4.11	662	-	(7)	-	655
	4.02	719	-	(6)	-	713
	2.00	-	2,778	(22)	-	2,756
Total		1,381	2,778	(35)	-	4,124
(iii) Approved discretionary scheme						
	4.02	1,324	-	(112)	-	1,212
	2.00	-	5,026	(56)	(11)	4,959
		1,324	5,026	(168)	(11)	6,171
(iv) Management Combination Incentive Plan	nil	3,149	-	(96)	(1,137)	1,916
Total all schemes		35,452	7,804	(747)	(3,405)	39,104

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

Except for the 3,710,238 share options issued to Amir Eilon, a non-executive director, which vested wholly upon Admission of the company to the Official List of the UK Listing Authority during 2000, 25 per cent of the share options granted vest or vested at the dates below:

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

Substantially all of the employees accepted employer's Secondary National Insurance contributions due on the exercise of the first tranche of options. It is a condition of those options granted since March 2000 that the option holders accept liability for the employer's Secondary National Insurance contributions due on the exercise of the options.

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

Notes *(continued)*

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

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

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

This award of options over ordinary shares in easyJet plc was granted in December 2000 to eligible employees of FLS easyTech Limited ("easyTech"), a 25 per cent associate of easyJet Airline Company Limited with a three year vesting period and no performance criteria. This grant was a catch-up, as it had not been possible to grant options to these employees under the easyJet Key Employee Pre-Flotation Share Option Scheme.

Further awards were made in December 2001 and March 2003 to all easyJet employees. The options granted are subject to a three year vesting period and will be exercisable subject to performance criteria.

(iii) the easyJet Approved Discretionary Share Option Scheme

This award of options over ordinary shares in easyJet plc was granted in December 2001 to eligible employees of the group on terms that meet Inland Revenue requirements for an Approved share option scheme. Further awards were made in March 2003.

(iv) The Management Combination Incentive Plan

Since July 2002, a total of 3,148,572 shares have been granted under the terms of the plan, which is designed to reward key participants in the process of combining the businesses of easyJet and Go Fly with free shares if the three performance milestones of single brand, single AOC and combination completion have been met within certain agreed timescales. In December 2002, the milestones of single brand and single AOC were met, resulting in 2,044,963 shares vesting with the participants. A further 1,009,048 shares are expected to vest if and when the combination completion milestone is met. The remaining 95,561 shares have lapsed.

Alternative accounting treatment

Changes to the accounting for share options are proposed within a recently issued accounting exposure draft, Financial Reporting Exposure Draft 31, Share-based Payments, which include a proposal to expense the fair value of the share options. These proposed accounting requirements are suggested to be effective for all share options issued after October 2002. Had this accounting treatment been mandatory for all the share options issued by the group up until 30 September 2003 the profit and loss account would have been subject to an additional charge of £2.6 million for the year ended 30 September 2003 (2002: £4.3 million).

Notes *(continued)*

19 Contingent liabilities

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

In 2002, Navitaire Inc. ("Navitaire"), a former supplier to easyJet Airline Company Limited, a group company, of airline reservation software, issued proceedings against that group company alleging copyright infringement in relation to airline reservations software. The court case has begun and is expected to continue into 2004. easyJet Airline Company Limited is vigorously defending the claims. The directors consider that, in the event of Navitaire being successful in any claim, any award of damages is unlikely to be material to the group.

20 Commitments

(a) Lease commitments

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

	Land and buildings	
	2003	2002
	£000	£000
Expiring less than one year	**106**	798
Expiring between two and five years	**168**	466
Expiring after more than five years	**67**	70
	341	1,334

	Aircraft	
	2003	2002
	£000	£000
Expiring less than one year	**4,542**	1,145
Expiring between two and five years	**50,613**	41,603
Expiring after more than five years	**27,286**	35,519
	82,441	78,267

Notes *(continued)*

20 Commitments *(continued)*

(b) Other financial commitments

As a result of a purchase agreement approved by shareholders in March 2003, the group is contractually committed to the acquisition of a further 119 new Airbus A319 aircraft with a list price of approximately US$5.3 billion, being approximately £3.2 billion (before escalations, discounts and deposit payments already made). In respect of those aircraft, deposit payments amounting to £143.1 million had been made as at 30 September 2003, for commitments for the acquisition of Airbus A319 aircraft.

As a result of a purchase agreement entered into in July 1998 and revised in March 2000, the group is contractually committed to the acquisition of six (2002: 14) new Boeing 737-700 type aircraft with a list price of approximately US$248 million (2002: US$579 million), being approximately £150 million (2002: £370 million) (before escalations, discounts and deposit payments already made). In respect of those aircraft, deposit payments amounting to £30 million had been made as at 30 September 2003 (2002: £49.1 million), for commitments for the acquisition of Boeing 737-700 aircraft.

At 30 September 2003 the group had placed a series of orders to purchase aircraft spare parts, totalling approximately £8.1 million (2002: £nil).

The group is also contractually committed to the purchase of other assets totalling approximately £0.4 million (2002: £0.6 million).

Notes *(continued)*

21 Notes to the cash flow statement

Analysis of amounts summarised in the cash flow statement

	2003 £000	2002 £000
Returns on investment and servicing of finance		
Interest received	**13,327**	15,747
Interest paid on bank and all other loans	**(1,475)**	(5,044)
Net cash inflow from returns on investment and servicing of finance	**11,852**	10,703
Capital expenditure		
Purchase of tangible fixed assets	**(233,905)**	(75,101)
Sale of tangible fixed assets	**58,562**	71,709
Net cash outflow for capital expenditure	**(175,343)**	(3,392)
Acquisitions and disposals		
Purchase of subsidiary undertaking	**2,251**	(387,140)
Net cash acquired with subsidiary	**-**	126,531
Investment in Deutsche BA	**(1,153)**	(6,624)
Net cash inflow/(outflow) for acquisitions	**1,098**	(267,233)
Financing		
New loans taken out	**13,906**	-
Decrease in loans	**(6,619)**	(8,293)
Issue of share capital, net of issue costs of £nil (2002: £8.3million)	**3,835**	367,713
Net cash inflow from financing	**11,122**	359,420

Notes *(continued)*

22 Financial instruments

The objectives, policies and strategies applied by the group with respect to financial instruments are determined at a group level. The principal financial instruments used by the group to finance its operations are cash and loans. During the current financial period, certain financial instruments acquired as a result of the acquisition of Newgo 1 Limited in the previous financial year were in place. These had all expired by 30 June 2003.

The significant financial risks faced by the group and the policies that it applies are considered below. No transactions of a speculative nature are undertaken.

Historically, the group has seldom used derivative financial instruments to hedge its exposure to fuel, foreign currency and interest rate fluctuations, although natural hedges limit the exposures to these risks. Some hedges also operated in the current financial year, which were acquired with Newgo 1 Limited in July 2002. In May 2003 the board reviewed this strategy and announced a new hedging policy, which it considers to be appropriate given the increased size of the business. Since that time the company has begun hedging its exposure to US dollar rates and Jet A1 fuel costs. The hedging approach implemented has been to limit exposure to significant adverse movements in US$ exchange rates and Jet A1 fuel costs through a range of option products. In addition, the board approves periodic hedging through forward contracts on an opportunistic basis when conditions are favourable. At 30 September 2003, the hedging in place included a range of options on US dollar/Pound Sterling and Jet A1 fuel. There were no outstanding forward contracts at that date. The level of hedging cover taken has been up to 80% of projected cash flows for US dollar/Pound Sterling and Jet A1 fuel on a one year horizon.

Notes *(continued)*

22 Financial instruments *(continued)*

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

Foreign currency risk

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

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

27 per cent of the total group costs in the year ended 30 September 2003 were incurred by easyJet in the US dollar (2002: 15 per cent). There were minimal US dollar revenues.

Approximately 32 per cent (2002: 16 per cent) of the group's total assets (that is, its owned aircraft and deposits paid towards the future acquisition of aircraft) are denominated in US dollars, with the effect that the group's balance sheet and, in particular, shareholders' funds, can be significantly affected by movements in the rate of pounds sterling against the US dollar. The group mitigates the effect of such movements by borrowing in the same currencies as those US dollar denominated assets. Owned aircraft are anticipated to be sold for US dollars within approximately seven years of their acquisition. The resulting sale proceeds are expected to be used largely to pay down US dollar loans and as a result these large US dollar inflows are not considered to create a significant currency exposure to the group.

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

	Year end exchange rate (US$: £)
30 September 2003	1.66
30 September 2002	1.57

3 per cent of the total group costs in the year ended 30 September 2003 were incurred by easyJet Switzerland (2002: 9 per cent), whose functional currency is the Swiss Franc. The costs of that business are translated into pounds sterling at average exchange rates for the purposes of inclusion into the consolidated profit and loss account, and the net assets at the year end exchange rate of the Swiss Franc against pounds sterling. To a large extent, the exposure to the Swiss Franc is mitigated as revenue in that currency is also earned by the group.

Notes *(continued)*

22 Financial instruments *(continued)*

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

	US dollars £000	Other £000	Total £000
Total assets	**28,707**	**22,688**	**51,395**
Total liabilities	**(46,903)**	**(15,522)**	**(62,425)**
Net (liabilities)/assets as at 30 September 2003	**(18,196)**	**7,166**	**(11,030)**
Total assets	31,413	22,812	54,225
Total liabilities	(42,383)	(11,948)	(54,331)
Net (liabilities)/assets as at 30 September 2002	(10,970)	10,864	(106)

Interest rate risk

The group's exposure to fixed and floating rate leases for airplanes is monitored and the group has a formal policy target on its interest rate profile to achieve an approximate 50/50 balance between fixed and floating rate leases. This target is to be achieved as leases on the new Airbus planes are implemented and the 27 fixed rate leases acquired with Go expire. The fixed and floating rate interest profile for leases at 30 September 2003 was 69%/31% (2002: 79%/21%). There is no such formal policy on bank loans, which are all at floating rates. The group's historical borrowings are analysed below between fixed rate and variable rate loans.

	Total	**Fixed rate borrowings**	**Variable rate borrowings**	**Weighted average interest rate for fixed rate borrowings**	**Average time over which interest rate is fixed**
	£000	£000	£000	%	months
Bank loans (US dollar denominated)	**72,805**	**-**	**72,805**	**-**	**-**
As at 30 September 2003	**72,805**	**-**	**72,805**	**-**	**-**
Bank loans (US dollar denominated)	69,699	-	69,699	-	-
As at 30 September 2002	69,699	-	69,699	-	-

Notes *(continued)*

22 Financial instruments *(continued)*

Interest rate *(continued)*

The maturity of the bank loans is set out below:

	2003 £000	2002 £000
Bank loans		
Due within one year	**7,483**	21,099
Due between one and two years	**5,944**	3,842
Due between two and five years	**25,313**	13,058
Due over five years	**34,065**	31,700
	72,805	69,699

The variable rate bank loans bear interest by reference to US$ LIBOR plus a margin.

The loans are repayable in quarterly and six monthly instalments.

The majority of the group's financial assets comprise bank balances, which attract interest at the applicable money market deposit rates. At 30 September 2003, all of the group's cash and liquid resources had a maturity of seven days or less and attracted a weighted average rate of 3.2% (2002: 3.3%).

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

	Total	Fixed rate aircraft leases	Variable rate aircraft leases	Weighted average interest rate for fixed rate leases	Average time over which interest rate is fixed
	£000	£000	£000	%	Months
Approximate aircraft operating lease payments due in the financial year ending 30 September 2004 (payable in US dollars)	**82,411**	**56,570**	**25,872**	**6.4**	**44**
Approximate aircraft operating lease payments due in the financial year ending 30 September 2003 (payable in US dollars)	79,683	63,125	16,558	5.6	44

Notes *(continued)*

22 Financial instruments *(continued)*

Liquidity risk

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

Credit risk

Potential concentrations comprise principally cash and trade debtors.

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

Funding risk

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

In March 2003, the group agreed to purchase 120 new Airbus A319 planes for delivery over the next 5 years. At 30 September 2003, the group had taken delivery of one Airbus and has plans to take delivery of a further 22 in the coming year. Financing is in place for the next four Airbus deliveries, through to February 2004. Financing is being arranged at present for the 18 further deliveries planned for the coming year, of which a significant percentage are expected to be involved in sale and leaseback transactions. As a result of the order and expected deliveries, the group is also making significant deposits on aircraft. As the group has large cash resources to meet these payments and financing is arranged for the planes prior to delivery, no significant funding risk is perceived.

Fair values of financial assets and liabilities

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

	30 September 2003		30 September 2002	
	Book value £000	**Fair value £000**	Book value £000	Fair value £000
Primary financial instruments held to finance the group's operations:				
Fuel hedges	**1,454**	**1,080**	1,295	2,155
Currency hedges	**789**	**242**	(4,890)	(5,146)
Bank loans	**(72,805)**	**(72,805)**	(69,699)	(69,699)
Cash	**335,405**	**335,405**	427,894	427,894
	264,843	**263,922**	354,600	355,204

Notes *(continued)*

22 Financial instruments *(continued)*

Fair values of financial assets and liabilities (continued)

As described above, in the current year the group used options to hedge its future exposure to US dollar rates and Jet A1 fuel costs. In the prior year a limited number of forward contracts acquired with Newgo 1 were also outstanding, but there were none at 30 September 2003. Changes in the fair value of these instruments are not recognised in the financial statements until the hedged positions mature.

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

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

In respect of the US dollar exchange rate, at 30 September 2003 the group had $243 million of currency hedges through options, all of which expire before 30 September 2004. At 30 September 2003, the total value of these instruments was £0.2 million representing a loss of £0.5 million. (2002: There was a loss of £5.2 million on hedging instruments, of which £4.9 million was included in the opening balance sheet of Newgo 1 Limited as a fair value adjustment).

In respect of fuel, the group had hedges for 352,000 tonnes of fuel through options. These all expire before 30 September 2004. At 30 September 2003, the total value of these instruments was £1.1 million, representing a loss of £0.4 million. (2002: There was a gain of £2.2 million on hedging instruments, of which £1.3 million was included in the opening balance sheet of Newgo 1 Limited as a fair value adjustment).

There were no further hedges outstanding at 30 September 2003 (2002: Euro currency hedges expiring March 2003 showed a gain of £0.1 million).

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on financial instruments are as follows:

	Gains £000	(Losses) £000	Net gains/(losses) £000
At 1 October 2002	860	(256)	604
(Gains)/losses arising before 1 October 2002 that were recognised during the year ended 30 September 2003	(860)	256	(604)
Gains/(losses) arising before 1 October 2002 that were not recognised during the year ended 30 September 2003	-	-	-
Losses arising in the year that were not recognised during the year ended 30 September 2003	-	(921)	(921)
Losses at 30 September 2003	-	(921)	(921)
Of which:			
Losses expected to be recognised in less than one year	-	(921)	(921)
Losses expected to be recognised after more than one year	-	-	-
Losses at 30 September 2003	-	(921)	(921)

23 Related party transactions

During the year, the group has transacted with easyCar Limited, easyInternetCafé Limited, easyMoney Limited, easyGroup Limited and easyValue Limited, being companies of which Stelios Haji-Ioannou is the majority shareholder. Stelios Haji-Ioannou was also formerly the chairman and a director of easyJet plc and continues to have a substantial shareholding. The transactions principally relate to the charging of advertising costs and web page click-through revenues between the group and these companies. These charges are summarised below for the years ended 30 September 2003 and 2002, together with the balances outstanding at those dates.

	easyValue Limited		easyCar Limited		easyInternetCafé Limited	
	2003	2002	**2003**	2002	**2003**	2002
	£000	£000	**£000**	£000	**£000**	£000
Charges to the group	-	-	**63**	21	-	-
Charges by the group	**49**	104	**576**	1,054	-	-
Year end debtor/(creditor)	-	28	-	543	-	(25)

	easyMoney Limited		easyGroup Limited	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Charges to the group	-	-	**26**	129
Charges by the group	**10**	38	-	
Year end debtor/(creditor)	**11**	18	**1**	1

In 2002, the company transacted with Amir Eilon, a non-executive director, via companies, which he controls. Further details are set out in the report on directors' remuneration.

In 2002, the group also transacted with Campbell Hooper for legal services amounting to less than £5,000. Daniel Eilon, the brother of Amir Eilon, is a partner of Campbell Hooper and provided the legal services to the group.

24 Post balance sheet events

Since 30 September 2003,the group has committed to forward purchases of US dollars amounting to 85% of expected usage during the period ending 31 March 2004 at exchange rates between $1.643 and $1.668.

Company balance sheet

at 30 September

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	*25a*	**21,043**	-
Investments	*25b*	**704,803**	679,936
		725,846	679,936
Current assets			
Debtors	*25c*	**156,270**	17,866
Cash at bank and in hand		**25**	16,998
		156,295	34,864
Creditors: amounts falling due within one year	*25d*	**(245,156)**	(76,650)
Net current liabilities		**(88,861)**	(41,786)
Net assets		**636,985**	638,150
Capital and reserves			
Called up share capital	*25e*	**98,485**	97,918
Share premium account	*25e*	**539,632**	533,263
Profit and loss account	*25e*	**(1,132)**	6,969
Shareholders' funds – equity	*25f*	**636,985**	638,150

These financial statements were approved by the board of directors on 17 November 2003 and were signed on its behalf by:

R Webster

Director

C Walton

Director

Notes

25 Company information

(a) Tangible fixed assets

	Aircraft
	£000
Cost	
At 1 October 2002	-
Additions	42,288
Disposals	(20,858)
At 30 September 2003	**21,430**
Depreciation	
At 1 October 2002	-
Charge for year	547
Disposals	(160)
At 30 September 2003	**387**
Net book value	
At 30 September 2003	**21,043**
At 30 September 2002	-

(b) Fixed asset investments

	Shares in subsidiary undertakings £000
At 1 October 2002 - cost	679,936
Additions	32,644
Disposals	(7,777)
At 30 September 2003 - cost	**704,803**

Notes *(continued)*

(b) Fixed asset investments (continued)

The principal companies in which the company has interests at 30 September 2003 are noted below. A full list of group companies will be included in the company's next annual return, in compliance with s231 and parts I and II of Schedule 5 of the Companies Act 1985.

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

Notes

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

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

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

Notes *(continued)*

25 Company information *(continued)*

(c) Debtors: amounts due within one year

	2003 £000	2002 £000
Amounts owed by subsidiaries	**140,028**	16,436
Other debtors	**-**	35
Deferred tax	**1,783**	-
Prepayments and accrued income	**14,459**	1,395
	156,270	17,866

Included within prepayments and accrued income is £3.4 million (2002: - £nil) in respect of amounts which are recoverable in more than one year.

Management believes that projected future profits of the company are sufficient to offset the carrying value of the deferred tax asset.

(d) Creditors: amounts falling due within one year

	2003 £000	2002 £000
Amounts owed to subsidiaries	**234,344**	70,587
Corporation tax	**1,936**	2,743
Other creditors	**8,876**	3,320
	245,156	76,650

(e) Reconciliation of movement in equity shareholders' funds

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 1 October 2002	97,919	533,263	6,968	638,150
Issue of ordinary share capital: Share option schemes (see note 18)	566	6,369	-	6,935
Retained profit for the year	-	-	(8,100)	(8,100)
At 30 September 2003	**98,485**	**539,632**	**(1,132)**	**636,985**

Notes *(continued)*

25 Company information *(continued)*

(f) Reconciliation of movement in equity shareholders' funds

	2003 **£000**	2002 £000
Retained (loss)/profit for the year	**(8,100)**	7,363
Issue of share capital during the year	**6,935**	369,435
Net movement in shareholders' funds	**(1,165)**	376,798
Opening shareholders' funds	**638,150**	261,352
Closing shareholders' funds	**636,985**	638,150

(g) Guarantee and contingent liabilities

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

The company has 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 GIE in respect of the supply of Airbus 320 family aircraft.

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

Selected financial unaudited information in Euros

Basis of preparation

The consolidated financial statements of the group are presented in pounds sterling. The proforma consolidated profit and loss account statement and proforma statement of net assets have been presented below in Euros for convenience only, using the average exchange rate during the year of €1.4872: £1 and €1.601: £1 for the years ended 30 September 2003 and 2002, respectively, and at the year end exchange rate of €1.441: £1 and €1.591: £1 at 30 September 2003 and 30 September 2002, respectively, between pounds sterling and the Euro. The presentations below are for illustrative purposes only and should not be construed as representations that the Euro amounts actually represent such pounds sterling amounts or could have been or could be converted into Euro at the rate indicated or at any other rates.

Consolidated profit and loss account

Proforma presentation in Euros

for the year ended 30 September

	2003 €000	2002 (Restated) €000
Turnover	**1,385,840**	883,585
Cost of sales	**(1,152,564)**	(661,610)
Gross profit	**233,276**	221,975
Distribution and marketing expenses	**(90,697)**	(65,061)
Administrative expenses	**(70,526)**	(45,419)
Group operating profit	**72,053**	111,495
Loss from interest in associated undertaking - committed contribution to Deutsche BA	**(1,976)**	(2,176)
Total operating profit: group and share of associate	**70,077**	109,319
Amounts written off investments	**(11,566)**	(11,463)
Interest receivable	**20,418**	25,220
Interest payable	**(2,304)**	(8,371)
Profit on ordinary activities before taxation	**76,625**	114,705
Tax on profit on ordinary activities	**(28,437)**	(36,135)
Retained profit for the financial year	**48,188**	78,570

Selected unaudited financial information in Euros *(continued)*

Consolidated net assets

Proforma presentation in Euros

as at 30 September

	2003		2002	
	€000	**€000**	€000	€000
Fixed assets				
Intangible assets		**475,294**		556,349
Tangible assets		**462,232**		294,491
Investments		**-**		10,539
		937,526		861,379
Current assets				
Debtors	**203,994**		152,744	
Cash at bank and in hand	**483,319**		680,779	
	687,313		833,523	
Creditors: amounts falling due within one year	**(375,993)**		(414,637)	
Net current assets		**311,320**		418,886
Total assets less current liabilities		**1,248,846**		1,280,265
Creditors: amounts falling due after more than one year		**(94,129)**		(77,323)
Provisions for liabilities and charges		**(61,775)**		(45,165)
Net assets		**1,092,942**		1,157,777

Summary of selected financial information for five years

Year ended 30 September

	2003 £000	2002 £000	2001 £000	2000 £000	1999 £000
Revenue	931,845	551,844	356,859	263,694	139,789
Operating profit before exceptional costs	48,449	69,572	41,900	28,660	8,271
Profit/(loss) on ordinary activities before taxation	51,523	71,577	40,133	22,103	1,260
Retained profit for the financial year	32,402	49,009	37,907	22,103	1,260
Fixed assets	650,608	541,407	216,587	205,322	167,560
Current assets	476,969	523,899	291,541	55,047	57,342
Creditors: amounts falling due within one year	(260,925)	(260,614)	(113,428)	(84,483)	(56,882)
Creditors: amounts falling due after more than one year	(65,322)	(48,600)	(76,289)	(108,315)	(127,069)
Provision for liabilities and charges	(42,869)	(28,388)	(1,920)	(1,854)	(1,463)
Net assets	758,461	727,704	316,491	65,717	39,488
Cash flow from operating activities	77,231	84,231	83,376	60,569	25,221
Committed contribution to associate	(1,929)	(759)	-	-	-
Return on investment and servicing of finance	11,852	10,703	1,737	(7,937)	(8,160)
Taxation	(16,520)	489	-	(541)	-
Capital expenditure	(175,343)	(3,392)	(29,027)	(36,339)	(38,973)
Acquisitions and disposals	1,098	(267,233)	-	-	996
Management of liquid resources and financing	79,745	286,708	159,261	(31,509)	37,112
Increase/(decrease) in cash in the year	(23,866)	110,747	215,347	(15,757)	16,196

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

The financial performance and position reported above for 2003 and 2002 includes the results for and position of Go Fly, since its acquisition on 31 July 2002.