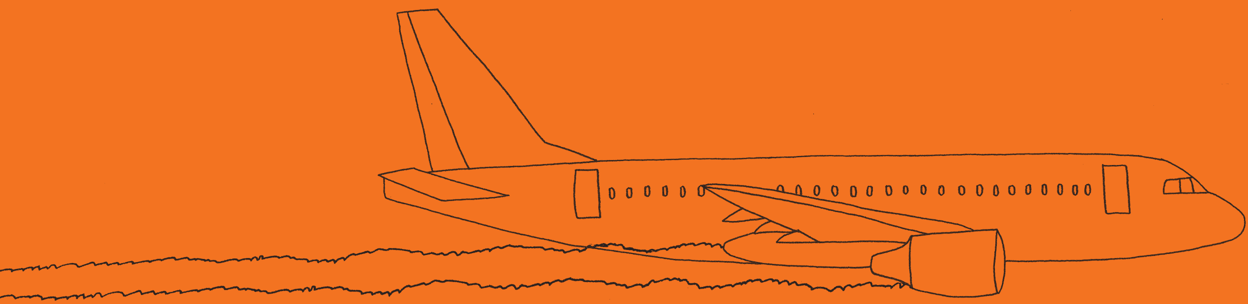
easyJet plc
Annual report and accounts 2008



easyJet plc

Contents

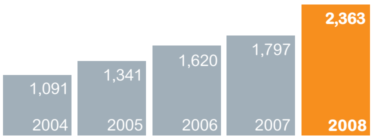
easyJet at a glance

Strong revenue growth has meant that easyJet was able to offset over half the impact of higher fuel costs and deliver pre-tax profits of £123m*. easyJet is financially strong with significant cash holdings and low gearing.

Financial highlights

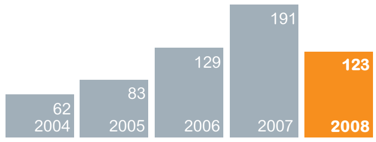
Revenue £ million

+31%



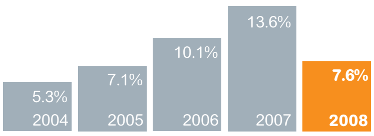
Profit before tax* £ million

-36%



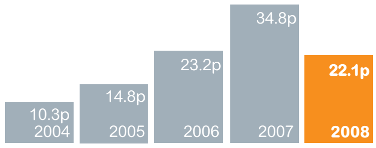
Return on equity* %

-6.0pp



Basic earnings per share* pence

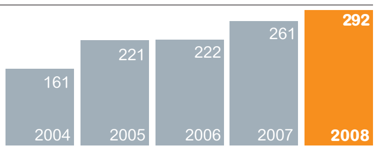
-36%



Financial strength

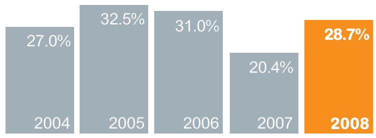
Cash flow from operations £ million

+12%



Gearing %

+8.3pp



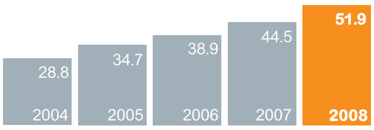
*Underlying financial performance excludes £12.9 million of costs associated with the integration of GB Airways in 2008 and excludes the reversal of the impairment of the investment in The Airline Group of £10.6 million in 2007.

By building strong positions at the major airports in key markets such as London, Milan Malpensa, Geneva and Paris easyJet has developed Europe's premier air transport network.

Operational highlights

Over 50 million seats flown

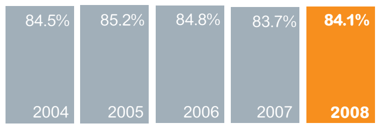
Seats flown



+17%

Consistently high load factors

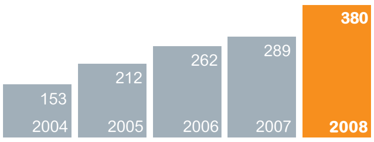
Load factor



+0.4pp

Europe's No.1 air transport network

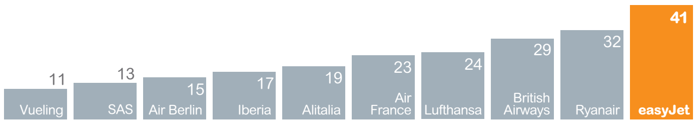
Routes at 30 September



91 new routes

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

Presence on the top 100 European routes

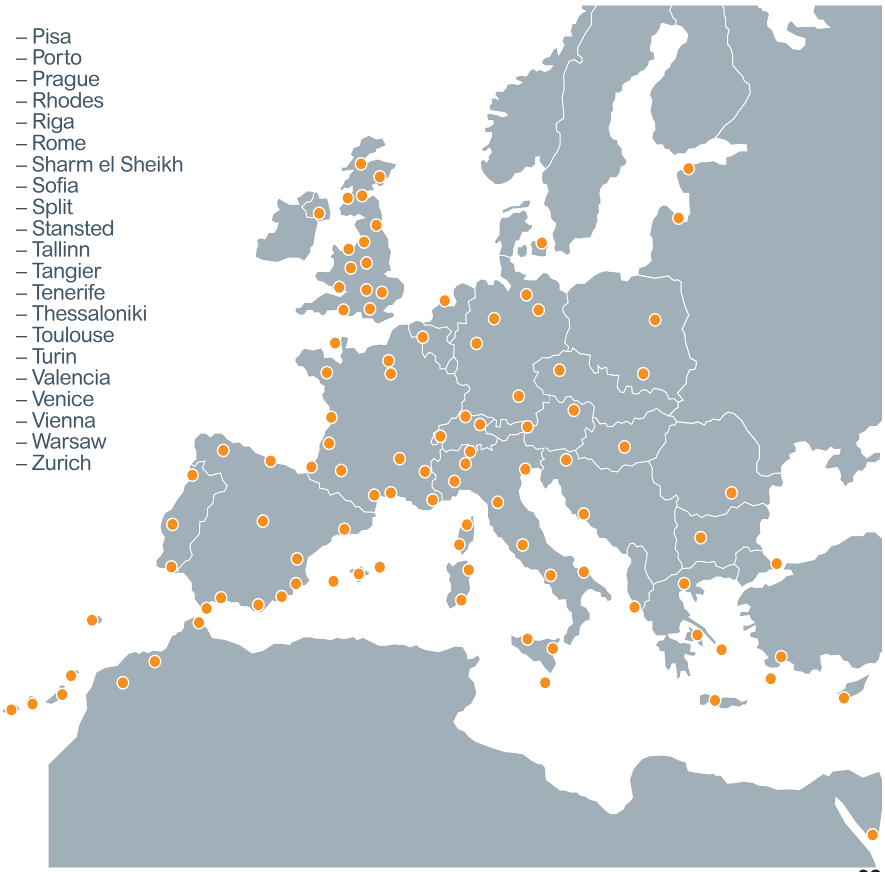


We have presence on 41 of the top 100 European routes, more than any other carrier.

Airports in network

100 airports as at 30 September 2008

- Aberdeen
- Ajaccio
- Alicante
- Almeria
- Amsterdam
- Arrecife
- Athens
- Barcelona
- Bari
- Basel
- Bastia
- Belfast
- Berlin
- Biarritz
- Bilbao
- Birmingham
- Bordeaux
- Bournemouth
- Bristol
- Brussels
- Bucharest
- Budapest
- Cagliari
- Casablanca
- Catania
- Cologne
- Copenhagen
- Corfu
- Dalaman
- Dortmund
- East Midlands
- Edinburgh
- Faro
- Fuerteventura
- Funchal
- Gatwick
- Geneva
- Gibraltar
- Glasgow
- Grenoble
- Hamburg
- Heraklion
- Ibiza
- Innsbruck
- Inverness
- Istanbul
- Jersey
- Krakow
- La Rochelle
- Las Palmas
- Lisbon
- Liverpool
- Ljubljana
- Luton
- Lyon
- Madrid
- Mahon
- Malaga
- Malta
- Manchester
- Marrakech
- Marseille
- Milan Malpensa
- Milan Linate
- Montpellier
- Munich
- Murcia
- Mykonos
- Nantes
- Naples
- Newcastle
- Nice
- Olbia
- Oveido
- Palermo
- Palma
- Paphos
- Paris Charles de Gaulle
- Paris Orly
- Pisa
- Porto
- Prague
- Rhodes
- Riga
- Rome
- Sharm el Sheikh
- Sofia
- Split
- Stansted
- Tallinn
- Tangier
- Tenerife
- Thessaloniki
- Toulouse
- Turin
- Valencia
- Venice
- Vienna
- Warsaw
- Zurich



Chairman's statement

Sir Colin Chandler
Chairman

Resilient business model

It is testimony to both the resilience of the easyJet business model and the quality of the easyJet people that the business continued to make progress in an extremely challenging year. The price of fuel rose to unprecedented levels and less well positioned competitors struggled to survive resulting in capacity exiting the market.

Strong revenue growth has meant that easyJet was able to offset over half the impact of higher fuel costs and deliver underlying pre tax profits of £123 million[1] and underlying return on equity of 7.6%[1], down from 13.6%[1] last year.

GB Airways was smoothly integrated and as a result easyJet is now the leading airline at Gatwick. easyJet continued its expansion outside the UK, especially in Italy, France and Spain with nearly half of our passengers now originating outside the UK.

People

At easyJet we truly believe that people make the difference. The commitment and enthusiasm of our crew is a key part of why easyJet ranks ahead of competitors in the perceptions of our customers across Europe and my fellow Directors and I continue to be very grateful for all the efforts of all our people.

The Board

I am delighted that Sven Boinet joined the Board of easyJet this year. Sven, a French national, has been the Chief Executive Officer of Group Lucien Barrière since 2004. Sven also held a number of senior management roles over a 15 year period at the French hotels group, Accor and was a Non Executive Director of Lastminute.com. Sven's experience of the French business environment will be invaluable as we develop our operations in France. Sadly, Dawn Airey will step down from the Board on 31 December 2008. Dawn has been a member of the Board since 2004 and her skills and experience of the media sector have been invaluable to easyJet's development.

Industry regulation

The Board is aware of pressures to increase the level of taxation and regulatory charges in the aviation industry. It is disappointing that at a time when the industry is under considerable pressure new passenger taxes have been introduced in the Netherlands, Belgium and Ireland. It is disappointing to see that it is passengers who are taxed not aircraft, especially those older models which produce more emissions than from a modern fleet, as we have at easyJet.

The European Union has now finalised the terms of aviation's entry into the Emissions Trading Scheme (ETS). This will require us, from 2012, to hold carbon emission allowances to cover our CO_2 emissions. ETS is a cap and trade scheme, covering many sectors, and is designed to ensure that carbon emissions in the EU are reduced as efficiently as possible. easyJet was an active proponent of entry into ETS, which we believe is the most efficient way to ensure that emissions are reduced as efficient short-haul airlines, like easyJet, will face relatively lower costs than inefficient airlines with high emissions. However, we are concerned that the proportion of permits that will be auctioned (against free allocation) and thus the cost burden is much higher than was originally proposed.

Turning to airports, we have argued for both the break-up of BAA and the review of airport regulation by the UK Department for Transport. The challenge now will be to ensure that the forthcoming sale of Gatwick and the Department for Transport review lead to more efficient airport operations. We were disappointed by the Civil Aviation Authority decision to allow significant increases to charges at Gatwick for the period to 2012/13, and we are challenging the validity of the CAA process in the courts.

Looking forward, easyJet will continue to work constructively with key stakeholders to ensure an appropriate structure for regulation and taxation that improves efficiency across the industry.

Conclusion

easyJet is now a truly pan European airline operating the premier European air transport network. The easyJet brand has a high level of recognition and customer advocacy in all its key markets. Undoubtedly, there will be challenges in the coming year as the consumer environment weakens but easyJet is well positioned and has an experienced and capable senior management team. Our policy will be to be cautious during this time of uncertainty and to conserve cash as a means of emerging from economic recession in a position of strength.

Sir Colin Chandler
Chairman
17 November 2008

Note 1: Underlying financial performance excludes £12.9 million of costs associated with the integration of GB Airways in 2008 and excludes the reversal of the impairment of the investment in The Airline Group of £10.6 million in 2007.

Business review

Andrew Harrison
Chief Executive

Highlights of the year

Underlying profit before tax of £123 million[1] (2007: £191 million[1]), equivalent to £2.37 (2007: £4.30) per seat flown

Reported profit before tax of £110 million (2007: £202 million)

Total revenue up 31.5% to £2,363 million

Passenger numbers up 17.3% to 43.7 million and load factor improved 0.4pp to 84.1%

Total revenue per seat up 12.6% (7.3% at constant currency) for the full year and 15.2% (9.3% at constant currency) for the second half, driven by improved ancillary revenue performance and increased sector length associated with the acquisition of GB Airways on 31 January 2008

Total cost per seat[1] (excluding fuel and exchange movement) up 5.6% partly driven by increased sector length

Over half of the £210 million or £4.08 fuel cost per seat increase recovered through revenue improvements

The fleet grew to 165 aircraft at 30 September 2008 (2007: 137) including 16 as part of the acquisition of GB Airways

Strong liquidity with cash and money market deposits of £863 million (excluding restricted cash of £66 million)

Nearly half of passengers now originate outside the UK

Results at a glance

	2008	2007	Change
Total revenue (£ million)	**2,362.8**	1,797.2	31.5%
Profit before tax – underlying (£ million)[1]	**123.1**	191.3	(35.7)%
Profit before tax – reported (£ million)	**110.2**	201.9	(45.4)%
Pre tax margin – underlying (%)[1]	**5.2**	10.6	(5.4)pp
Return on equity – underlying (%)[1]	**7.6**	13.6	(6.0)pp
Basic EPS – reported (pence)	**19.8**	36.6	(45.9)%

Note 1: Underlying financial performance excludes £12.9 million of costs associated with the integration of GB Airways in 2008 and excludes the reversal of the impairment of the investment in The Airline Group of £10.6 million in 2007.

In the past year easyJet has continued to develop its business successfully with passenger numbers increasing by 17.3% to 43.7 million and nearly half of easyJet's passengers now originate from outside the UK. The average number of aircraft in the fleet in 2008 increased to 150 from 128 in 2007. easyJet has grown in the past 13 years through capturing market share from charter and legacy carriers on primary routes, as well as stimulating new markets to become the fourth largest airline in European short-haul aviation, with a near 7% share measured by seats flown. The market is highly fragmented with approximately 230 carriers in total of which the top 50 account for 90% of the capacity in the market. European short-haul aviation has seen an average annual increase in passenger traffic of around 4.5% over the past 20 years, however the combination of higher fuel costs and the weakening consumer environment is causing significant changes in the industry.

Strategy and business model

In the current environment it is companies such as easyJet with a strong business model and balance sheet that will survive and ultimately emerge stronger.

easyJet's business model is centred around the following strengths:

- Low cost, financially strong and highly efficient;
- Europe's number one air transport network;
- Strong customer proposition.

Through building on these strengths easyJet has improved its underlying return on equity from 7.1% in 2005 to 13.6% in 2007, however in 2008 underlying return on equity has reduced to 7.6% mostly due to the increase in fuel cost per seat of £4.08 equating to an increase in the fuel bill of around £210 million. Encouragingly though, easyJet was able to offset over half of this increase through revenue and cost initiatives demonstrating the strength and resilience of the business model and its appeal to customers. easyJet remains committed to achieving a 15% return on equity although the current difficult economic climate and uncertainty over the future may make this a challenging target to achieve over the medium term. In the current climate, the business will take a prudent approach to cash conservation in order to emerge as the winner in European short-haul aviation when the economic conditions have improved.

Financial strength

easyJet is financially strong with £863 million of cash and money market deposits on the balance sheet (excluding restricted cash of £66 million) and low gearing at 29% as at the balance sheet date of 30 September 2008. In addition, financing at favourable rates (less than 100 basis points above LIBOR) is already in place with a number of counterparties to fund easyJet's committed aircraft deliveries over the next 18 months.

In the next 18 months the capital expenditure outflow in respect of aircraft deliveries amounts to $1.2 billion. This will be funded from the current undrawn facilities of $1.1 billion. Beyond 18 months easyJet will seek additional aircraft financing.

Network development

A key differentiator for easyJet is its network. Through its focus on convenient airports and by building strong positions at the major airports in key markets such as London, Milan, Geneva and Paris easyJet has developed Europe's premier air transport network when measured both by consumer reach and presence on the top 100 routes. The network ensures easyJet has a broad appeal across geographies and customer types and thus a balanced revenue base.

In the past year easyJet has further strengthened its network by the integration of GB Airways which has given easyJet the leading position at Gatwick with its large and affluent catchment area. easyJet now has 35 aircraft based at Gatwick.

easyJet's expansion in mainland Europe in 2008 has been derived from organic growth with capacity, measured by seats flown, in the year increasing by 31% focusing on the key markets of France, Italy and Spain.

Network performance

easyJet continues to manage its network performance by optimising routes, actively managing yields through its proprietary yield management system and continuing to focus on a broad range of customer groups.

During the year, 24 underperforming routes were closed and it was announced that Dortmund would be closed as a base in October.

In the UK, the summer performance was pleasing with particular strength at Gatwick and Newcastle. Yields at Belfast remained challenging, however, it is pleasing that customers continue to prefer easyJet with load factors being significantly ahead of the competition on key overlapping routes.

Over the past year, easyJet continued the development of its business in Italy. 11 aircraft are now based at Milan Malpensa covering a network of 21 destinations including domestic routes such as Naples, Palermo and Bari. easyJet has now displaced Alitalia to become the number one short-haul airline at Malpensa.

In the year, two new bases were opened in France, one at Paris Charles de Gaulle and one at Lyon. There are now 12 aircraft operating out of the French bases, further developing market share and consolidating easyJet's position as France's premier low fares carrier.

Performance of the Madrid base has been challenging but has improved during the year as weaker competitors have started to consolidate and withdraw capacity.

Switzerland continues to be an important market for easyJet where it holds the leading position at Basel and Geneva.

Focus on margins

easyJet remains focused on margin improvement and, in order to limit further margin dilution over the winter, has withdrawn several lower yielding flights in those hours of the day and days of the week where consumer demand is weak thereby reducing aircraft utilisation compared to last winter.

A key element of revenue enhancement is the continued development of easyJet's ancillary revenue stream. The checked bag charge, introduced during the year, has quickly become a strong contributor to total revenue. Speedy Boarding and Speedy Boarding Plus are recognised as valuable customer offerings generating consistently good revenue. A significant step in the development of inflight revenues was the transfer of the service provision to Gate Gourmet at the end of last year. Subsequently, revenues have improved and the next stage of development, the introduction of electronic point of sale equipment onboard, will further enhance the inflight revenue stream. Partner revenues continue to improve and of particular note this year was the improvement in insurance revenues following changes such as the introduction of annual, multi-trip, and one-way policies and enhancement of the website presentation.

The cost environment continued to be challenging with above inflationary increases in airport charges at Gatwick, Stansted, Paris and Amsterdam. Despite this, easyJet has delivered an improvement in cost per available seat kilometre excluding fuel and currency impacts. easyJet's low cost and efficient operation is a key competitive advantage and continued aggressive cost management is vital to easyJet's future success and thus easyJet has put in place clear targets for further cost reduction over the next three years in the areas of ownership, maintenance, crew and fuel burn. These initiatives are expected to deliver more than £100 million of savings by 2011. easyJet made 60 head office staff redundant in September 2008, this and other overhead rationalisation will result in annual savings of £6 million.

Fleet

easyJet benefits from its young fuel efficient fleet and the low ownership costs negotiated as part of the ongoing relationship with Airbus. In the year, easyJet took delivery of 13 A319 aircraft under the terms of the easyJet agreement and acquired 15 A320 family aircraft through the GB Airways acquisition. Subsequently, easyJet has taken delivery of three further A321 GB Airways configured aircraft with two returned to lessors during the period. In addition, easyJet reached an agreement with Airbus to convert 25 Airbus A319 orders to those for A320 aircraft with 180 seats. These aircraft will be deployed on some of the longer sector routes acquired with GB Airways, on some of the traditional easyJet routes to pick up extra revenue at peak times and at slot constrained airports. easyJet has 45 aircraft in its Boeing and GB Airways sub-fleet and the intention is to exit all of these aircraft from the fleet by 2011 to realise ownership cost savings of £40 million per annum.

The sale of the seven A321 aircraft from the GB Airways sub-fleet and five A319 aircraft continues to progress albeit in the current market potential purchasers are finding financing more difficult to arrange. In light of the current economic environment, the Board will adopt a cautious approach to growth and will focus on maintaining a strong balance sheet. The Board will continue to monitor capital expenditure plans and fleet planning decisions quarterly. The Airbus contract allows easyJet, with 18 months notice, to defer up to half of the future deliveries for up to two years. In the light of the slow sale of surplus aircraft and the likelihood of a prolonged recession the Board has decided in September 2008 to defer four aircraft scheduled for delivery in 2010 and will keep the rest of the committed orders under review given the current uncertain economic climate.

	Owned	Under operating lease	Under finance lease	Total	Changes in year	Future deliveries (including exercised options) (notes 1,3)	Un-exercised options (note 2)
easyJet A320 family	68	46	6	120	13	107	88
Boeing 737-700	–	29	–	29	(1)	–	–
GB Airways A320 family	7	9	–	16	16	2	–
	75	**84**	**6**	**165**	**28**	**109**	**88**

Note 1: easyJet has the ability to defer 50% of its committed orders with Airbus for up to two years by giving 18 months' notice.
Note 2: Options may be taken as any A320 family aircraft and are valid until 2015.
Note 3: The 109 future deliveries are anticipated to be delivered over the next four financial years, 36 in 2009, 30 in 2010, 24 in 2011 and 19 in 2012.

The total fleet plan over the period to 30 September 2011 is as follows:

	easyJet A320 family	Boeing 737-700	GB Airways A320 family	Total aircraft
At 30 September 2007	107	30	–	137
At 30 September 2008	**120**	**29**	**16**	**165**
At 30 September 2009	150	17	5	172*
At 30 September 2010	179	8	–	187
At 30 September 2011	197	–	–	197

*Assumes assets held for sale are sold in financial year 2009.

Outlook

The economic outlook remains very difficult and highly uncertain. Despite this easyJet's forward bookings for the first quarter of the financial year are currently slightly ahead of prior year.

In order to limit margin dilution over the winter from the impact of higher fuel costs easyJet has withdrawn lower yielding flights, and as a result aircraft utilisation this winter will fall to an average 9 hours a day from 11.6 hours in the previous winter.

easyJet's capacity for the winter, measured in seats flown, will be broadly flat with last year but we expect competitor capacity on easyJet routes to fall by 7% in the same period. There is also evidence of a "flight to value" for both business and leisure passengers which means that easyJet's total revenue per seat flown for the first half of the year is expected to be slightly ahead of last year on a constant currency basis.

Non fuel costs per seat for the winter are expected to increase mid to high single digits at constant currency in the first half. The impact of higher fuel costs will be felt most sharply in the first half of 2009 and thus pre tax margins will decline in the first half compared to the prior year.

The outlook for summer 2009 is uncertain due to the difficult macro-economic environment and yields will depend on the extent of the fall in consumer expenditure in Europe and the level of competitor capacity reduction in the market. We expect to see further downsizing and consolidation of many weak competitors.

In the second half, easyJet expects to make progress on costs through negotiations with suppliers, reductions in overheads and improved crew efficiency which means that in total non fuel unit costs per seat for the full year are expected to increase by low single digits before the impact of currency. For the full year at current fuel and exchange rates easyJet expects to be profitable.

To reduce our short-term earnings volatility easyJet has put the following fuel and currency hedging positions in place:

- 66% fuel requirement hedged at $1,146 per metric tonne;
- 66% of anticipated 2009 US$ requirement is hedged at $1.96/£, an additional 5% of requirement are hedged with collars with average floors of $1.73/£;
- 56% of 2009 capital expenditure relating to aircraft deliveries hedged at $1.97/£;
- 81% of anticipated 2009 euro surplus hedged at €1.24/£.

easyJet is financially strong and the Board, despite caution about the current consumer environment, remains confident in easyJet's future prospects.

Financial review

Jeff Carr
Group Finance Director

Key performance indicators

	2008	2007	Change
Return on equity (reported)	**6.8%**	14.3%	(7.5)pp
Return on equity (underlying)*	**7.6%**	13.6%	(6.0)pp
Seats flown (millions)	**51.9**	44.5	16.8
Passengers (millions)	**43.7**	37.2	17.3
Load factor	**84.1%**	83.7%	0.4pp
Available seat kilometres (ASK) (millions)	**55,687**	43,501	28.0
Revenue passenger kilometres (RPK) (millions)	**47,690**	36,976	29.0
Average sector length (kilometres)	**1,073**	978	9.6
Sectors	**333,017**	287,952	15.7
Block hours	**631,084**	518,410	21.7
Number of aircraft owned/leased at end of period	**165**	137	20.4
Average number of aircraft owned/leased during period	**150.1**	128.1	17.1
Number of aircraft operated at end of period	**161**	132	22.0
Average number of aircraft operated during period	**145.3**	122.6	18.5
Operated aircraft utilisation (hours per day)	**11.9**	11.6	2.5
Number of routes operated at end of period	**380**	289	31.5
Number of airports served at end of period	**100**	77	29.9

Per seat measures (underlying)*

Profit before tax per seat (£)	**2.37**	4.30	(44.9)
Revenue per seat (£)	**45.51**	40.42	12.6
Cost per seat (£)	**43.14**	36.12	(19.4)
Cost per seat excluding fuel (£)	**29.49**	26.55	(11.1)

Per ASK measures (underlying)*

Profit before tax per ASK (pence)	**0.22**	0.44	(49.7)
Revenue per ASK (pence)	**4.24**	4.13	2.7
Cost per ASK (pence)	**4.02**	3.69	(8.9)
Cost per ASK excluding fuel (pence)	**2.75**	2.71	(1.3)

*Underlying performance excludes the GB Airways integration costs in 2008 of £12.9 million and the reversal of the impairment of the Group's investment in The Airline Group in 2007 of £10.6 million.

Reported profit before tax for 2008 was £110.2 million including £12.9 million of one-off integration costs related to the acquisition of GB Airways. Excluding these costs the underlying profit for the year was £123.1 million compared to £191.3 million in 2007. The fundamental performance trends within the business remain strong despite a £1.93 fall in underlying profit per seat from £4.30 in 2007 to £2.37 in 2008. The financial presentation of the results is significantly influenced by the following factors:

- Fuel prices;
- GB Airways acquisition;
- Strengthening euro exchange rate.

Fuel prices

The average market price for jet fuel during 2008 was $1,070 per metric tonne (excluding fees and taxes) compared to $643 in 2007. After taking account of hedging the effective rates were $948 in 2008 compared to $688 in 2007. Total fuel cost amounted to £708.7 million for 2008 an increase of 66.6% on 2007; this equates to a cost per seat of £13.65, up £4.08, or 42.6%, from 2007. With underlying profit per seat falling by £1.93 per seat over 50% of the increase in fuel costs has been offset in the year.

Despite adding heavier aircraft into the fleet during the year (GB Airways' A320s and A321s) the average fuel burn remained broadly flat at 717 (2007: 716) US gallons per block hour.

GB Airways acquisition

The acquisition of GB Airways was completed on 31 January 2008. The business continued to operate as a British Airways franchise until 29 March 2008 and was then fully integrated into the easyJet operation; thereafter separate performance information is not available for the ex GB Airways business.

The acquisition brought into easyJet 18 new destinations with, on average, double the sector length of the existing business. Consequently there has been a significant increase of 9.6% in average sector length this year compared to 2007 from 978km in 2007 to 1,073km in 2008 and this results in an increase in both revenue and most cost per seat flown performance measures.

Strengthening euro exchange rate

The euro has strengthened by 11% from an average rate of 1.48/£ in 2007 to 1.32/£ in 2008. As easyJet continues to grow and expand relatively more into mainland Europe the impact of the euro exchange rate on revenues and costs increases; approximately 42% of revenues and 30% of costs are denominated in euro or Swiss francs. Both revenue and cost per seat measures, when compared to 2007, increased by just over 5% due to exchange rate movements.

Given the impact of the GB Airways acquisition on key performance per seat measures these are also presented on an ASK basis. However, key measures on a per seat basis are still the key unit metrics used by management to monitor the financial performance of the business.

Due to the large impact that the stronger euro has had on the business during the year and latterly the dollar at the end of the year, key measures are also shown on a constant currency basis versus 2007.

	2008	2007	Change %
Total revenue			
Per seat (£)	**45.51**	40.42	12.6
At constant currency (£)	**43.36**	40.42	7.3
Per ASK (pence)	**4.24**	4.13	2.7
At constant currency (pence)	**4.04**	4.13	(2.1)
Cost excluding fuel			
Underlying per seat (£)	**29.49**	26.55	(11.1)
At constant currency (£)	**28.04**	26.55	(5.6)
Underlying per ASK (pence)	**2.75**	2.71	(1.3)
At constant currency (pence)	**2.61**	2.71	3.7

Total revenue

Total revenue grew 31.5% to £2,362.8 million which, on a per seat basis, reflects a growth of £5.09 or 12.6%. Passenger revenue grew 22.7% and ancillary revenue, excluding bag charges, grew by 30.3%; the introduction, this year, of the checked bag charge delivered £144.1 million, or £2.76 per seat, of revenue.

Passenger revenue

Passenger revenue growth of 22.7% to £1,995.7 million was driven by an increase of 16.8% in seats flown from 44.5 million to 51.9 million using an average of 150 aircraft in 2008 compared to 128 in 2007, the acquisition of GB Airways and the strengthening of the euro. Load factor improved by 0.4pp to 84.1% resulting in passenger numbers increasing 17.3% to 43.7 million. The growth in capacity (seats flown) reflected a net increase of 22, or 17.1%, in the average number of aircraft compared to last year. Apart from the increase in aircraft at Gatwick through the acquisition of GB Airways, which accounts for almost all of the growth in London capacity, most of the growth, continuing the trend seen in the past two years, has been into continental Europe, particularly in France, Italy and Spain.

Average passenger yields rose 5.1% to £38.44 whilst on a constant currency basis the increase was 0.5%. Yield dilution from the introduction of the checked bag charge and the full year impact of the doubling of APD in the UK, from February 2007, has been more than offset by organic growth supplemented by the acquisition of GB Airways.

Ancillary revenue

Ancillary revenue increased by 114.5%, or £195.9 million to £367.1 million principally driven by the introduction of the checked bag charge which delivered £144.1 million of revenue. As expected there has been some yield dilution at ticket price level but with 71% of passengers having checked baggage the net result is positive.

Speedy Boarding continues to perform well and has recently been improved with the introduction of Speedy Boarding Plus; typically 11 passengers per flight take up Speedy Boarding. Total revenue in the year was £19.7 million up from £7.9 million in the previous year.

In November 2007 the provision of inflight services was changed from Alpha to Gate Gourmet and, after the expected transition period, performance is on target. Total partner and inflight revenue, on a per seat basis, increased by 11.7% from 2007 to £4.30.

Costs

Underlying costs*	**2008 £million**	**2008 £ per seat**	2007 £million	2007 £ per seat
Ground handling charges	**212.2**	**4.09**	156.1	3.51
Airport charges	**397.2**	**7.65**	305.8	6.88
Fuel	**708.7**	**13.65**	425.5	9.57
Navigation charges	**195.7**	**3.77**	141.8	3.19
Crew costs	**263.2**	**5.07**	204.1	4.59
Maintenance	**147.5**	**2.84**	98.1	2.21
Advertising	**46.5**	**0.90**	38.0	0.85
Merchant fees and commissions	**33.7**	**0.65**	20.6	0.46
Aircraft and passenger insurance	**9.1**	**0.17**	12.1	0.27
Other costs	**87.5**	**1.68**	96.9	2.18
Total operating costs	**2,101.3**	**40.47**	1,499.0	33.71
Net ownership costs	**138.4**	**2.67**	106.9	2.41
Total costs	**2,239.7**	**43.14**	1,605.9	36.12
Total costs excluding fuel	**1,531.0**	**29.49**	1,180.4	26.55

*Underlying costs exclude the GB Airways integration costs in 2008 of £12.9 million and the reversal of the impairment of the Group's investment in The Airline Group in 2007 of £10.6 million.

Total costs

Total underlying cost per seat increased by 19.4% or £7.02 to £43.14; the fuel price rise accounted for £4.08 of this increase, so excluding fuel cost per seat was up £2.94 or 11.1% compared to 2007. In addition to the strengthening of the euro, the Swiss franc strengthened by 11%. A significant portion of the cost base is denominated in these currencies (including airport and ground handling costs, navigation costs, maintenance and some staff and crew costs) and as a result, unit costs have been adversely impacted. Excluding the impact of exchange rates cost per seat, excluding fuel, was up £1.49 or 5.6%. On a cost per ASK basis, excluding fuel, costs rose by 1.3% but on a constant currency basis fell by 3.7%.

The key areas driving the 5.6% cost increase are highlighted below:

Ground handling cost per seat at constant currency (approximately 55% of these costs are denominated in euro), was up £0.25, or 7.2%, compared to 2007. The three key drivers of this increase are price, mix and the acquisition of GB Airways. In terms of price, inflationary increases have been incurred through additional charges being levied and legislation being introduced e.g. the new PRM (Passengers with Reduced Mobility) charge has been passed by the EU, poorly handled by airports and partially passed on to the airlines.

In terms of mix, which is equally applicable to airport costs, easyJet continues to build its presence in the top airports throughout Europe and at the end of 2008 it was present in 37 of the top 50. These airports are typically the more expensive airports and the allocation of more capacity to these airports, such as Paris Charles de Gaulle and Gatwick, has resulted in higher costs offset by higher margins.

In addition, the acquisition of GB Airways has, in the short term, added higher costs relating to their network and the addition of their larger and heavier aircraft.

Airport cost per seat at constant currency (approximately 51% of these costs are denominated in euro), was up £0.14, or 2.1%, compared to 2007. The main driver of the increase in costs has been significant over-inflationary price rises in airport passenger related charges. The increases at Gatwick by BAA during the year have, alone, resulted in an additional £0.19 per seat and when combined with significant rises at Stansted and Luton this incremental cost rises to £0.37 per seat.

In May 2008, in response to the Gatwick increases, easyJet submitted to the High Court its application for a judicial review of the way the UK Civil Aviation Authority allowed BAA to raise its prices by such amounts.

The other key factor impacting airport costs was mix, as referred to in the ground handling section above.

Crew cost per seat at constant currency (a growing proportion of costs are denominated in non-sterling currencies as more overseas contracts are introduced) was up £0.36 or 7.9% compared to 2007. The main drivers of the increase in costs were the crew pay deals, the introduction of overseas contracts, an adverse increase in crew mix resulting from a lower attrition rate amongst senior crew members and the increase in sector length. During the year, including taking on GB Airways crews, easyJet recruited 315 pilots and 1,198 cabin crew. After taking account of leavers, this resulted in an 18% increase in crew complement.

Although the improvement in crew productivity has taken longer than expected, and it is affected by the lower aircraft utilisation in the winter months, crewing numbers are now back to planned levels. Crew costs continue to be a key opportunity for efficiency improvement and will be helped by investment in crew support systems.

Maintenance cost per seat at constant currency was up £0.57 or 25.9% compared to 2007. This increase in costs reflects the increase in support costs as the average age of components increases, annual contracted price escalation, the inclusion of significantly higher GB Airways maintenance costs, the insourcing of the maintenance planning function and, as mentioned in last year's annual report, the 2007 one-off adjustment to provisions resulting from the ten year engine maintenance deal agreed with GE.

On an ongoing basis the GB Airways higher costs will reduce as those aircraft exit the fleet over the next 18 months and the GE maintenance deal and the insourcing of the planning function both deliver future benefits. In addition, the move to a higher percentage owned fleet will reduce cost per seat.

Merchant fees and commissions on a cost per seat basis, at constant currency, increased by £0.16 or 35.1% compared to 2007. This increase was driven by a change in the commercial terms on which merchant fees were paid resulting in a corresponding increase in interest receivable.

Ownership cost per seat at constant currency was up £0.32 or 13.3% compared to 2007. After adjusting for the 2007 benefit of the leased Boeing 737-300s being returned at less cost than previously expected the 2008 ownership cost per seat remains flat compared to 2007. The benefit of new lower cost Airbus A319s continues to reduce the average cost of aircraft in the fleet; however, the impact this year of the higher cost GB Airways aircraft, the reduction in interest receivable due to the significant lowering of US dollar interest rates and the increase in non-aircraft depreciation through investment in systems have offset this benefit. In 2009 the GB Airways A321s are expected to be sold, and are included in assets held for sale on the balance sheet at 30 September 2008. In addition, four of the leased GB Airways A320s will also be returned to lessors.

All of the 29 Boeing 737-700 leased aircraft are expected to have left the fleet within the next three years being replaced by lower cost A320 family aircraft thereby realising more of the benefit, through lower ownership costs, of the Airbus purchase deal.

Aircraft insurance and other costs improved in the year. The improvement in insurance costs, achieved through better negotiation and scale, delivered £0.10 per seat and the continued focus on overhead costs delivered a year over year improvement of £0.50 per seat. During September 2008 easyJet completed a review of head office activities and as part of its ongoing drive to improve cost efficiency and to react to the changing external economic climate, made 60 people redundant. The financial benefit of this will be seen in 2009.

Profit before tax and return on equity

Reported profit before tax for 2008 was £110.2 million; after excluding the one-off integration costs related to the acquisition of GB Airways, underlying profit before tax was £123.1 million. This is a fall of £68.2 million from the underlying profit before tax in 2007, despite the fuel bill rising £283.2 million. With total revenue per seat increasing by 12.6% and total cost per seat increasing by 19.4% profit margin dropped by 5.4pp to 5.2%. The effective tax rate for the year was broadly unchanged at 24.5% compared to 24.6% in 2007. For 2009 the effective tax rate is expected to be in line with the current year.

Reported return on equity for the year was 6.8%; excluding the one-off integration costs in relation to GB Airways the underlying return was 7.6%. This is a fall of 6.0pp compared to the underlying return in 2007 of 13.6%. The Board has set return on equity as its key financial measure as it best represents the return attributable to shareholders; the medium term average target for this return is 15% and despite the drop in the return this year and the prospect of challenging times ahead the Board believes that this return continues to be the appropriate and achievable medium term target.

Summary balance sheet

	2008 £million	2007 £million	Change £million
Property, plant and equipment	**1,102.6**	935.8	166.8
Other non-current assets	**578.2**	414.2	164.0
	1,680.8	1,350.0	330.8
Net working capital	**(300.6)**	(326.9)	26.3
Cash and cash equivalents	**632.2**	719.1	(86.9)
Money market deposits	**230.3**	193.4	36.9
Borrowings	**(626.9)**	(519.1)	(107.8)
Other non-current liabilities	**(337.6)**	(264.1)	(73.5)
Net assets	**1,278.2**	1,152.4	125.8
Share capital and premium	**745.9**	738.7	7.2
Reserves	**532.3**	413.7	118.6
	1,278.2	1,152.4	125.8

Net assets increased by £125.8 million to £1,278.2 million due to the profit after tax and the increase in the fair value of cash flow hedges net of deferred tax.

The net increase in property, plant and equipment in the year was £166.8 million. Additions in respect of new aircraft delivered, the fair value of GB Airways aircraft acquired, pre-delivery deposits for future deliveries and non aircraft assets totalled £407.4 million, this was offset by depreciation in the year of £44.4 million and a transfer to assets held for sale of £195.8 million for the seven Airbus A321s and five Airbus A319s put up for sale prior to year end. These assets held for sale are included in net working capital above.

The increase in other non-current assets is predominately due to the fair value of Gatwick landing rights of £72.4 million, an intangible asset arising from the GB Airways acquisition and goodwill arising of £50.2 million from the GB Airways acquisition, and the fair value of foreign exchange and fuel derivative assets totalling £21.3 million that mature in more than one year.

Net working capital reduced by £26.3 million. The assets held for sale, net increases in the fair value of derivatives maturing in less than one year and small increases in restricted cash and trade receivables were offset by additional unearned revenue and trade payables as a result of increased capacity and increased short-term maintenance provisions as certain leased aircraft approach heavy maintenance shop visits.

The total of cash and cash equivalents and money market deposits is £862.5 million. This represents a decrease of £50.0 million, however, a net £118.0 million was spent on the acquisition of GB Airways in the year. Money market deposits of £230.3 million are held in US dollars to match US dollar denominated borrowings and provide a hedge against interest rate re-pricings. Net cash generated from operations was used to fund the continued investment in the fleet in addition to the acquisition.

Excluded from the above total is £66.2 million of restricted cash disclosed in other non-current assets and net working capital. These amounts relate principally to operating lease deposits and customer payments for holidays.

Borrowings have increased by £107.8 million in the year as a result of the acquisition of loans from GB Airways of £59.1 million, new loans to fund three of the 13 Airbus A319 purchases in the year and a significant movement in the US dollar rate compared to 30 September 2007 offset by the repayment of loan and finance lease capital in the year.

Other non-current liabilities include maintenance provisions for work due to be performed in more than one year of £160.4 million, deferred tax liabilities of £108.1 million, deferred income relating principally to the excess of sale price over fair value for aircraft subject to sale and leaseback of £68.8 million and some minor derivative liabilities maturing in more than one year.

Gearing increased in the year from 20.4% to 28.7%. Cash was used to purchase GB Airways and the acquisition resulted in taking on additional borrowings related to owned aircraft and additional lease costs. A strengthening US dollar in the year also contributed to increased indebtedness and lease costs.

Summary cash flow

	2008 £million	2007 £million	Change £million
Cash generated from operations	**296.2**	270.8	25.4
Net capital expenditure	**(417.6)**	(272.1)	(145.5)
Net (decrease)/increase in loan finance	**(5.5)**	69.1	(74.6)
Net increase in money market deposits	**(8.7)**	(197.3)	188.6
Other including the effect of exchange rates	**48.7**	(12.1)	60.8
Decrease in cash and cash equivalents	**(86.9)**	(141.6)	54.7
Cash and cash equivalents at beginning of year	**719.1**	860.7	(141.6)
Cash and cash equivalents at end of year	**632.2**	719.1	(86.9)

The business generated strong operating cash flow in the year, the decrease in profit after tax was offset by positive movements in working capital principally due to increases in trade and other payables and maintenance provisions. The increase in capital expenditure is largely due to a net £118.0 million spent on the acquisition of GB Airways.

The movement in the US dollar and the euro exchange rates in the year had a positive effect on the year end cash and cash equivalents balance.

easyJet continues to hold strong cash balances and has the benefit of $937 million of additional aircraft financing secured in December 2007. During the year $52 million was drawn down from this new facility against two deliveries leaving $885 million of available funding. During the year 13 Airbus A319 and three A321 aircraft were delivered, 13 of which were funded from cash and three were debt financed. In addition the Group has a $250 million undrawn revolving credit facility in place.

Principal risks and uncertainties

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

Operational risks

Risk description	Potential impact	Mitigation
Brand ownership: easyJet does not own its own name or branding which is licensed from easyGroup IP Licensing. A loss of the licence to use the brand or imposed restrictions on its operation.	easyGroup IP Licensing has brought proceedings seeking clarification of the Brand Licence. This is not a monetary claim.	The Company will defend its position.
Economic demand for air travel: easyJet's business can be affected by macro issues outside of its control such as weakening consumer confidence or inflationary pressures.	Adverse pressure on revenue, load factors and potentially residual values of aircraft.	Regular monitoring of markets and route performance through network and fleet management. Strong balance sheet supports business through challenging economic conditions for the sector. Committed undrawn borrowing facilities of $1,135 million to support funding requirements. Appropriate mix of owned and leased aircraft reduces residual value exposure.
Competition: easyJet operates in competitive marketplaces against both flag carriers and other low-cost airlines.	Loss of market share and erosion of revenue from increased competition.	Routine monitoring of competitor activity. Rapid response in anticipation of/to changes.
Environmental impact: Consumer attitude to climate change.	Potential impact on consumer demand for the core business.	Environmental Management Group that co-ordinates environmental policy and public communications. easyJet operates modern, fuel-efficient aircraft operating at high capacity and flies to conveniently located airports.
Regulatory intervention: Many of the airports which easyJet fly to are regulated, and as such charges are levied by way of regulatory decision rather than by commercial negotiation. Many airports are also slot constrained which are also subject to regulation.	Airport charges may rise. Furthermore, slots may not become readily available.	easyJet has a key role in influencing the future state of regulations. One example of its pro-activeness is the instigation of a judicial review of the Civil Aviation Authority (CAA) which may lead to changes in the economic regulation of increases to UK airport charges.
Safety/security incident: Failure to prevent a safety or security incident or deal with it effectively.	Adversely affect easyJet's reputation, operational and financial performance.	easyJet's number one priority is the safety of customers and people. easyJet operates a strong safety management system through: • Fatigue Risk Management System • Incident reporting • Safety Review Board • Safety Audit Group Response systems are in place and crisis management training is provided.
Dependence on third-party service providers: easyJet has entered into agreements with third-party service providers for services covering a significant proportion of its cost base. There can be no assurance that contract renewals will be at favourable rates.	The loss of any of these contracts, any inability to renew them or any inability to negotiate replacement contracts could have a material adverse effect.	Centralised procurement department that negotiates key contracts. Most developed markets have suitable alternative service providers.

Operational risks (continued)

Risk description	Potential impact	Mitigation
IT security and fraud risk: easyJet receives most of its revenues through credit cards and as an e-commerce business, faces external and internal IT security risks.	A security breach could result in material adverse effect for the business and severe reputational damage.	Systems are secured and monitored against unauthorised access. Scanning software for fraudulent activity that is monitored and controlled by Revenue Protection team.
Industrial action: Large parts of the easyJet workforce are unionised. The same applies to the business's key third-party service providers, where similar issues exist.	If there is a breakdown in this process, then operations could be disrupted with a resultant adverse effect on the business.	Collective bargaining takes place on a regular basis.
Regulation and oversight across Europe: Retaining control and oversight of local regulatory and management issues across the network as the business grows geographically.	Lack of awareness of local regulations or management issues could have adverse operational, reputational and financial consequences.	Country oversight boards are being established for the main markets easyJet operates in.

Financial risks

Risk description	Potential impact	Mitigation
Fuel price and currency fluctuations: Sudden and significant increases in jet fuel price or changes in foreign exchange rates.	If not protected against, this would have a material adverse effect on the financial performance.	Policy to hedge within a percentage band for rolling 24 months. To provide protection, easyJet uses a limited range of hedging instruments traded in over the counter markets, principally forward purchases, with a number of approved counterparties.
Financing and interest rate risk: All of easyJet's debt is asset related, reflecting the capital intensive nature of the airline industry.	Market conditions could change the cost of finance which may have an adverse effect to the financial performance.	Group interest rate management policy aims to provide certainty in a proportion of its financing. Operating lease rentals are a mix of fixed and floating rates (at 30 September 2008, 60% fixed, 40% floating). All on balance sheet debt floating rate, re-priced up to six months. Significant proportion of US dollar mortgage debt is matched with US dollar cash deposits.
Liquidity and investment risk: easyJet continues to hold significant cash and liquid investments to mitigate the risk of business disruption events.	A lack of liquid funds could result in the business being unable to meet its debts and aircraft financing commitments as they fall due. This would have a significant impact on business and financial performance and restrict future growth.	Committed undrawn facilities were $1,135 million at 30 September 2008 comprising $885 million of aircraft financing and a $250 million standby facility. Board policy requires an absolute minimum level of free cash and deposits. Cash and money market deposits totalled £863 million at 30 September 2008, excluding restricted cash of £66 million. Surplus funds are invested in high quality short-term liquid investments usually money market funds and bank deposits. Cash is placed with counterparties based on credit ratings with a maximum exposure of £100 million for AAA ratings.

Corporate and social responsibility

Introduction

easyJet aims to provide its customers with safe, good value, point-to-point air services and believes in the goal of excellence of achievement in all its activities. easyJet sees striving for excellence in environmental, social and ethical activities as a key behaviour for a successful and sustainable business, positive for its shareholders, people and suppliers, and considerate to its neighbours whilst delivering value to customers. All identified environmental, social and ethical risks are managed within easyJet's risk management process, as defined within the Corporate governance section of the report.

Safety

The safety of its customers and staff is easyJet's number one priority. easyJet aims to provide a safe and efficient work environment for all its people, the large majority of whom are aircrew. They have been one of the mainstays of easyJet's success. The Operations Director is accountable for safety and regulatory compliance for the purposes of the Air Operators Certificate (AOC). The Accountable Safety Executive chairs the Safety Review Board that meets monthly to consider matters relating to the operational safety of the airline as well as employee health and safety issues.

Risk transparency is assured by a series of meetings, structured to include responsible managers and accountable executives. All safety reports are assessed, categorised and subsequently assigned to a departmental head for investigation. Safety reports and issues arising are discussed at all Safety Action Groups and, where necessary, escalated to the Safety Review Board for consideration. In addition to the Safety Review Board and Safety Action Groups, the Director of Safety and Security makes an independent report to the Board of easyJet plc. All safety risks are therefore managed through this process (under the oversight of the UK Civil Aviation Authority, to whom easyJet submits data on a monthly basis) even if the expected outcomes are not deemed to be material in terms of the principal risks and uncertainties facing the business.

EU Regulation (EC) No 1899/2006 was published in December 2006. This Regulation, commonly referred to as EU-OPS, amends the previous Regulation on the harmonisation of technical requirements and administrative procedures in the field of civil aviation and contains a new Annex III dealing with the operation of aeroplanes for the purpose of commercial air transport. EU-OPS became directly applicable law across the EU on 16 July 2008. easyJet was one of the first airlines in Europe to gain an EU-OPS AOC on 30 March 2008.

easyJet continues to study the effect of fatigue on its flight crew looking at long-term crew sustainability, safe performance and lifestyle factors. Recent studies have focused on improving understanding of crew work hours, workload, sleep, fatigue, and performance, and the relationships between these variables. This knowledge is applied to operational process through better rostering practice and the management of risk. easyJet's Fatigue Risk Management System (FRMS) team is about to enter into a three year collaboration with the NASA Ames Research Centre. The aim is to develop and validate methodologies with which to assist aviation safety and to provide objective measures of physiology and performance, which may benefit investigators in monitoring fatigue levels of operators in commercial aviation.

easyJet supports the industry through its participation on the International Civil Aviation Organisation (ICAO) FRMS committee and now the concept of Fatigue Risk Management has been accepted by the European Aviation Safety Agency (EASA) it will be adopted in future regulation.

In the field of safety management systems, easyJet continues to develop cutting edge methodologies and toolsets through collaboration with academic institutions and regulators.

easyJet is represented on the EASA European Commercial Aviation Safety Team (ECAST) working group on safety management systems. This influential working group is tasked by ECAST to produce reference material to support forthcoming regulation.

easyJet and the environment

easyJet's goal is to ensure that its existing business is as efficient as possible, both in the air and on the ground, to find ways to minimise its environmental impact in the future and to lead the way in shaping a greener future for aviation. In aggregate with other man-made green house gas emissions the activities of easyJet affects the environment. Below are some details of how easyJet monitors and manages its environmental impact. Additional information can be found within the environment section of easyJet.com.

Aviation emissions

Aviation contributes to climate change by the emission of gases and particulates directly into the atmosphere. Carbon Dioxide (CO_2) is the only greenhouse gas (GHG) controlled by the Kyoto Protocol that airlines emit and, according to the Intergovernmental Panel on Climate Change, "Because carbon dioxide has a long atmospheric residence time ($\approx$100 years) and so becomes well mixed throughout the atmosphere, the effects of its emissions from aircraft are indistinguishable from the same quantity of carbon dioxide emitted by any other source." The scientific understanding of the effects of CO_2 emissions is well advanced and the quantity emitted by aviation can be directly derived from fuel burn.

The scientific understanding of the effects of the non-GHG emissions of aviation range from "fair" to "poor". There is no internationally agreed methodology to account for the environmental effects of the non-GHG emissions from aircraft, considering the vastly different timescales involved (which can be measured in hours or days) compared to the climate effect of CO_2, which remains in the atmosphere for more than a century. More specifically, the non-GHG affects of different flights are not the same. The season, time of day, geographic location and duration of a flight will all influence the non-GHG effects of the flight. For example, the non-GHG effects of long-haul flights are proportionally greater than the non-GHG effects of short-haul flights, as a greater share of emissions occur in the upper atmosphere. Several concepts for including the non-GHG effects of aviation are currently being discussed in the scientific community with the most promising metric being the Global Temperature Change Potential (the temperature change resulting from an aviation induced perturbation of the atmosphere after a certain time, e.g. after 100 years). At an aggregate level this would give a "multiplier" between 1.1 and 1.2 for global aviation, when accounting for the non-GHG effects of aviation relative to the CO_2 effect.

easyJet's emissions

easyJet does not carry cargo. Therefore, the most appropriate measures of environmental efficiency are CO_2 emissions in terms of grammes per passenger kilometre and kilogrammes per passenger flight. **In 2008, easyJet flights produced an average CO_2 emission of 90.3g per passenger kilometre and 98.6kg per passenger flight.**

While most of the focus in recent years has been on aviation's CO_2 emissions, the European Commission is planning to develop a legislative proposal for aviation NO_x (mono-nitrogen oxides) emissions by the end of 2008. All of easyJet's A319 deliveries since February 2008 have been fitted with the new CFM56-5B5/3 Tech Insertion engines that will reduce NO_x emissions by 25% due to better combustion processes. In addition, the new standard of engines is expected to deliver a 1% improvement in CO_2 emissions.

All aspects of easyJet's business model are designed around safety and efficiency. This focus on efficiency minimises the environmental impact of each passenger flight. From its inception in 1995, easyJet's network development has focused on substituting services in markets dominated by inefficient former state-owned airlines with its more efficient product, 80% of easyJet's current and future capacity is employed in established markets. easyJet aims to grow those markets through its low fares when it enters a market but in the process easyJet aims to substitute existing, less efficient services. The efficiency that easyJet brings to a market can mean an overall reduction in emissions in absolute terms even if total passenger numbers increase.

Climate change risks and opportunities

Demand for transportation services in general and air transport in particular has traditionally grown with increasing GDP. In addition to this, effects such as migration and the economic integration of regions can drive demand in specific markets. The air transport services that easyJet provides comprise of direct, point-to-point flights. easyJet does not offer connecting services via a hub. easyJet is therefore able to reassign capacity anywhere within Europe in response to any shift in customer demand. The ongoing monitoring of risks and opportunities, coupled with active engagement in regulatory processes by senior management is part of "business as usual" for easyJet. As the vast majority of easyJet's assets by value are highly mobile (passenger aircraft), adaptation to climate change poses less of a challenge to easyJet compared to a business with significant immobile fixed assets.

Air transportation is more affected by specific local weather events than by any incremental long-term changes to the average global temperature (climate change). Extreme weather can affect flight operations by closing airports for short periods or by reducing the effective capacity of airports to handle flights. An increase in extreme weather events during the peak summer flying due to climate change could increase disruption costs. Conversely, milder winters in northern Europe may have the effect of reducing the cost to airlines from de-icing activities and the disruption caused by snow storms. If climate change alters the seasonal weather patterns in Europe, so that northern Europe has stable, warm, dry and sunny summers while Southern Europe has wet tropical summers, then long-break leisure demand for air transportation could be affected in the markets that easyJet serves. However, there is no evidence to date of this happening and, if anything, the summers in northern Europe have recently been wetter and less stable, with correspondingly more cloud cover, than average.

easyJet is one of the most environmentally efficient airlines in its sector and so will be at a relative advantage to many of its competitors in response to any future changes. The entry of aviation into the EU Emissions Trading Scheme may force less efficient competitors out of the market, increasing the growth opportunities for easyJet.

Noise performance

At the airports it operates from easyJet also has a local impact on the environment in the form of noise. The business model of easyJet however ensures that the impact of this on the environment is less than for many other carriers. easyJet's new aircraft are amongst the quietest in the industry and easyJet has very few operations at night (2300 hrs to 0600 hrs) when noise is of the greatest concern. As at September 2008, all of the aircraft in easyJet's fleet were compliant with the international noise standard "Chapter 4".

The easyJet environmental code

There is no accepted single measure for an airline's environmental efficiency. In the absence of such a measure, easyJet has set itself the target of being a leading environmentally efficient and responsible airline. easyJet has established an environmental code, which it aims to use to monitor progress towards this target. The environmental code is centred around three promises:

1. easyJet strives to be efficient in the air;
2. easyJet strives to be efficient on the ground;
3. easyJet aims to lead the way in shaping a greener future for aviation.

1. easyJet strives to be efficient in the air

A. Investment in the latest technology

easyJet's policy is to grow its fleet using the latest technology aircraft, whilst retiring older aircraft usually within seven to ten years of delivery. New technology aircraft are more fuel efficient than older models. At 30 September 2008, easyJet's fleet had an average age of 3.4 years, an increase of 0.7 years from September 2007, reflecting the acquisition of GB Airways and the slower rate of induction of new aircraft into the fleet. Since 2000 easyJet's emissions of CO_2 per passenger kilometre has reduced by 22%.

easyJet has set a target to reduce fuel burn per passenger kilometre by 3% (directly proportional to CO_2 per passenger kilometre) by 2011.

B. Efficient use of aircraft

Conventional airlines operate networks based on a "hub and spoke" system. In these networks, the majority of passengers will take two flights to reach their destination, connecting through the hub. easyJet always flies direct, or "point to point", and does not offer any connecting services. A direct service between two points will produce lower emissions than two flights via a hub.

easyJet's business model means that it is considerably more environmentally efficient than a traditional network carrier, even when the competition operate the same aircraft on the same route as easyJet. This is because easyJet is able to install more seats on the aircraft and easyJet's simple automated pricing allows easyJet to sell significantly more seats than a typical European airline. Thus, each of easyJet's Airbus A319s on average carries 57% more passengers per flight than the European norm and easyJet estimates that the typical European airline operating an Airbus A319 would burn 27% more fuel per passenger, compared to easyJet. Further details are contained within the environment section of easyJet.com.

easyJet prefers to avoid the largest, most congested hub airports. easyJet does not fly to Heathrow or to Frankfurt Main. It should be noted that easyJet's network is very different to that of a conventional "hub and spoke" carrier. easyJet has no hubs but places capacity at the airports that local demand requires. easyJet therefore has 20 local crew and aircraft bases in six countries.

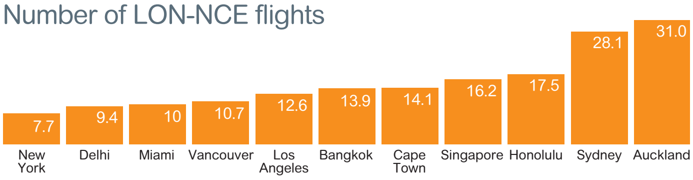
C. Comparison with other transport options

Many of easyJet's passengers are using easyJet to fly to specific destinations. A proportion of easyJet's passengers have a choice of holiday destination. Where they choose to fly can have a significant impact on their emissions. In making this choice, length of flight is the major determinant of the total emissions produced per passenger. easyJet's average length of flight in 2008 was 1,073 kilometres (up from 978 kilometres in 2007), including the effect of the acquisition of GB Airways.

Example: the chart below benchmarks a typical easyJet passenger journey (London to Nice, 1,050 kilometres) against a range of long-haul alternatives. A typical long-haul flight to Miami would create approximately ten times more emissions per passenger than an easyJet flight from London to Nice. (source: climatecare.org).

easyJet short haul vs long haul

Number of LON-NCE flights



Some easyJet passengers have other transport options available to them (such as road, rail and ferry). However, there are only three routes (London to Newcastle, London to Paris and Paris to Geneva) where the city-centre to city-centre rail journey would be less than four hours. These routes represented less than 2% of passengers carried by easyJet in 2008. In each case, easyJet caters for demand which is not necessarily travelling city-centre to city-centre. Any comparison with rail journeys should include some assessment of the environmental cost of the infrastructure used to provide the service, rather than just the marginal energy use of the single train journey. The environmental cost of rail infrastructure is unclear, but considerable.

In comparison with road transport, dependent on the specific car, the occupancy and the level of congestion, travelling by car can generate more CO_2 per passenger kilometre than travelling on easyJet. The average specific CO_2 emissions of new passenger cars sold in the EU was estimated to be 160g CO_2 per kilometre in 2006. The European Environment Agency estimates that average car occupancy is 1.6 passengers (for countries where data is available). This equates to 100g of CO_2 per passenger kilometre, or 11% more than easyJet's average emissions per passenger kilometre.

2. easyJet strives to be efficient on the ground

A. Short dwell time on ramp – quick turns

easyJet's business model is designed to achieve high aircraft utilisation. Key to this is minimising the turnaround time (measured as the time between the aircraft arriving at the gate and pushing back for departure). easyJet's benchmark turnaround time is 25 minutes and, where possible, easyJet turn the aircraft around in 20 minutes. During a turnaround, the crew secure and prepare the aircraft for the next flight before boarding passengers and their baggage. This process includes safety checks, cleaning the aircraft cabin and on most occasions refuelling. By operating to this standard, to service the same number of passengers through the day, easyJet requires fewer gates and other airport infrastructure than full service airlines.

B. Minimal use of ground equipment

easyJet's policy is to use the most efficient and simple ground equipment in order to facilitate reduced turnaround times. As such, easyJet prefers, where possible, not to use air bridges. easyJet also prefers not to use motorised steps.

C. Simple airport infrastructure

easyJet has simple airport infrastructure requirements. As a short-haul point to point airline with one class of service and no cargo offering, easyJet has no need for segregated check-in areas or for complex baggage handling systems and facilities to transfer passengers between flights. Wherever possible, easyJet works with airports to adapt and develop existing facilities efficiently to minimise airport capital expenditure, and reduce environmental impact. easyJet encourages its passengers travelling with hand luggage only to use the online check-in product, which helps reduce the need for expensive airport infrastructure.

D. easyJet keep surface journeys to a minimum

easyJet prefers to use local, convenient airports connected to good public transport links. As part of its airport selection process, easyJet assesses the convenience of an airport with respect to surface transport options, with the aim of reducing the overall emissions from passenger journeys.

E. Minimal waste

easyJet's no frills service is designed to reduce waste in all areas. easyJet is a ticketless airline and also has a policy of operating a near paperless office, where the majority of paper documents are scanned into a document management system. All paper is disposed of through easyJet's recycling programme, which includes confidential and non-confidential paper streams. This programme includes printer toner cartridges. Paper sent for recycling represented 15% of all waste by weight generated by head office activities.

By not offering free food, easyJet eliminates meals that people do not want and easyJet's onboard product policy of generally supplying food that does not rapidly perish minimises onboard waste. At present, the small volume of food waste contained within easyJet's onboard waste generally means it cannot be accepted for recycling. easyJet also has a programme to collect paper waste separately so that it can be sent for recycling at as many airports as possible.

easyJet monitors closely its use of fluids for aircraft de-icing. The majority of de-icing fluid used by easyJet has been designed to meet stringent environmental requirements (i.e. do not contain triazole) and are considered to be non-hazardous and readily biodegradable. The transfer and shipment of oils is maintained to a level as low as is practicable. Solvents and oils used in aircraft maintenance are either recycled or treated through approved licensed operators.

3. easyJet leads the way in shaping a greener future

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

The executive body with overall responsibility for climate change policy within easyJet is the Environment Management Group, which currently meets fortnightly. Membership of the Environment Management Group includes the Chief Executive and the Communications Director. easyJet has decided to actively participate in the public debate concerning aviation and the environment. To this aim the Chief Executive and other Directors have given print, radio and TV interviews as well as speeches and presentations at conferences to a wide range of audiences (including, investor conferences). easyJet has been working to improve the policy instruments used by governments. The sections below outline what easyJet has been doing to shape a greener future.

A. Actively engaging with aircraft manufacturers to influence next generation technology

Today's aircraft are typically 70% cleaner and 75% quieter per passenger kilometre than their 1960s counterparts. Technological advancements, driven by the high price of fuel, are being planned today that will have a beneficial effect of a greater magnitude in the next 40 years, dramatically decreasing the environmental impact of aviation. Such advancements will be made in many ways including the use of advanced lightweight materials (such as composites) and the use of innovative engine technology (such as open-rotor architecture).

In 2007, easyJet publicly outlined its requirements for the next generation of short-haul aircraft for operation from 2015 onwards. This concept, known as the easyJet ecoJet is 25% quieter and emits 50% less CO_2 and 75% less NO_x per passenger kilometre than today's aircraft. easyJet continues to actively engage with both airframe and engine manufacturers and has refined key details of the specification of the next generation short-haul aircraft. easyJet also collaborated with the Science Museum in London on the exhibition "Does Flying Cost the Earth?", which included the display of the ecoJet model for the duration of the exhibition.

Considering the environmental (and fuel burn) benefits, easyJet will persist in pressing for the introduction of the next generation of short-haul aircraft as soon as the technology is available, with the immediate focus in the short term being on the risk mitigation of introducing step-change technologies. As part of this goal easyJet was the only airline invited to speak at the New Aircraft Concepts Research (NACRE) conference in Greenwich. NACRE is an integrated project co-funded by the European Commission and 36 industrial partners with the goal to break the design boundaries in terms of air transport efficiency, air travel affordability and environmental performance.

B. Shaping European policy on emissions trading

easyJet has the chair of the European Low Fares Airlines Association (ELFAA) environment working group and in that capacity was invited to join the European Commission's Aviation Working Group set-up to review how international aviation could be included into the EU Emissions Trading Scheme (ETS). easyJet considers that including aviation in EU ETS is the best solution to address aviation emissions. The aim of ETS is to establish a price for CO_2 emissions. ETS does not cover the non-CO_2 effects of any other industries and easyJet supports aviation's entry into ETS as soon as practical. The EU Presidency, Council and Parliament have agreed the Working Level Agreement to include aviation emissions within the EU ETS, allowing the Council to formally adopt legislation. The Directive will come into force in 2009 and will cover all arriving and departing flights from the EU from 2012 onwards.

The concept of an ETS is to establish a cap on emissions and reward operators that can abate at a lower cost than other companies that exceed their allocation of emissions allowances have to either buy permits from companies that have managed to reduce their emissions below their allocation of emissions allowances or through the purchase of EU carbon emissions allowances, or certified emission reduction projects from the Joint implementation (JI) or the Clean Development Mechanism (CDM). The benchmark of Revenue Tonne Kilometres internalises most of the aspects of the environmental efficiency of airlines and is supported by a wide range of evidence as the most environmentally sound metric. easyJet believes that the only viable way for aviation to enter ETS is through a cap at EU level. Aircraft are not fixed plant and generally operate across borders, making national allocations (or auctions) meaningless. easyJet opposes the auctioning of allowances since the ability to pass on the cost to the consumer in the short to medium term is very limited and so the cost of auctioning will simply act as an additional tax on the industry (a "cost shock"). ELFAA has commissioned independent research on this subject from Frontier Economics, one of Europe's leading economics consultancies.

C. Shaping European policy on making ATM more efficient
easyJet supports the ACARE ATM target to save 5% to 10% of the fuel consumed by European aviation through radical changes to the air traffic management system. The implementation of the EU's Single European Sky (SES) legislation is fundamental to improving the safety, reducing the cost and increasing the productivity of Europe's highly fragmented and inefficient ATM system. easyJet is actively supporting the delivery of the SES initiatives, especially through its engagement with the SESAR programme. SESAR is the operational part of SES and the programme has just transitioned from the Definition Phase to the Development Phase, which will run until 2013.

D. Engaging with the consumer
In August 2007 easyJet became the first major European airline to offer its customers the opportunity to offset the carbon emissions of their flights as part of the booking process whilst investing exclusively in United Nations-certified JI/CDM projects. In parallel with this, easyJet built an environment section on easyjet.com including a Carbon Calculator so that consumers can quantify the CO_2 emissions associated with each easyJet flight. By buying credits exclusively and directly from UN-backed projects, the scheme will ensure that the offset is of the highest quality and that passengers' contribution will reach the projects without wasting money unnecessarily on administration. easyJet continues in its commitment to making its carbon offsetting scheme the most transparent, trustworthy and efficient of any scheme offered by any airline in Europe. Take-up rates have been stable and consistent since the scheme was launched to the point where easyJet customers have offset over 100 million Kg of CO_2 to date.

E. Participation with stakeholders
easyJet devotes considerable resource in engaging with policy makers, as easyJet considers this as an important part of its corporate response to climate change. However, the business does not aim to simply "special plead" that aviation is only a small part of a global problem, but instead to ensure that policy is developed based on a sound understanding of the science and the issues. easyJet welcomed the lead the UK has taken on tackling climate change and submitted paper and oral evidence to the Joint Committee on the draft Climate Change Bill. The UK Government is currently consulting on Aviation Duty, which would replace the current Air Passenger Duty (APD) with a tax on flights rather than passengers from 2009. This is the right decision and easyJet looks forward to working with the UK Government on a new charging mechanism that properly reflects the pollution levels of different aircraft types and the distance flown by those aircraft. Any change that more closely aligns the new Aviation Duty with the environmental impact of a flight will benefit easyJet, as easyJet currently pays around 8% of all APD collected, while generating approximately 4% of the emissions associated with flights on which the airlines pay APD.

In Europe, the EU Commission has initiated stakeholder consultation on possible EU measures to reduce NO_x emissions from aviation, with a focus on the climate change impacts; easyJet has already been active in responding to the consultation process. In addition, easyJet continues to actively support the European Commission's proposals to include aviation into EU ETS as well as making representations with the French Ministère de l'Ecologie, du Développement et de l'Aménagement Durables and the Swiss Authorities and the Dutch Government, which has implemented an environmental tax on aviation.

easyJet sits on the climate change working group of the Sustainable Aviation group in the UK. easyJet is also engaging with environmental groups and research bodies such as The Sustainable Development Commission, The Institute for Public Policy Research (IPPR), the World Wide Fund for Nature (WWF) in their One Planet Business Personal Mobility programme. easyJet also completed the UK DfT Environmental Management Survey consultation and EUROCONTROL's stakeholder consultation on "Challenges to Growth". easyJet also supported the dissertation of an MSc student in Environmental Strategy at the University of Surrey on the life-cycle costs of transport modes. easyJet answered the Carbon Disclosure Project Greenhouse Gas Emissions Questionnaire as part of the latest Carbon Disclosure Project (CDP6). easyJet received the highest Carbon Disclosure Leadership Index for its sector (Transport and Logistics) in the CDP6 UK FTSE 350 Report 2008 (www.cdproject.net).

easyJet, along with the business leaders of over 150 global companies, signed the Bali Communiqué on Climate Change, which was presented to the United Nations Climate Change Conference in Bali, Indonesia in December 2007. Led by The Prince of Wales's UK and EU Corporate Leaders Groups on Climate Change, the Bali Communiqué called for a comprehensive, legally binding United Nations framework to tackle climate change with emission reduction targets to be guided primarily by science.

easyJet and its people
As an employer, easyJet's aim is to create an environment where people feel that easyJet is a great place to work; to nurture pride in the Company and people's individual efforts; to deliver outstanding performance to both internal and external customers and to promote the low cost model. easyJet's aspiration to be the best is underpinned by its strong cultural values together with its five pillars: safety, customers, people, operational excellence and shareholder return. With highly motivated employees (over 70% employee engagement confirmed in the 2008 Pulse survey) easyJet is well on track to achieve its goal.

In line with the quest to "Turn Europe Orange" significant progress has been made in expanding easyJet's employer presence across Europe. In 2008 easyJet opened two new bases in France, at Paris Charles de Gaulle and Lyon, with significant expansion also taking place at the Italian base in Milan Malpensa. easyJet's expansion as an employer across Europe is reflected in the employment statistics overleaf.

During 2008, easyJet concluded its acquisition of the British Airways franchise operator GB Airways. The business achieved its goal of integrating the legacy carrier into easyJet's low cost carrier business model without impact on business as usual operations and activities.

A. Equality and diversity

easyJet is a committed equal opportunities employer with policy aiming 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.

It is easyJet'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. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining.

At 30 September 2008, easyJet employed 6,107 persons (2007: 5,674) as set out below:

Location of employees (including secondments)

	2008	2007
UK	**4,234**	4,063
Switzerland	**480**	424
Germany	**317**	448
France	**315**	203
Spain	**411**	290
Italy	**350**	246
	6,107	5,674

easyJet's growth across Europe is reflected in its multinational workforce.

B. Training and development

Training and training programmes

easyJet is committed to providing high quality training to support the safe operation of the business and to ensure its people live up to the brand promise of "Low cost with care and convenience". easyJet's long-term commitment to this is evidenced by 84% of its employees confirming they are highly satisfied by the quality of training they receive. During the year, the easyJet Academy training facility accommodated the ongoing development of approximately 6,100 Pilots, Cabin Crew and Management and Administrative staff, along with an additional 650 people passing through the recruitment and assessment centres. easyJet's managers have received significant personal development over recent years and the business continues to realign the focus of Management and Administrative staff development through line manager coaching as the preferred approach.

Employee induction

Over 1,000 new people joined easyJet through the year. In addition, the business also welcomed new colleagues from GB Airways and easyTech. easyJet has looked to continuously improve its well-established and thorough induction training programme for crew and is in the process of developing increased e-learning capability which will provide all new joiners with a more flexible and efficient learning experience. easyJet wants people who are new to the organisation to settle in as quickly and efficiently as possible, and will continue to improve these processes for the benefit of all.

Management development

easyJet continues to partner with leading schools such as Ashridge School of Management and London City University to ensure its managers get high quality support in developing their skills. The range of electronic learning media has been enhanced to provide managers with greater flexibility and choice in how they go about their learning.

Talent management

The Company's talent identification and succession planning process is now entering its third year of execution. The process is well embedded and easyJet's leaders continue to invest considerable time in identifying high potential individuals when completing planning activity. As a result, a pool of talent is retained internally which can be drawn on as key roles become vacant or new roles are created. This year has seen a significant reduction in management recruitment costs due in no small part to the benefits of this approach.

C. Employee engagement

easyJet is committed to ensuring high employee satisfaction and engagement levels. One way in which high levels of advocacy and engagement are achieved is the underpinning cultural values and how easyJet works with its people through informing and consulting with them. The flat management structure enables direct communication with all employees. This year some key senior appointments have been made which have particularly improved the commitment within the operational function to consult and inform employees on business issues. In addition, a number of communication forums continue to exist, for example easyJet's business forum, which focuses on consultations with employees on company wide issues.

easyJet aspires to work in partnership with trade unions and a number are recognised across Europe. The business values the importance of working strategically with these organisations, especially as it continues to grow outside of the UK. easyJet has lost no days due to industrial action during the year. In addition, the business has joint working groups actively engaged in improving productivity in lifestyle related matters for crew; activities which are consistent with the brand promise and cultural values. easyJet surveys opinion directly with all crew members to take temperature checks on how the business is progressing and how their needs are changing.

easyJet has a clear communication strategy which helps to inform all employees across Europe about business achievements and goals. The publication "Fresh" is a good example of this. Each year all employees are given a copy of "Flight Plan" – the business strategy. easyJet is continuing to develop its on-line employee communication systems including its portals and intranet.

People opinion survey

In May 2008 easyJet conducted its third annual people opinion survey – easyJet Pulse – in order to fully understand its people's issues and measure progress. With a commitment from the Board to share the results of Pulse "warts and all" 72% of easyJet people responded to Pulse (which continues to be high, particularly within the airline industry).

72% of people are satisfied or very satisfied working for easyJet. A key positive headline for the organisation was the high degree in which easyJet people are advocates of the Company and the service it provides; 74% of employees would recommend easyJet as an employer to other people, while there is more work to be done in the areas of communication and cross company teamwork.

The results overall, whilst still very pleasing, are slightly down on last year's exceptional performance. easyJet is not surprised by this given the challenges faced in the industry in 2008 and the wider economic climate.

Ideas pay

As a direct result of last year's Pulse survey feedback, easyJet developed and launched an electronic staff ideas portal. This encourages employees to submit ideas they believe will generate revenue or reduce costs but in a way that allows easyJet to stay true to its values and brand promise. Response to the scheme has been overwhelmingly positive with 861 ideas received during 2008. 320 people have received a reward payment for their submission (and the Pulse results improved as a direct result of the action taken).

Communication

This year easyJet continued in its focus on improving two-way communication across the Company:

Flight Plan 2008 – the process launched successfully in 2007 was repeated by delivering sessions led by a member of the executive team to update employees on easyJet's strategy and annual financial results.

Back to the shop floor – Members of the executive and management team as part of their induction and ongoing development take part in this programme. They spend a day with crew onboard the aircraft, experiencing what they do and obtaining a greater appreciation of the customer facing part of the business.

CRM – Members of easyJet's executive and management team have been attending CRM (Crew Resource Management) sessions in order to deliver a business briefing and to promote open discussions between cabin crew, pilots and the executive team. This has been positively received and will continue throughout the next financial year.

Where a cascade of information was more appropriate, easyJet developed and introduced a combination of electronic and hard copy periodical publications, namely: High 5, p-monthly, p-weekly.

D. Staff rewards and recognition

Share schemes

easyJet once again offered all employees the opportunity to join its popular all employee share plans, easyJet Shares 4 Me, through its Save As You Earn (SAYE), Buy As You Earn (BAYE) and Free Share schemes. Take-up of the schemes remains very positive with over 80% of eligible staff now participating in one or more of the plans. These are HM Revenue and Customs (HMRC) approved schemes open to all employees on the UK payroll. For employees who are on non-UK payrolls, international schemes have also been established with similar terms and conditions to the UK scheme, albeit without the UK tax benefits.

Under SAYE participants may elect to save up to £250 per month under a three-year savings contract. An option is granted by easyJet to buy shares at a price based on the market price of the shares at the time of the grant. At the end of the savings period, a tax free bonus is applied to the savings and the option becomes exercisable for a period of six months. The Company has made grants under the Sharesave scheme in each of 2005, 2006, 2007 and 2008, with options being granted at the maximum discount allowed under an approved scheme of 20% to the market price at the time of the grant.

BAYE is managed under a share incentive plan and is open all year. This scheme is open to all employees on the UK payroll. Employees can allocate part of their pre tax salary up to a maximum of £1,500 per annum, to purchase "partnership" shares in easyJet. For every share purchased through the partnership scheme, easyJet purchases a "matching" share. Employees must remain in employment with easyJet for three years from the date of purchase of partnership shares in order to qualify for matching shares, and for five years for shares to be transferred to them tax free. The employee retains rights over both their own shares and the matching shares, is eligible to receive any dividends paid and is able to vote at meetings once the shares are purchased.

Free shares

To further encourage share ownership, for a second year running easyJet gave all employees a one-off award of free easyJet shares, equivalent to two weeks' pay, subject to a minimum of £600 for full time employees and the HMRC upper limit of £3,000. This is also under the HMRC approved Share Incentive Plan.

easyJet Shares 4 Me has been the recipient of a total of five major industry awards:

- "Best Overall performance in fostering share ownership";
- "Most effective communication of an employee share plan" at the ifsProShare Annual Awards Dec 2006;
- "Best New Share Plan" at the ifsProShare Annual Awards 2005;
- "Most Effective All-Employee Share Plan Strategy Award" from Employee Benefits magazine;
- "Most Innovative Employee Share Plan" at the Institute of Chartered Secretaries and Administrators Company Secretary Awards 2006.

Staff travel
Staff travel continues to be a very popular employee benefit with 78,552 bookings made by employees with 129,248 seats flown. This equates to a year on year increase on both bookings (by 10.2%) and on seats (by 12.4%). The most popular route purchased by employees was the Gatwick to Amsterdam route.

Go the extra mile awards
One of the key differentiators between easyJet and other low-cost carriers is its people. Regardless of where in the business people are working, they work hard and give their all. For this reason, easyJet runs an employee incentive scheme called the "GEM" (Going the Extra Mile) awards. The awards are designed to recognise employees who go beyond what can rightly be expected of them in the role they are in. There are two different types of GEMs which recognise different areas of an employee's contribution and these are matched by an exciting range of rewards. This year, 152 people have been recognised with a GEM award.

E. Charitable donations
easyJet's charity policy is to recognise and devote efforts to a single charity each year. This year the charity, chosen for the third time, was The Anthony Nolan Trust.

easyJet has worked with The Anthony Nolan Trust to help promote the Trust, with activities including onboard collections, a click and give campaign from the website, staff fundraising, being featured in the in-flight magazine and other public relations activities. £528,266 was raised to 30 September 2008 and the Anthony Nolan Trust received coverage in European press, UK regional press and National television.

F. Ethical
easyJet is committed to the highest standards of corporate behaviour from its Directors and employees. easyJet requires all of its people to perform their duties with efficiency and diligence and to always behave to customers and other people alike with courtesy and decorum.

easyJet's procurement process has strong controls to ensure that any dealings are open and transparent, and avoids any suspicion of conflicts of interest. In particular, easyJet has specific clauses in each employee's contract of employment, which set tight rules in respect of accepting gifts or gratuities. This year easyJet took the opportunity to reinforce the ruling by refreshing and communicating the policy.

Gifts and gratuities
Some easyJet employees are sent gifts from various companies throughout the year. The airline has a strict policy that prevents any employee accepting gifts over a nominal value. Every Christmas (and less frequently, at various times through the year) easyJet holds a staff raffle of all the gifts that are received. Every employee across Europe is entered into the draw and allocated a unique reference number. Numbers are then drawn at random and winners have the gifts sent directly to their home in time for Christmas.

Overview
Directors' report
Report on Directors' remuneration
Financial information
Other information

Directors' profiles


01


02


03


04


05


06


07


08


09

01 Sir Colin Chandler

Non Executive Chairman

Colin (69) joined easyJet in April 2002 and was appointed Chairman in November 2002. Until November 2004, he was Non Executive Deputy Chairman of Smiths Group plc, having been a Non Executive Director of TI Group since 1992. Colin has been variously Managing Director, Chief Executive and then Chairman of Vickers plc. Earlier in his career 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 and was also the Pro-Chancellor of Cranfield University between 1998 and 2007. He is a Non Executive Director of Clarity Commerce Solutions plc. He was knighted in June 1988 for services to export.

02 Andrew Harrison

Chief Executive Officer

Andrew (51) became Chief Executive Officer on 1 December 2005. He was previously the Chief Executive of RAC plc prior to its acquisition by Aviva plc in 2005. Andrew joined Lex Service plc in 1996 as Chief Executive and led its transformation from a vehicle distribution company into RAC plc, a strongly-branded, consumer-facing services company with 6.5 million members. RAC plc delivered strong growth in a variety of consumer services, which included BSM, financial and legal services, as well as good expansion in business services, winning large contracts. The successful integration of Lex and RAC resulted in a strong rise in profits and a tripling of the share price during Andrew's tenure as Chief Executive. Andrew was a Non Executive Director at Emap plc between 2000 and 2008 where he also chaired the Audit Committee. Prior to Lex Service, Andrew was an Executive Director of Courtaulds Textiles plc.

03 Jeff Carr

Group Finance Director

Jeff (47) was appointed as Group Finance Director in March 2005. Prior to joining easyJet, Jeff was Director of Finance, Performance and Planning for Associated British Foods plc. He has previously held senior financial positions with Unilever, Grand Metropolitan and Reckitt Benckiser. In addition to experience with major consumer orientated companies, Jeff has wide international experience in both mainland Europe and in the USA.

04 David Bennett

Independent Non Executive Director

David (46) was appointed to the Board on 1 October 2005. He is currently an Executive Director of Abbey National plc. Prior to that David was Group Chief Executive of Alliance & Leicester plc having previously served as Group Finance Director. David held a number of senior management positions at Cheltenham & Gloucester Building Society and Lloyds TSB. He was also an Executive Director of the National Bank of New Zealand Limited and is a member of the Association of Corporate Treasurers.

05 Sven Boinet

Independent Non Executive Director

Sven (55) was appointed to the Board of easyJet in March 2008. He is currently the Chief Executive Officer of Group Lucien Barrière, the €1.2 billion turnover company created from the merger of the gaming activities of Accor and Lucien Barrière. A graduate of Stanford University, he previously held a number of senior management roles over a 15 year period at the French hotels group, Accor. He was also a Non Executive Director of Lastminute.com from 2003 until its sale to Sabre in 2005.

06 John Browett

Independent Non Executive Director

John Browett (44) joined easyJet in September 2007. He is currently Chief Executive Officer of DSG International plc, a position he has held since December 2007. Prior to joining DSG International, John was the Operations Development Director of Tesco plc. He joined Tesco as Group Strategy Director in 1998 and held a number of executive director positions in the company including running Tesco.com from 2000 to 2004 where he was responsible for formulating and delivering its strategy from launch to profitability. A graduate of Cambridge University and Wharton Business School, John, was at the Boston Consulting Group between 1993 and 1998.

07 Professor Rigas Doganis

Independent Non Executive Director

Rigas (69) was appointed to the Board on 1 December 2005. Rigas is an aviation consultant and strategy adviser to airlines, airports, banks and governments around the world. He is Chairman of the European Aviation Club in Brussels and a Non Executive Director of GMR Hyderabad International Airport, India. He is a former Chairman and CEO of Olympic Airways and was formerly a Non Executive Director of South African Airways. Rigas is also a visiting Professor at Cranfield University and the author of books on aviation economics and management.

08 Sir Stelios Haji-Ioannou

Non Executive Director

Stelios (41) founded easyJet in 1995. He was easyJet's Non Executive Chairman until 26 November 2002 and was reappointed to the Board on 16 May 2005. A graduate of the London School of Economics and City University Business School, Stelios founded his first business Stelmar Tankers in 1992, a shipping company which listed on the New York Stock Exchange in 2001 and was sold in 2005 to OSG shipping group. Since 1999 he has set up 16 other "easy" branded ventures, which are managed and capitalised separately from easyJet and an up-to-date list of them can be found on www.easy.com. Stelios is currently mostly focusing on the management of the easyGroup, the private investment vehicle for his trust, called the Stelios Trust. The easyGroup owns the easy brand and licenses it to the various easy branded ventures including easyJet and is also a major shareholder in easyJet plc. He was knighted in November 2006 for services to entrepreneurship.

09 Sir David Michels

Senior Independent Non Executive Director

David (61) was appointed to the Board on 6 March 2006. He is currently Deputy Chairman of Marks and Spencer plc and is also Non Executive Director of Capital and Strategic Hotels and Resorts Inc and Jumeirah Hotels. David has held a number of senior management and plc board positions in the leisure industry. He spent 15 years with Grand Metropolitan mainly in sales and marketing, which culminated in a Board position as Worldwide Marketing Director. In 1989, he became Deputy Chairman of Hilton UK and Executive Vice President, Hilton International. He joined Stakis in 1991 as Chief Executive and became Group Chief Executive of the Hilton Group (formerly Ladbroke Group) in June 2000, a position he held until 2006. He is the current President of the British Hospitality Association and was knighted in June 2006 for services to the hospitality industry.

Dawn Airey

Independent Non Executive Director

Dawn (48) joined easyJet in April 2004. She is currently Chair and Chief Executive of Channel Five . Prior to this, she was Managing Director of Global Content at ITV plc. Dawn has worked in television for over 23 years and began her career at Central TV as a management trainee. She joined BSkyB in January 2003 and was Managing Director of Channels and Services at Sky until 2007. She was also Chief Executive of Channel Five (2000–2002); Director of Programmes, Channel Five (1996–2000); Controller of Arts and Entertainment at Channel 4 (1994–1996) and Controller of Network Children's and Daytime Programmes at ITV (1993–1994). She is Vice President of the Royal Television Society, and a Trustee of the Media Trust. Dawn is a member of the Board of the International Emmy Awards, a governor of the Banff Television Festival, an Honorary Committee Member of the Monte Carlo Television Festival and a Director of The British Library.

Executive management team

From left to right
Saad Hammad, Mike Campbell,
Cor Vrieswijk, Andrew Harrison,
Toby Nicol, Jeff Carr, Neil Mills, Tim Newing

Saad Hammad

Chief Commercial Officer

Saad (46) joined easyJet in November 2005, bringing considerable commercial experience in international consumer-focused businesses. Saad has held senior positions in brand management, sales and marketing and retailing at Procter & Gamble, Thorn-EMI, Vision Express, and Minit. He was also Case Leader at the Boston Consulting Group working primarily with consumer goods manufacturers and retailers. In addition, Saad was Managing Director – Europe at Tibbett & Britten, the market leader in consumer product logistics, and CEO of Autocascade, a pan-European web-based yield management start-up. Saad holds a degree from Oxford University and an MBA from INSEAD. Saad is a Non Executive Director at Optos plc, the leading medical retinal imaging technology company.

Mike Campbell

People Director

Mike (51) joined easyJet in October 2005 as People Director. Before joining easyJet Mike worked at Wedgwood in a broad role as Director of People and Brands and Managing Director for Canada, Australia and Pan-Asia. Prior to that Mike worked for 14 years at Fujitsu in a variety of development and personnel roles across Europe, Asia, Africa and the Middle East, ending up as Chief Personnel Officer. His early career was in education and research. Mike has a BSc in Mathematics and Masters in Fluid Dynamics.

Cor Vrieswijk

Operations Director

Cor (50) joined easyJet in January 2007 from Transavia.com, a Dutch-based airline, where he was Chief Operations Officer for nine years and brings 25 years' experience in the airline industry. His responsibilities at Transavia.com included flight operations, cabin operations, engineering and maintenance and ground handling, together with relevant experience in marketing, human resources and IT. Cor's first degree was in engineering followed up by a Masters Degree in organisational sciences.

Andrew Harrison

Chief Executive Officer

See Directors' profiles.

Toby Nicol

Communications Director

Toby (38) joined easyJet in December 1999. He was appointed Communications Director in September 2005 after six years in a range of communications and lobbying roles within the Company and has been part of the Executive Management Team since mid 2004. Toby is responsible for the Company's communications, lobbying and regulatory affairs as well as all corporate and social responsibility. Toby also chairs the Steering Group of Flying Matters, the aviation industry's environmental lobby group. Previously, Toby was employed in senior positions for a leading communications consultancy undertaking work across a range of diverse clients from IBM to bmi.

Jeff Carr

Group Finance Director

See Directors' profiles.

Neil Mills

Procurement Director

Neil (37) joined easyJet in October 1997. He was appointed Procurement Director in June 2008 after 11 years in a range of roles across most departments in the Company. Neil is responsible for all the fleet transactions and procurement across the Company and has responsibility for the airport and ground handling costs which are second to only fuel in scale. Neil is an accountant by training.

Tim Newing

IT Director

Tim (49) joined easyJet in August 2006. He has a wide range of experience across the technology spectrum and has played a major role in the development of the National Lottery over a ten year period, first as Technical Manager for IT supplier GTECH UK before joining Camelot as Head of Projects and Networks in December 2000 and becoming IT Director in March 2002. During this time, Tim successfully developed and delivered a series of programmes that saw a period of major technological innovation, significantly enhancing the systems architecture and key business processes within Europe's biggest lottery company, and, at the same time ensuring high reliability and availability from the production systems. His achievements saw him recognised as the 2005 IT Director of the Year in the Jaeger-LeCoultre Telegraph Business Awards.

Corporate governance

Principles statement

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

Statement of compliance

During the year the Board considers that it has complied with the best practice provisions of Section 1 of the Combined Code of 2006 with one exception. At the Audit Committee meeting on 1 May 2008 the Audit Committee Chairman was unable to attend due to illness. Although the meeting was quorate without him, it was felt most appropriate in the circumstances for the Chairman of the Company to chair the Audit Committee.

Board of Directors

As at 30 September 2008, the Board comprised eight Non Executive Directors (including the Chairman) and two Executive Directors.

The roles of Chairman (Sir Colin Chandler) and Chief Executive (Andrew Harrison) are separated, clearly defined, and approved by the Board. Sir David Michels is the Senior Independent Non Executive Director. The Company regards David Bennett, Professor Rigas Doganis, Dawn Airey, John Browett and Sven Boinet as Independent Non Executive Directors. Diederik Karsten who served for part of the year as a Non Executive Director was also regarded as independent. Sir Stelios Haji-Ioannou is not regarded as independent due to his significant beneficial shareholding in the Company and his prior involvement in an executive management capacity.

The Chairman makes himself available for investor meetings and questions, in person, at the time of major announcements. Sir David Michels has also made himself available to participate in investor meetings as an alternative point of contact and in order to help develop a balanced understanding of the issues and concerns of major shareholders. Regular feedback from the Company's two corporate brokers (Credit Suisse and Hoare Govett, a division of RBS), is used to brief the Board. In addition, the Board has access to sources who are independent of easyJet for further feedback. The Board continues to consider that it is appropriate for the Chairman to be the primary conduit with investors given his experience in liaising with shareholders. During the year, the Chairman has updated the whole Board on the results of his meetings and the opinions of investors. However, all Directors have a standing invitation to participate in meetings with investors. The Board meets regularly, with 11 meetings having been held during the year ended 30 September 2008. All members of the Board are supplied in advance with appropriate information covering matters which are to be considered. It is standard practice for the Non Executive Directors to meet without the Executive Directors present prior to each Board Meeting.

Meetings attended

Director	Board	Audit Committee	Remuneration Committee	Nominations Committee
Sir Colin Chandler	11	1	n/a	1
Andrew Harrison	11	3*	2*	n/a
Jeff Carr	11	3*	n/a	n/a
Professor Rigas Doganis	11	n/a	3	1
Sir Stelios Haji-Ioannou	10	n/a	n/a	n/a
John Browett	10	–	1	n/a
Sir David Michels	9	2	3	n/a
Dawn Airey	9	n/a	3	1
David Bennett	7	2	2	1
Sven Boinet (appointed 1 March 2008)	6	2	1	n/a
Diederik Karsten (resigned 21 February 2008)	2	1	n/a	n/a

*By invitation.

The appointment of Sven Boinet during the year as a Non Executive Director was the result of a search process carried out using external recruitment consultants in accordance with longstanding Board practice. Separately, the Board has taken advice during the year from expert management search and development consultants with a view to both enhancing its development of key managers and reviewing its succession planning for the top executive roles in the Company.

Directors and officers insurance cover has been established for all Directors to provide cover against their reasonable actions on behalf of easyJet. During the year, the Chairman undertook a performance review of the Board using a written evaluation framework. The process involved a detailed questionnaire completed by each of the Directors, one on one discussions with individual Directors and a separate review of the outcome by the full Board in a plenary session. The performance of the Board's Committees and also that of the individual Board Directors was reviewed as part of the same process. Separately, Sir David Michels has met during the year with the other Non Executive Directors (excluding the Chairman) to appraise the Chairman's performance.

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

Board Committees

Remuneration Committee

At 30 September 2008, the Remuneration Committee comprised five independent Non Executive Directors, namely Sir David Michels (Committee Chairman), David Bennett, Professor Rigas Doganis, Dawn Airey and Sven Boinet. This Committee, which meets at least twice per year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the Executive Directors and the Chairman. In addition to meetings to allot shares under the Company's share option schemes, the Remuneration Committee has met three times during the year.

The Board has reviewed the composition of the Remuneration Committee during the year and at the end of June 2008, Sven Boinet was appointed to the Remuneration Committee in place of John Browett who was simultaneously appointed to the Audit Committee. The Board is satisfied that the Directors who are currently members of this Committee are those who are best able to contribute to the Committee's objectives.

Shareholders are required to approve all new long-term incentive plans. Further details of these plans can be found in the Report on Directors' remuneration.

Audit Committee

The Audit Committee comprises three Non Executive Directors, all of whom are independent. As at 30 September 2008, the Audit Committee members were David Bennett (Chairman), Sir David Michels and John Browett. This Committee meets at least three times per year. The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information in advance of publication, reviewing on a continuing basis the systems of internal controls regarding finance and accounting that management and the Board have established and reviewing generally the auditing, accounting and financial reporting processes. The ultimate responsibility for reviewing and approving the annual and other accounts remains with the Board. The Audit Committee has met three times during the course of the year.

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

The terms of reference of the Audit Committee are documented and agreed by the main Board. The full text of the terms of reference is available in the investor relations section of the easyJet website, www.easyJet.com. The key terms set out that the Audit Committee will:

- Serve as an independent and objective party to monitor the quality and timeliness of the financial reporting process and monitor the internal financial control system;
- Review and appraise the audit efforts of the external auditors;
- Provide an open avenue of communication among the external auditors, financial and senior management, and the Board;
- Confirm and assure the independence and objectivity of the external auditor;
- Review and ensure the effectiveness of the risk management processes of the Company;
- Review and monitor the effectiveness of the internal audit function and the management responses to the recommendations.

The Audit Committee has the responsibility for appointing the external auditors. PricewaterhouseCoopers LLP were reappointed auditors of the Group at the Annual General Meeting, held in February 2008. The Audit Committee recently reviewed its terms of reference. Following this review and the receipt of advice from external advisers, the Committee recommended certain changes to its terms of reference that were accepted by the Board. These included the adoption of rules outlining the process by which the Board of Directors would address conflicts of interest and potential conflicts of interest of members of the Board. Potential conflicts of interest are now required to be notified to and assessed by the Audit Committee on behalf of the Board in line with the new Articles of Association adopted at the last AGM of the Company following the implementation of relevant provisions of the Companies Act 2006.

In order to preserve auditor independence, the Board has decided that the auditor will not be asked to provide consulting services unless this is in the best interests of the Company. Clause nine of the Audit Committee's Terms of Reference sets out the formal policy on non-audit work. The auditor is asked on a regular basis to articulate the steps that it has taken to ensure its independence. easyJet monitors the auditor's performance and behaviour during the exercise of its duties. In the financial year, easyJet spent £0.9 million with PricewaterhouseCoopers LLP (2007: £0.6 million) in respect of non-audit services and £1.6 million (2007: £2.4 million) with other parties who are entitled to act as registered auditors.

The Board has discussed the composition of the Audit Committee and at the end of June 2008, John Browett was appointed to the Audit Committee in place of Sven Boinet who was simultaneously appointed to the Remuneration Committee. The Board is satisfied that the Directors who are currently members of this Committee are those who are best able to contribute to the Committee's objectives. David Bennett has served as the Chairman of the Committee during the year. David is currently an Executive Director of Abbey National plc prior to which he was Chief Executive Officer and Finance Director of Alliance and Leicester plc, experience which the Board considers to be recent and relevant for the purposes of undertaking the role as chairman of the Committee.

Nominations Committee

The Nominations Committee comprises at least three members. During the year, the Nominations Committee members were Sir Colin Chandler (Chairman), David Bennett, Professor Rigas Doganis and Dawn Airey. Sir Colin Chandler is not considered to be independent as he is Chairman of the Group. However, the Board is satisfied that Sir Colin Chandler's personal integrity and experience makes him a highly effective member of the Board and the Nominations Committee.

This Committee is responsible for nominating candidates to fill Board positions and for making recommendations on Board composition and balance. In appointing Non Executive Directors, the Board's practice is to use an external recruitment agency. The Nominations Committee has met once during the year to consider and approve the appointment of Sven Boinet following a search using an independent recruitment consultant.

The terms of reference of the Nominations Committee are documented and agreed by the main Board. The full text of the terms of reference is available in the investor relations section of the easyJet website, www.easyJet.com.

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

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

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

Litigation Committee

As a result of the proceedings brought by easyGroup IP Licensing Limited (a company under the ultimate ownership of Sir Stelios Haji-Ioannou) in relation to the clarification of the Brand Licence, the Board has set up a separate Litigation Committee to deal with the proceedings and all matters related to them. Sir Stelios Haji-Ioannou does not sit on this committee which comprises every other Director of the Board. It is anticipated that the Committee shall continue to exist until the proceedings and any related circumstances giving rise to a conflict of interest between Sir Stelios Haji-Ioannou's interests and those of the Company have been resolved.

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

The AGM gives all shareholders the opportunity to communicate directly with the Board. There is also regular communication with institutional investors on key business issues. The Group has an investor relations department which runs an active investor relations programme to facilitate engagement with investors.

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.

A formal process established to identify, evaluate, manage and report upon significant risks faced by the Company is operated by the Company Secretary under the direction of the Audit Committee. The process involves a rigorous mandatory reporting regime across middle tier management with reporting of risks subject to review by a cross-functional executive committee which produces detailed risk reports to the Board. This process has operated throughout the year and during the period from the year end to the signing of the financial statements.

The Board has conducted an annual review of the effectiveness of the system of internal control during the year under the auspices of the Audit Committee.

The internal control regime is enhanced by the creation of a whistleblower reporting function. The system is operated by a specialist external third-party service provider and allows employees to report concerns in confidence on an anonymous basis. The Audit Committee has approved the processes and reporting structure for the function and receives regular reports on the operation of the function.

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 in weekly meetings. Operational meetings include the Safety Audit Group which meets monthly to discuss safety, security and environmental risks. The Safety Review Board meets monthly, or more regularly where events require, to review safety performance. In addition, there are regular Commercial, Financial and IT functional meetings;
- The Executive Management Team meets monthly to consider significant current risks. Individual department and overall business performance is reviewed. The reporting of significant risks to the Executive Management Team and the Board of the Company has been enhanced by the risk management processes referred to above. Individual department and overall business performance is reviewed;
- Written reporting of current significant risks is provided to the Board on a monthly basis. Control weaknesses or failings are considered by the Board if they arise;
- easyJet has had an Internal Audit function since 1 October 2006 which considers, reviews and tests internal control matters throughout the Group. Further details of the internal audit function's operations are set out below;
- 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 also identified;
- Action plans are set to address any control weaknesses or gaps in controls identified.

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

- Reports from management. Reporting is structured to ensure that key issues are escalated through the management team and ultimately to the Board as appropriate;
- Discussions with senior personnel throughout the Company;
- Consideration by the Audit Committee of any reports from external auditors;
- The controls, which mitigate or minimise the high level risks, are tested to ensure that they are in operation. The results of this testing are reported to the Board which considers whether these high level risks are effectively controlled.

Internal Audit

The Internal Audit function is a central element in easyJet's approach to risk management and reflects the importance placed on the internal control processes within the business. Internal Audit's work is focused on areas of greatest risk to easyJet, as determined by managements' risk identification and assessment processes as validated by Executive Directors. The output from this process is summarised in an audit plan, which is approved by the Board and Audit Committee, and updated on a rolling bi-annual basis.

The Head of Internal Audit reports regularly to the Group Finance Director and meets with the Chairman of the Audit Committee without the presence of management on a regular basis. The Head of Internal Audit was invited to and attended all of the Audit Committee meetings in the year and has reported regularly on internal audit reviews to the Executive Management Team meetings during the course of the year. A formal audit charter is in place.

Role of Internal Audit

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

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

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

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

General information

This section contains information required by statute which is not included elsewhere in this Annual Report.

Country of incorporation

The Company is incorporated in the United Kingdom and registered in England and Wales.

Principal activity

The principal activity of the Company and its subsidiary companies "the Group" or "easyJet") is the provision of a low-cost airline service with care and convenience on short-haul and medium-haul point-to-point routes principally within Europe.

Directors and Directors' interests

The following Directors served on the Board for all or part of the year ended 30 September 2008:

Non Executive:

Sir Colin Chandler
Dawn Airey
David Bennett
Sir Stelios Haji-Ioannou
Professor Rigas Doganis
Diederik Karsten (resigned 21 February 2008)
Sir David Michels
John Browett
Sven Boinet (appointed 1 March 2008)

Executive

Andrew Harrison
Jeff Carr

Directors' share interests

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

	2008	2007
Dawn Airey	**10,000**	10,000
David Bennett	**10,000**	10,000
John Browett	**4,705**	–
Jeff Carr	**10,240**	5,000
Sir Colin Chandler	**49,700**	39,700
Professor Rigas Doganis	**13,600**	9,000
Sir Stelios Haji-Ioannou	**66,076,451**	66,076,451
Andrew Harrison	**682,616**	312,179
Sir David Michels	**12,100**	3,500

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

Andrew Harrison's shares at 30 September 2008 include 96,853 investment shares purchased under the 2006 and 2007 Long Term Incentive Plans and 838 partnership shares under the Share Incentive Plan (Buy As You Earn).

Jeff Carr's shares at 30 September 2008 include 5,240 investment shares purchased under the 2007 Long Term Incentive Plan.

Executive Directors are deemed to be interested in the shares held by the easyJet UK Employee Share Ownership Trust, the easyJet Overseas Employee Share Ownership Trust and the Share Incentive Plan Trust (the "Trusts"). At 30 September 2008, ordinary shares held in the Trusts were as follows:

Share Incentive Plan Trust (unallocated as employees are not entitled to these shares until the performance conditions attached to them are met)	1,861,879
Total unallocated	1,861,879
Long Term Incentive Plan (allocated)	137,635
Total held by UK Trust (allocated)	9,462
Total held by Overseas Trust (allocated)	27,069
Total allocated	174,166
Total	**2,036,045**

Details of share options and share gifts granted to the Directors of the Company are disclosed below in the Report on Directors' remuneration.

Share capital

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

At the AGM held on 21 February 2008 the Company was authorised to purchase up to 42,908,496 ordinary shares. This authority will expire at the conclusion of the 2009 AGM.

Although no ordinary shares have been purchased by the Company during the period from 21 February 2008 to the date of this report, a special resolution will be put to shareholders at the AGM to renew the authority to make market purchases of the Company's shares up to a maximum of 10% of the share capital of the Company.

The rights and obligations attaching to the Company's ordinary shares are set out in the Articles of Association.

Voting rights and restrictions on transfer of shares

None of the ordinary shares carry any special rights with regard to control of the Company.

There are no restrictions on transfers of shares other than:

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

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

Employee share schemes – rights of control

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

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

Overseas branches

One of the Company's wholly owned subsidiaries, easyJet Airline Company Limited, operates two Spanish branches (one performing self-handling and the other dealing with employment matters), an Italian branch (also dealing with employment matters) and a dormant French branch.

Policy and practice on payment of creditors

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

At 30 September 2008, the number of creditor days outstanding for the Group was ten days (2007: nine days), and the Company, nil days (2007: nil days).

Political and charitable contributions

During the year, the Group made charitable contributions totalling £50,000 (2007: £50,000). The Group also performs collections on behalf of charitable organisations and during 2008 raised £528,266 for the benefit of the Anthony Nolan Trust. There were no contributions made for political purposes.

Substantial interests

As at 14 November 2008, the Company had been notified of the following disclosable interests of 3% or more in its ordinary shares:

	Number of shares	%
easyGroup Holdings Limited (holding vehicle for Sir Stelios Haji-Ioannou)	66,076,451	15.62%
Polys Holdings Limited (holding vehicle for Polys Haji-Ioannou)	47,954,575	11.33%
Clelia Holdings Limited (holding vehicle for Clelia Haji-Ioannou)	47,954,575	11.33%
Standard Life Investments	41,827,627	9.90%
Schroders plc	23,157,105	5.50%
Wellington Management Company	21,612,887	5.13%
FMR LLC	21,500,700	5.10%
Black Rock Inc.	18,549,906	4.40%
Deutsche Bank AG	13,316,563	3.15%
Sanderson Asset Management	13,212,669	3.14%
Legal & General Group plc	12,806,145	3.05%

On 13 November 2008, the Company was advised that Clelia Holdings Limited had transferred its legal interest in 47,954,575 ordinary shares in the Company to easyGroup Holdings Limited. The Company has not yet received formal notification of this. As a result of the transaction, easyGroup's holding of the Company's issued ordinary share capital would increase from approximately 15.6% to approximately 26.9%.

Key contractual or other arrangements essential to the business

easyJet operates a fleet constituted mainly of Airbus* aircraft with some Boeings which are being phased out. Engines are provided by CFM and IAE and maintenance of aircraft and engines is undertaken by SRT, Virgin*, Aerotron*, GE, MTU and Lufthansa. The major financiers of aircraft are GECAS, Nomura Babcock Brown, Royal Bank of Scotland, CIT Aerospace and Pegasus Aviation. The major lessors of aircraft in easyJet's fleet are HSH Nordbank, PK Airfinance, Alliance & Leicester, Bank of Tokyo Mitsubishi, BNP Paribas, West LB and Sumitomo Mitsui Banking Corporation.

easyJet's main insurers are AIG, Kiln, Brit, Canada Life, QBE, Chubb, Ace and Allianz.

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

One of the biggest costs for the business is fuel. The main suppliers are Shell, Air BP, Exxon and Q8. easyJet's IT systems include agreements with AIMS, who provide crew, aircraft and flight management control and operation software; SAVVIS who provide data centre hosting facilities; Jeppesen who provide flight planning systems; SOPRA who develop the reservations system; Carillion who run easyJet's IT helpdesk and Agresso who provide easyJet's accounting system.

On 30 September 2008, the Company had 20 bases. The table below shows the operator and ground handler by base.

Base	Operator	Ground handler
Basel	EuroAirport Basel-Mulhouse-Freiburg	Swissport
Belfast	Abertis	Menzies
Berlin	Flughafen Berlin Schönefeld	Globeground Berlin
Bristol	South West Airports	Servisair
Dortmund	Flughafen Dortmund	Dortmund HS
East Midlands	Manchester Airports Group	Menzies
Edinburgh	BAA	Menzies
Geneva	Geneva International Airport	Swissport
Glasgow	BAA	Menzies
Liverpool	Peel Holdings	Servisair
London – Gatwick	BAA	Menzies
London – Luton	Abertis	Menzies
London – Stansted	BAA	Swissport
Lyon	Aeroports de Lyon	Aviapartner
Madrid	AENA	Swissport Menzies
Manchester	Manchester Airports Group	Menzies
Milan – Malpensa	Aeroporti di Milano	SEA Handling
Newcastle	Newcastle Airport	Servisair
Paris – Charles de Gaulle	Aeroports de Paris	Group Europe Handling
Paris – Orly	Aeroports de Paris	Servisair

easyJet's main ancillary partners are Gate Gourmet, who provide inflight merchandise, Europcar, who provide car rental, Hotelopia who broker hotels and Elvia who through the Mondial brand provide insurance.

Credit card acquirers are Elavon, Lloyds TSB, Euroconnect, Barclays Merchant Services and American Express. easyJet's payment service providers are CyberSource and Bibit.

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

The main unions the business deals with in the UK are BALPA, UNITE and ALAE; in France it is SNPL; in Spain they are SEPLA and CCOO; and in Italy CISLFISL.

Training services from CTC are used and flight simulation services are received from CAE.

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

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.

Auditors

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

Andrew Harrison
Chief Executive Officer
17 November 2008

Jeff Carr
Group Finance Director

Report on Directors' remuneration

This report sets out the Company's policy on Directors' remuneration and details of remuneration paid to Directors in the financial year to 30 September 2008. The report has been prepared in accordance with the requirements of schedule 7A to the Companies Act 1985. Those sections of the report that have been subject to audit are identified below.

Membership and responsibilities of the Remuneration Committee

Membership and responsibilities of the Remuneration Committee are disclosed in the Corporate Governance report above.

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

Policy

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

The remuneration packages of the Executive Directors comprise a combination of basic salary, annual bonus, participation in share-based long-term incentive plans, and "lean" benefits provision. easyJet has a "no frills" approach and does not include, for example, company cars or final salary pensions as part of the package. Therefore, performance related elements form a significant proportion of the packages of the Executive Directors.

Reflecting best practice, the Committee regularly reviews the structure of its incentive arrangements and, in particular, the balance between short and long-term incentives in light of the circumstances prevailing each year.

Taking account of the Company's focus on variable remuneration, an extensive shareholder consultation was undertaken prior to the 2008 AGM to increase the maximum long-term incentive opportunity. Following shareholder approval at the AGM, the maximum award limit applying to awards made under the easyJet Long Term Incentive Plan (the "LTIP") was increased from 100% of salary to 200% of salary.

In light of the current economic environment (including tougher credit conditions, movements in exchange rates and the volatility of oil prices), the Company is currently revisiting its incentive policy. Should the conclusion of this review result in any proposed material changes being recommended, it is anticipated that consultation with major shareholders would take place prior to the changes being implemented.

The remuneration policy that will apply in the financial year ending 30 September 2009 is summarised below:

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

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

Basic salary

The basic salaries of Executive Directors are reviewed annually and are set taking account of a number of factors including (i) practice adopted in companies of a broadly similar size, (ii) a formal appraisal of their contribution to the business and (iii) the competitive environment, as senior easyJet executives are potential targets for other low cost start-ups and other companies in the airline sector.

At the beginning of the financial year Andrew Harrison's salary was increased from £540,000 to £590,000 to provide a salary that was competitive compared to companies of a comparable size. Jeff Carr's salary increased from £300,000 to £360,000 which reflected the final step in a series of phased increases designed to deliver a market competitive base salary level. It is proposed that basic salary will not be increased for Executive Directors in the 2009 financial year.

Annual bonus scheme

All Executive Directors participate in an annual bonus scheme. The maximum annual bonus opportunity of the Chief Executive during the year was 200% of salary, with a 100% of salary maximum for the Group Finance Director.

Bonus targets are aligned with easyJet's vision and values. The performance targets that will apply to Executive Directors' annual bonus opportunities in 2009 are currently under review. It is anticipated that they will be broadly similar to those in 2008. Full details will be included in next year's report.

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

Achievement of bonus for 2008

Andrew Harrison will be paid a bonus of £265,500 (45% of salary paid) in the year ending 30 September 2009 to reflect performance in the year ended 30 September 2008 (2007: 184.6% of salary). Jeff Carr will be paid a bonus of £81,000 (22.5% of salary) in the year ending 30 September 2009 to reflect performance in the year ended 30 September 2008 (2007: 92.3% of salary).

These bonuses were determined by the Remuneration Committee in light of the Company's performance against a range of key financial and operational metrics (normalised as appropriate to take account of the extremely challenging economic environment, in particular the increase in fuel prices, which accounts for some £283 million of additional cost versus 2007). These metrics included:

Measure	% maximum bonus opportunity
Profit	70%
Customer targets People Operating costs On time performance	30%

Long term incentive plans

The easyJet Long Term Incentive Plan provides for annual awards of performance shares and matching shares. The plan was approved by shareholders at the AGM in 2005 and amended at last year's AGM.

The annual award limit for performance shares was increased from 100% to 200% of basic salary at the 2008 AGM.

Matching shares awards are linked to the investment of up to 50% of annual bonus into easyJet shares, which are then matched on a 1:1 gross basis.

Performance and Matching Shares awards vest three years after grant, subject to continued employment and the Company achieving target returns on equity. These are defined as post tax profit divided by average shareholders' funds. This measure was chosen as it is a fundamental measure of financial performance and is linked to the generation of shareholder returns.

LTIP awards granted in 2008

Awards granted in the year under review were subject to the following performance targets relating to the Group's return on equity (ROE) in the year ending 30 September 2010:

Awards up to 100% of salary

	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
Return on equity	12.5%	14.0%	16.5%

The amendment made to the LTIP at last year's AGM was to increase the annual award limit of Performance Shares from 100% of 200% of salary, although the maximum award was restricted to 175% of salary in the year under review.

Awards between 100% and 200% of salary

	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
Return on equity	13.5%	15.5%	17.5%

The performance targets applying to the part of an award over 100% of salary were set to be tougher in lieu of the higher potential quantum available.

ROE has been historically chosen as the performance measure for a number of reasons, such as:

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

It is intended that similarly challenging ROE targets, set in light of current economic circumstances and the level of award made, will apply to awards made in the current financial year. As a minimum, any revised targets will be fully disclosed in next year's Report on Directors' remuneration.

All employee share plan participation

easyJet encourages share ownership throughout the Company by the use of a Share Incentive Plan and a Sharesave Plan. Executive Directors may also participate in these plans which are covered in the Corporate and Social Responsibility section of the Directors' report.

Previous share awards

FTSE 100 Award

In addition to the regular annual LTIP grants, a one-off "FTSE 100" award was granted shortly following the establishment of the LTIP to provide senior executives with a simple, transparent incentive to increase materially easyJet's market capitalisation (and become a member of the FTSE 100 index before the end of the financial year ending 30 September 2008). Since the performance criterion has not been met these awards will now lapse.

Executive Share Option Scheme

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

Chief Executive Officer Recruitment Award

To facilitate Andrew Harrison's recruitment as Chief Executive Officer and to ensure that his interests were directly and immediately aligned with those of easyJet shareholders, a matching award was introduced. This was covered in detail in previous reports. However in summary, Andrew acquired and will retain £1,000,000 worth of easyJet shares using his own funds. In recognition of this, he was granted a further share-based incentive award. The shares he acquires will be "matched" by the conditional award of an equal number of shares.

This matching share award will vest in the coming financial year subject to the satisfaction of challenging EPS and ROE performance conditions described more fully in the notes to Directors' share awards below.

Pension contributions

Pension contributions for Executive Directors are set at 7% of their basic salary. While this is a non contributory arrangement, easyJet operates a pension salary sacrifice arrangement where individuals can exchange their salary for Company paid pension contributions. Where individuals exchange salary this reduces easyJet's National Insurance contributions. easyJet credits half of this saving to the individual's pension (currently 6.4% of the amount exchanged).

Shareholding guideline

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

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

External appointments

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

Andrew Harrison was a Non Executive on the board of Emap plc until 19 March 2008 when it was acquired by Eden Bidco Limited, a private company. The Board approved this arrangement. The fee received for this role in the period to Emap ceasing to be listed was £46,000.

Service contracts

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

Andrew Harrison's service contract is terminable by the Company giving 12 months notice or by Andrew giving six months notice. On termination of Andrew's employment he will receive a pro rated bonus for the year of his termination based on performance up to the date of his termination. In addition, the Company has the right to pay Andrew, in lieu of notice and on a monthly basis until he secures commensurate employment, an amount equal to base salary, pension and bonus earned in the previous year.

Jeff Carr's notice period is six months. There are no other provisions for compensation for loss of office.

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

Sir Stelios Haji-Ioannou does not have a letter of appointment and his appointment is of no fixed term. He is however subject to re-election by the shareholders every three years, and was last re-elected by shareholders in February 2006. This does not prejudice his rights under the relationship agreement with the Company disclosed at the time of the Company's IPO, which allow him to be Chairman of the Board and the Company for so long as he and easyGroup Holdings Limited hold at least 10% of the issued ordinary share capital of the Company and the Company is entitled to use the easyJet brand.

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

	Date of current letter of appointment	Unexpired term	Notice period	Provision for compensation
Executive				
Andrew Harrison	15 September 2005	n/a	12 months (6 months from executive)	12 months
Jeff Carr	24 November 2004	n/a	6 months	6 months
Non Executive				
Sir Colin Chandler	26 September 2007	1 year 10 months	3 months	None
Dawn Airey	26 September 2007	1 year 10 months	3 months	None
David Bennett	26 September 2007	1 year 10 months	3 months	None
Sven Boinet (appointed 1 March 2008)	1 March 2008	2 years 3 months	3 months	None
John Browett	27 September 2007	1 year 10 months	3 months	None
Professor Rigas Doganis	26 September 2007	1 year 10 months	3 months	None
Sir Stelios Haji-Ioannou	n/a	n/a	n/a	n/a
Diederik Karsten (resigned 21 February 2008)	26 September 2007	1 year 10 months	3 months	None
Sir David Michels	26 September 2007	1 year 10 months	3 months	None

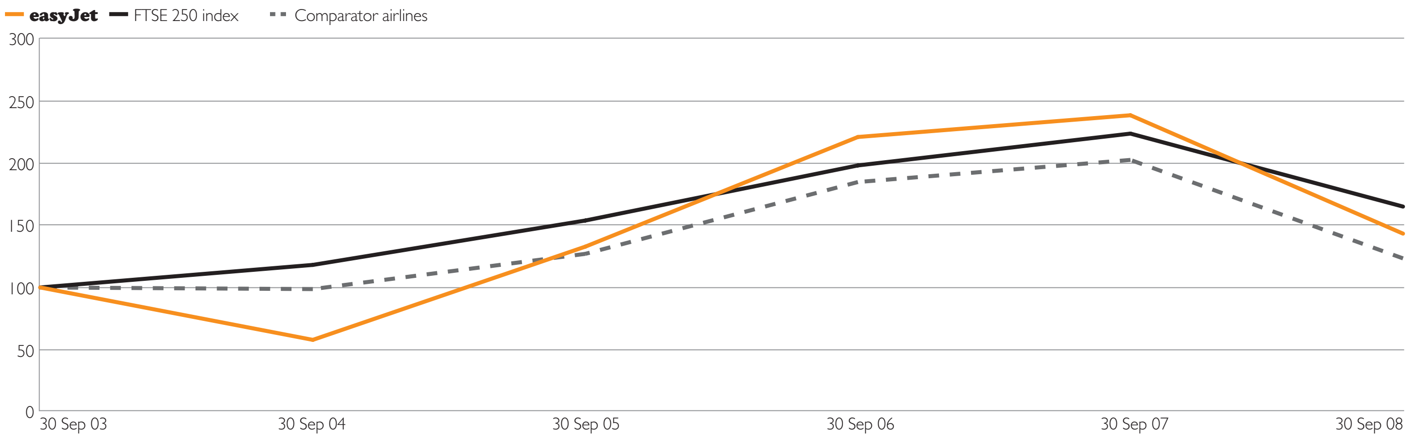
Non Executive Directors' letters of appointment are aligned to the standard terms appended to the Combined Code.

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

Total shareholder return

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

Total shareholder return



Source: Thomson Financial

This graph shows the value, by 30 September 2008 of £100 invested in easyJet on 30 September 2003 compared with the value of £100 invested in the FTSE Mid 250 index or a comparator group of airlines. The other points plotted are the values at intervening financial year-ends.

Note 1: British Airways, Lufthansa, Ryanair, Air France – KLM and Iberia have been included in the comparative European Airlines Group.

Directors' emoluments (audited)

Details of emoluments, paid or payable by Group companies to the Directors of easyJet plc who served in the current financial year are as follows:

	Salary/fees 2008 £000	Bonus 2008 £000	Total 2008 £000	Total 2007 £000	Pension contributions 2008 £000	Pension contributions 2007 £000
Executive						
Andrew Harrison	**590**	**266**	**856**	1,537	**41**	38
Jeff Carr	**360**	**81**	**441**	577	**25**	21
Non Executive						
Sir Colin Chandler	**201**	**–**	**201**	150	**–**	–
Dawn Airey	**45**	**–**	**45**	40	**–**	–
David Bennett	**55**	**–**	**55**	50	**–**	–
Sven Boinet (appointed 1 March 2008)	**26**	**–**	**26**	–	**–**	–
John Browett	**45**	**–**	**45**	–	**–**	–
Professor Rigas Doganis	**45**	**–**	**45**	40	**–**	–
Sir Stelios Haji-Ioannou	**–**	**–**	**–**	–	**–**	–
Diederik Karsten (resigned 21 February 2008)	**18**	**–**	**18**	40	**–**	–
Sir David Michels	**65**	**–**	**65**	50	**–**	–
	1,450	**347**	**1,797**	2,484	**66**	59

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

Pension contributions for Andrew Harrison and Jeff Carr are greater than the 7% of salary shown above as they include additional amounts resulting from the Group's salary exchange scheme as described above. These reflect a sacrifice from their salary, plus half of the resulting National Insurance saving for the company (6.4% of the sum sacrificed). Andrew Harrison exchanged £187,000 including national insurance savings for additional pension contributions in the year (2007: £198,000) and Jeff Carr exchanged a total of £27,000 (2007: £22,000).

Directors' share awards (audited)

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

	Scheme	Number of shares/options at 30 September 2007*	Shares/options granted in year	**Number of shares/options at 30 September 2008***	Date of grant	Exercise price	Date from which exercisable	Expiry date
Andrew Harrison	A	736,153	–	**736,153**	1 Dec 2005	3.30	1 Dec 2008	1 Dec 2015
	B	9,095	–	**9,095**	1 Dec 2005	3.30	1 Dec 2008	1 Dec 2015
	C	90,756	–	**90,756**	1 Dec 2006	–	1 Dec 2009	1 Jun 2010
	C	–	104,796	**104,796**	3 Dec 2007	–	3 Dec 2010	3 Jun 2011
	C	–	102,135	**102,135**	29 Feb 2008	–	28 Feb 2011	28 Aug 2011
	D	75,630	–	**75,630**	1 Dec 2006	–	1 Dec 2009	1 Jun 2010
	D	–	88,529	**88,529**	3 Dec 2007	–	3 Dec 2010	3 Jun 2011
	E	267,109	–	**267,109**	8 Feb 2006	–	8 Feb 2009	8 Aug 2009
	F	3,589	–	**3,589**	2 Jun 2006	2.61	1 Aug 2009	1 Feb 2010
	G	612	–	**612**	1 Dec 2006	–	1 Dec 2009	n/a
	G	–	487	**487**	1 Dec 2007	–	1 Dec 2010	n/a
	H	449	389	**838**	**See note below			

	Scheme	Number of shares/options at 30 September 2007*	Shares/options granted in year	**Number of shares/options at 30 September 2008***	Date of grant	Exercise price	Date from which exercisable	Expiry date
Jeff Carr	A	108,079	–	**108,079**	2 Jun 2005	2.32	2 Jun 2008	2 Jun 2015
	B	12,928	–	**12,928**	2 Jun 2005	2.32	2 Jun 2008	2 Jun 2015
	C	75,793	–	**75,793**	1 Dec 2005	–	1 Dec 2008	1 Jun 2009
	C	50,420	–	**50,420**	1 Dec 2006	–	1 Dec 2009	1 Jun 2010
	C	–	63,943	**63,943**	3 Dec 2007	–	3 Dec 2010	3 Jun 2011
	C	–	62,320	**62,320**	29 Feb 2008	–	28 Feb 2011	28 Aug 2011
	D	–	8,881	**8,881**	3 Dec 2007	–	3 Dec 2010	3 Jun 2011
	G	–	487	**487**	1 Dec 2007	–	1 Dec 2010	n/a

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

The closing share price of the Company's ordinary shares at 30 September 2008 was £3.15 and the range during the year to 30 September 2008 was £2.45 to £6.63.

Notes

A Unapproved Discretionary Share Option Scheme

B Approved Discretionary Share Option Scheme

C Long Term Incentive Plan – Performance Shares

D Long Term Incentive Plan – Matching Shares

E Chief Executive Officer Recruitment Award

F Sharesave (SAYE) scheme

G Share Incentive Plan – Free shares

H Share Incentive Plan – Matching Shares

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

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

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

Discretionary Share Option Schemes (A and B)

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

It is understood that the awards made on 2 June 2005 will vest in full.

Long Term Incentive Plan (C and D)

Awards are subject to the achievement of the following return on equity targets:

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

Straight-line vesting will occur between the threshold, target and maximum targets set out above.

The December 2005 award will vest in December 2008. This award consisted of three tranches with targets relating to return on equity achieved in the three years ended September 2006, 2007 and 2008. The first two tranches will vest in their entirety, but none of the shares in the third tranche will vest.

The returns on equity shown for the February 2008 grant relate to awards in excess of 100% of basic salary.

Chief Executive Officer Recruitment Award (E)

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

The remaining 50% is based on the same criteria as the December 2005 LTIP award.

On behalf of the Board

Colin Chandler

Sir Colin Chandler
Chairman
17 November 2008

Overview
Directors' report
Report on Directors' remuneration
Financial information
Other information

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom law, being the Companies Act 1985 and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

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;
- 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 and Article 4 of the IAS Regulation. 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.

The Directors confirm that, to the best of each person's knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the business and financial reviews include a fair review of the development, position and performance of the business, together with a description of the principal risks and uncertainties that it faces.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Where the financial statements are published on the internet, legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the persons who are a Director at the date of the approval of this Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware;
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006 and DTR 4.

Independent auditors' report to the members of easyJet plc

We have audited the Group and parent company financial statements (the "financial statements") of easyJet plc for the year ended 30 September 2008 which comprise the Consolidated income statement, the Consolidated and Company balance sheets, the Consolidated and Company cash flow statements, the Consolidated statement of recognised income and expense, and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Report on Directors' remuneration that is described as having been audited.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Report on Directors' remuneration and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Report on Directors' remuneration to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Report on Directors' remuneration to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the unaudited part of the Report on Directors' remuneration, Five year summary, Shareholder information and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Report on Directors' remuneration 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 and Company'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 Report on Directors' remuneration 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 Report on Directors' remuneration to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2008 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 September 2008 and cash flows for the year then ended;
- the financial statements and the part of the Report on Directors' remuneration to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
St Albans

17 November 2008

Consolidated income statement

	Notes	Year ended 30 September 2008 £million	Year ended 30 September 2007 £million
Passenger revenue		**1,995.7**	1,626.0
Ancillary revenue		**367.1**	171.2
Total revenue		**2,362.8**	1,797.2
Ground handling charges		**(212.2)**	(156.1)
Airport charges		**(397.2)**	(305.8)
Fuel		**(708.7)**	(425.5)
Navigation charges		**(195.7)**	(141.8)
Crew costs		**(263.2)**	(204.1)
Maintenance		**(147.5)**	(98.1)
Advertising		**(46.5)**	(38.0)
Merchant fees and commissions		**(33.7)**	(20.6)
Aircraft and passenger insurance		**(9.1)**	(12.1)
Other costs		**(87.5)**	(96.9)
GB Airways integration costs		**(12.9)**	–
EBITDAR		**248.6**	298.2
Depreciation		**(44.4)**	(33.3)
Amortisation of other intangible assets		**(2.5)**	(0.9)
Aircraft dry lease costs		**(110.7)**	(91.0)
Aircraft long-term wet lease costs		**–**	(1.0)
Operating profit		**91.0**	172.0
Interest receivable and other financing income		**53.2**	54.6
Reversal of prior year impairment losses on financial assets		**–**	10.6
Interest payable and other financing charges		**(34.0)**	(35.4)
Net finance income	2	**19.2**	29.8
Share of profit of associate		**–**	0.1
Profit before tax	3	**110.2**	201.9
Tax	5	**(27.0)**	(49.6)
Profit for the year		**83.2**	152.3
Earnings per share, pence			
Basic	6	**19.8**	36.6
Diluted	6	**19.4**	35.6

Consolidated balance sheet

	Notes	30 September 2008 £million	30 September 2007 £million
Non-current assets			
Goodwill	7	**359.8**	309.6
Other intangible assets	7	**80.6**	1.8
Property, plant and equipment	8	**1,102.6**	935.8
Derivative financial instruments	23	**21.3**	–
Loan notes – The Airline Group Limited	9	**12.0**	11.1
Restricted cash	13	**42.9**	32.9
Other non-current assets	10	**61.1**	58.1
Investments in associates		**–**	0.3
Deferred tax assets	5	**0.5**	0.4
		1,680.8	1,350.0
Current assets			
Assets held for sale	11	**195.8**	–
Trade and other receivables	12	**236.9**	223.6
Derivative financial instruments	23	**96.5**	14.4
Restricted cash	13	**23.3**	15.9
Money market deposits	13	**230.3**	193.4
Cash and cash equivalents	13	**632.2**	719.1
		1,415.0	1,166.4
Current liabilities			
Trade and other payables	14	**(653.0)**	(461.7)
Borrowings	15	**(56.7)**	(40.5)
Derivative financial instruments	23	**(76.0)**	(26.6)
Current tax liabilities		**(75.1)**	(89.7)
Maintenance provisions	17	**(49.0)**	(2.8)
		(909.8)	(621.3)
Net current assets		**505.2**	545.1
Non-current liabilities			
Borrowings	15	**(570.2)**	(478.6)
Derivative financial instruments	23	**(0.3)**	(6.3)
Other non-current liabilities	16	**(68.8)**	(86.8)
Maintenance provisions	17	**(160.4)**	(136.0)
Deferred tax liabilities	5	**(108.1)**	(35.0)
		(907.8)	(742.7)
Net assets		**1,278.2**	1,152.4
Shareholders' funds			
Share capital	18	**105.7**	104.8
Share premium	20	**640.2**	633.9
Hedging reserve	20	**27.6**	(13.7)
Translation reserve	20	**0.1**	–
Retained earnings	20	**504.6**	427.4
		1,278.2	1,152.4

The financial statements were approved by the Board of Directors and authorised for issue on 17 November 2008 and signed on behalf of the Board.

Andrew Harrison
Director

Jeff Carr
Director

Overview
Directors' report
Report on Directors' remuneration
Financial information
Other information

Consolidated cash flow statement

	Notes	Year ended 30 September 2008 £million	Year ended 30 September 2007 £million
Cash flows from operating activities			
Cash generated from operations	21	**292.3**	260.8
Interest received		**50.5**	48.9
Interest paid		**(32.4)**	(36.9)
Tax paid		**(14.2)**	(2.0)
Net cash generated from operating activities		**296.2**	270.8
Cash flows from investing activities			
Acquisition of subsidiary, net of cash and cash equivalents acquired	22	**(118.0)**	–
Purchase of property, plant and equipment		**(324.0)**	(273.9)
Proceeds from sale of assets held for sale		**30.0**	–
Proceeds from sale of property, plant and equipment		**0.5**	3.3
Purchase of other intangible assets		**(6.4)**	(1.6)
Proceeds from sale of investment in associate		**0.3**	–
Dividend received from associate		**–**	0.1
Net cash used by investing activities		**(417.6)**	(272.1)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**6.9**	16.5
Purchase of own shares for employee share schemes		**(4.6)**	(4.6)
Net proceeds from drawdown of bank loans		**40.2**	103.2
Repayment of bank loans		**(43.0)**	(31.7)
Repayment of capital elements of finance leases		**(2.7)**	(2.4)
Increase in money market deposits		**(8.7)**	(197.3)
Decrease/(increase) in restricted cash		**17.8**	(12.6)
Net cash generated from/(used by) financing activities		**5.9**	(128.9)
Effect of exchange rate changes		**28.6**	(11.4)
Net decrease in cash and cash equivalents		**(86.9)**	(141.6)
Cash and cash equivalents at beginning of year		**719.1**	860.7
Cash and cash equivalents at end of year		**632.2**	719.1

Consolidated statement of recognised income and expense

	Notes	Year ended 30 September 2008 £million	Year ended 30 September 2007 £million
Cash flow hedges			
Fair value gains/(losses) in period	20	**143.6**	(39.7)
Transfers to income statement	20	**(87.6)**	34.6
Transfers to property, plant and equipment	20	**(0.3)**	1.1
Related tax	20	**(14.4)**	(0.2)
Translation differences on foreign currency net investments	20	**0.1**	–
Net income/(expense) recognised directly in shareholders' funds		**41.4**	(4.2)
Profit for the year		**83.2**	152.3
Total recognised income and expense attributable to shareholders		**124.6**	148.1

Notes to the financial statements

1 Accounting policies

Statement of compliance

easyJet's (the Group's or the Company's) financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, taking into account International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of the Companies Acts 1985 and 2006 applicable to companies reporting under IFRS.

IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board (IASB). However the consolidated financial statements for the years presented would be no different had the Group applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

Basis of preparation

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Significant judgements, estimates and critical accounting policies

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

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

Goodwill impairment testing (note 7)

Goodwill is tested for impairment annually. easyJet assumes that it has only one cash-generating unit being its complete route network. In making this assessment, easyJet has considered the manner in which the business is managed including the centralised nature of the Group's operations and the ability to open or close routes and redeploy aircraft and crew across the whole route network. The value in use of the cash-generating unit is determined by discounting future cash flows to their present value. When applying this method, the Company relies on a number of estimates including strategic plans, pre tax weighted average cost of capital, fuel prices, exchange rates and the long-term growth rate assumption applicable to the sector.

Assets held for sale (note 11)

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

Aircraft maintenance provisions (note 17)

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

A charge is made in the income statement based on hours or cycles flown to provide for the cost of these obligations. Estimates required include the likely utilisation of the aircraft, the expected cost of the heavy maintenance check at the time it is expected to occur, the condition of the aircraft and the lifespan of life-limited parts.

The bases of all estimates are reviewed once each year, and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation, or unanticipated changes in the cost of heavy maintenance services.

Corporation tax (note 5)

In drawing up the financial statements, estimates are made of current and deferred corporation tax assets and liabilities for each jurisdiction in which easyJet operates. These estimates are affected by transactions and calculations where the ultimate tax determination was uncertain at the time the financial statements were finalised. The issues involved are often complex and may take an extended period to resolve.

Basis of consolidation

The consolidated financial statements incorporate those of easyJet plc and its subsidiaries for the years ended 30 September 2007 and 2008, together with the attributable share of results and reserves of associated undertakings, adjusted where appropriate to conform with easyJet's accounting policies.

A subsidiary is an entity controlled by easyJet. Control exists when easyJet has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities. A minority interest is the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by easyJet.

Associates are those entities in which easyJet has significant influence, but not control over the financial and operating policies. They are accounted for using the equity method.

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

Foreign currencies

The primary economic environment in which a subsidiary operates determines its functional currency. The functional currency of easyJet plc is sterling. Certain subsidiaries have operations that are primarily influenced by a currency other than sterling. Exchange differences arising on the translation of these foreign operations are taken to reserves until all or part of the interest is sold, when the relevant portion of the exchange is recognised in income. Profits and losses of foreign operations are translated into sterling at average rates of exchange during the year.

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

Revenue recognition

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

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

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

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

Business combinations

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

Goodwill and other intangible assets

Goodwill and landing rights at Gatwick have indefinite expected useful lives and are tested for impairment annually or where there is any indication of impairment. They are stated at cost less any accumulated impairment losses.

Landing rights at Gatwick are considered to have an indefinite useful life as they will remain available for use for the foreseeable future provided minimum utilisation requirements are observed.

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

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

1 Accounting policies (continued)

Property, plant and equipment

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

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

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

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

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

The cost of new aircraft comprises the invoiced price of the aircraft from the supplier less the estimated value of other assets received by easyJet for nil consideration. These assets principally comprise cash (recognised as an asset) and aircraft spares (capitalised at list price and depreciated over their expected useful life).

Pre-delivery and option payments made in respect of aircraft which are expected to be funded out of cash reserves or by mortgage financing are recorded in property, plant and equipment at cost.

Impairment of non-current assets

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

Leases

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

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

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

Financial instruments

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

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

Non-derivative financial assets

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

Impairment losses are recognised on financial assets carried at amortised cost where there is objective evidence that a loss has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows, discounted at the original effective interest rate.

If, subsequently, the amount of the impairment loss decreases, and the decrease can be related objectively to an event that occurred after the impairment was recognised, the appropriate portion of the loss is reversed. Both impairment losses and reversals are recognised in the income statement as components of net finance income.

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

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recorded at fair value of net proceeds, and subsequently at amortised cost.

Derivative financial instruments

Derivative financial instruments are measured at fair value.

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

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

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

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

Tax

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

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

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

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

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

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

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

1 Accounting policies (continued)

Aircraft maintenance provisions

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

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

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

Employee benefits

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

The expected cost of compensated holidays is recognised at the time that the related service is provided.

Share-based payments

easyJet has a number of equity settled share-based payment compensation plans. The fair value of share option plans is measured at the date of grant using the Binomial Lattice option pricing model. The fair value of the estimate of the number of options that are expected to vest is expensed to the income statement on a straight-line basis over the period that employees services are rendered, with a corresponding increase in shareholders' funds. If it becomes reasonably certain that performance criteria attached to the share options will not be met, the cumulative expense previously recognised for those options is reversed. The fair value of free shares awarded is based on market value at the date of grant.

Segmental disclosures

The Group has only one business segment: the provision of a low cost airline service. The Group has only one geographical segment relating to the origin of its turnover which is Europe.

Investments in subsidiaries

Investments in subsidiaries that are not classified as held for sale are stated at cost in the entity financial statements.

Assets held for sale

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

Impact of new International Financial Reporting Standards

The following standards, amendments to standards or interpretations are required to be implemented for the year ended 30 September 2008:

IFRS 7	Financial Instruments: Disclosure
IAS 1	Presentation of Financial Statements – Amendment: Capital Disclosures
IFRIC 10	Interims and Impairment (IAS 34)
IFRIC 11	Group and Treasury Share Transactions (IFRS 2)

The disclosures required by IFRS 7 and the amendment to IAS 1 have been incorporated in these financial statements. The adoption of IFRIC 10 and IFRIC 11 has had no impact on these financial statements.

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations that have not been applied in preparing these financial statements as their effective dates fall in periods beginning after 1 October 2007. At 30 September 2008, only IFRS 8 had been adopted by the European Union.

	Applies to periods beginning after
International Accounting Standards Board	
New and revised standards	
IAS 27 Consolidated and Separate Financial Statements (Revised)	1 July 2009
IFRS 3 Business Combinations (Revised)	1 July 2009
IFRS 8 Operating Segments	1 January 2009
Amendments to standards	
IAS 1 Presentation of Financial Statements (Revised Presentation)	1 January 2009
IAS 1 Presentation of Financial Statements (Puttable Instruments and Obligations Arising on Liquidation)	1 January 2009
IAS 23 Borrowing Costs (Removal of Option to Expense)	1 January 2009
IAS 27 Consolidated and Separate Financial Statements (Investment in Subsidiaries)	1 January 2009
IAS 32 Financial Instruments: Presentation (Puttable Instruments and Obligations Arising on Liquidation)	1 January 2009
IAS 39 Financial Instruments: Recognition and Measurement (Eligible Hedged Items)	1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement (Reclassification of Financial Assets)	1 July 2008*
IFRS 1 First-time Adoption of IFRS (Investment in Subsidiaries)	1 January 2009
IFRS 2 Share-based Payment (Vesting Conditions and Cancellations)	1 January 2009
IFRS 7 Financial Instruments: Disclosures (Reclassification of Financial Assets)	1 July 2008*
2007 Annual Improvements to IFRS	1 January 2009
International Financial Reporting Interpretations Committee	
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer Loyalty Programmes (IAS 18)	1 July 2008
IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IAS 19)	1 January 2008
IFRIC 15 Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	1 January 2009

* The amendments to IAS 39 and IFRS 7 are effective from 1 July 2008, however easyJet has not elected to reclassify any financial assets in these financial statements.

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

2 Net finance income

	2008 £million	2007 £million
Interest income	**(48.9)**	(53.0)
Net exchange gains on financing items (note 23)	**(4.3)**	(1.6)
Interest receivable and other financing income	**(53.2)**	(54.6)
Interest payable on bank borrowings	**27.9**	27.9
Interest payable on finance leases	**4.2**	5.3
Other interest payable	**1.9**	2.2
Interest payable and other financing charges	**34.0**	35.4
Reversal of prior year impairment losses on financial assets	**–**	(10.6)
	(19.2)	(29.8)

3 Profit before tax

The following have been included in arriving at profit before tax:

	2008 £million	2007 £million
Employee costs (note 4)	**291.2**	231.2
Depreciation of property, plant and equipment		
Owned assets	**41.1**	30.0
Under finance leases	**3.3**	3.3
Amortisation of intangible assets	**2.5**	0.9
Profit on disposal of property, plant and equipment	**0.1**	0.9
Operating lease rentals		
Aircraft	**104.9**	97.9
Other assets	**2.7**	1.8
Remuneration of the auditor and its associates (including foreign partners)	**1.6**	1.2
Remuneration of other parties entitled to act as registered auditor	**1.6**	2.4

Auditor's remuneration

During the year the Group obtained the following services from the Group's auditor and its associates:

	2008 £million	2007 £million
Group audit fee	**0.3**	0.3
Audit of GB Airways purchase accounting	**0.1**	–
Total audit fee	**0.4**	0.3
Fees for other services		
GB Airways acquisition and integration	**0.7**	0.3
Other	**0.1**	0.3
	1.2	0.9

Remuneration of other parties entitled to act as registered auditor	**1.6**	2.4

Remuneration of other parties entitled to act as registered auditor comprises amounts paid to Ernst and Young, KPMG and Grant Thornton.

4 Employees

The average number of persons employed by the Group was:

	2008	2007
Flight and ground operations	**5,985**	5,062
Sales, marketing and administration	**390**	431
	6,375	5,493

Employee costs for the Group were:

	2008 £million	2007 £million
Wages and salaries	**238.2**	188.0
Social security costs	**27.2**	18.6
Pension costs	**21.6**	17.1
Share-based payments	**4.2**	7.5
	291.2	231.2

Key management compensation was:

	2008 £million	2007 £million
Short-term employee benefits	**3.5**	4.3
Pension costs	**0.4**	0.4
Payments for loss of office	**0.1**	–
Share-based payments	**0.5**	1.3
	4.5	6.0

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

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

	2008 £million	2007 £million
Remuneration	**1.6**	2.1
Pension costs	**0.3**	0.3
	1.9	2.4

5 Tax
Tax on profit on ordinary activities

	2008 £million	2007 £million
Current tax		
United Kingdom corporation tax	**14.8**	50.2
Foreign tax	**6.0**	2.7
Prior year adjustments	**(23.1)**	(0.7)
Total current tax (credit)/charge	**(2.3)**	52.2
Deferred tax		
Temporary differences relating to property, plant and equipment	**(2.4)**	5.1
Other temporary differences	**11.3**	0.4
Prior year adjustments	**20.4**	(4.8)
Change in tax rate	**–**	(3.3)
Total deferred tax charge/(credit)	**29.3**	(2.6)
	27.0	49.6
Effective tax rate	**24.5%**	24.6%
Underlying effective tax rate (non-GAAP measure)	**24.9%**	24.4%

The underlying effective tax rate for the current year excludes the tax relief on GB Airways integration costs. The underlying effective tax rate for the prior year excludes the tax arising on the reversal of prior year impairment losses relating to easyJet's investment in The Airline Group. Further details are given in note 6.

Prior year adjustments include a reclassification of £16.9 million from current to deferred tax.

Tax on items recognised directly in shareholders' funds

	2008 £million	2007 £million
Deferred tax charge on share options	**(7.3)**	(5.3)
Deferred tax charge on fair value movements of cash flow hedges	**(14.4)**	(0.2)
Current tax credit on share options	**2.0**	7.3
	(19.7)	1.8

5 Tax (continued)

Reconciliation of the total tax charge

The tax for the year is lower than the standard rate of corporation tax in the UK.

	2008 £million	2007 £million
Profit on ordinary activities before tax	**110.2**	201.9
Tax charge at 28% (2007: 30%)	**30.9**	60.6
Attributable to rates other than standard UK rate	**(1.5)**	(6.7)
Income not chargeable for tax purposes	**(0.2)**	(0.9)
Expenses not deductible for tax purposes	**0.3**	0.7
Share-based payments	**0.2**	5.1
Adjustments in respect of prior periods – current tax	**(23.1)**	(0.7)
Adjustments in respect of prior periods – deferred tax	**20.4**	(4.8)
Change in tax rate	**–**	(3.7)
	27.0	49.6

Deferred tax

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

	Accelerated capital allowances £million	Short-term timing differences £million	Fair value (gains)/losses £million	Share-based payments £million	Total £million
At 1 October 2007	51.9	(1.8)	(3.7)	(11.8)	34.6
Charged/(credited) to the income statement	1.5	35.6	(8.5)	0.7	29.3
Acquisition of GB Airways (note 22)	(3.7)	(3.2)	28.9	–	22.0
Charged to shareholders' funds	–	–	14.4	7.3	21.7
At 30 September 2008	**49.7**	**30.6**	**31.1**	**(3.8)**	**107.6**

	Accelerated capital allowances £million	Short-term timing differences £million	Fair value (gains)/losses £million	Share-based payments £million	Total £million
At 1 October 2006	46.8	6.0	(5.3)	(15.8)	31.7
Charged/(credited) to the income statement	5.1	(7.8)	1.4	(1.3)	(2.6)
Charged to shareholders' funds	–	–	0.2	5.3	5.5
At 30 September 2007	51.9	(1.8)	(3.7)	(11.8)	34.6

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority. As a result the net UK deferred tax liability is £108.1 million (2007: £35.0 million). The net overseas deferred tax asset is £0.5 million (2007: £0.4 million).

6 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 shares held in employee share trusts.

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

Earnings per share is based on:

	2008 £million	2007 £million
Profit for the year	**83.2**	152.3
GB Airways integration costs	**12.9**	–
Reversal of prior year impairment losses on financial assets	**–**	(10.6)
Related deferred tax	**(3.6)**	3.0
Underlying profit for the year (non-GAAP measure)	**92.5**	144.7

	million	million
Weighted average number of ordinary shares in issue during the year used to calculate basic earnings per share	**419.4**	416.0
Weighted average number of dilutive share options used to calculate diluted earnings per share	**9.2**	12.2

Earnings per share

	2008 pence	2007 pence
Basic	**19.8**	36.6
Diluted	**19.4**	35.6

Underlying earnings per share (non-GAAP measure)

	2008 pence	2007 pence
Basic	**22.1**	34.8
Diluted	**21.6**	33.8

Underlying profit and underlying earnings per share for the current year are based on the profit for the year after adjusting for the costs and related taxation associated with the integration of the operations acquired from GB Airways. Underlying profit and earnings per share for the prior year are based on the profit for the year after adding back the reversal of impairment on financial assets and related taxation. These adjustments have been made on the grounds that they will not recur.

7 Goodwill and other intangible assets

		Other intangible assets			
	Goodwill £million	Landing rights £million	Contractual rights £million	Computer software £million	Total £million
Cost					
At 1 October 2007	309.6	–	–	6.4	6.4
Acquisition of GB Airways (note 22)	50.2	72.4	2.5	–	74.9
Additions	–	0.2	–	6.2	6.4
At 30 September 2008	**359.8**	**72.6**	**2.5**	**12.6**	**87.7**
Amortisation					
At 1 October 2007	–	–	–	4.6	4.6
Charge for the year	–	–	0.7	1.8	2.5
At 30 September 2008	**–**	**–**	**0.7**	**6.4**	**7.1**
Net book value					
At 30 September 2008	**359.8**	**72.6**	**1.8**	**6.2**	**80.6**
At 1 October 2007	309.6	–	–	1.8	1.8

7 Goodwill and other intangible assets (continued)

	Goodwill £million	Other intangible assets Landing rights £million	Contractual rights £million	Computer software £million	Total £million
Cost					
At 1 October 2006	309.6	–	–	4.8	4.8
Additions	–	–	–	1.6	1.6
At 30 September 2007	309.6	–	–	6.4	6.4
Amortisation					
At 1 October 2006	–	–	–	3.7	3.7
Charge for the year	–	–	–	0.9	0.9
At 30 September 2007	–	–	–	4.6	4.6
Net book value					
At 30 September 2007	309.6	–	–	1.8	1.8
At 1 October 2006	309.6	–	–	1.1	1.1

The acquisition of GB Airways included a portfolio of landing rights at Gatwick, Heathrow and Manchester and a number at downroute airports.

Rights at Gatwick were valued at £72.4 million by applying the multi-period excess earnings method to forecast operating cash flows. The key assumptions in this valuation are the discount rate, fuel price and exchange rates for the US dollar and euro.

Rights at Heathrow were not operated by easyJet after 29 March 2008 and were sold for proceeds of £30.0 million before the year end. They were classified at acquisition as assets held for sale and are not included in the above tables.

Rights at Manchester and at the downroute airports were fair valued at nil as there are no significant capacity constraints at those airports.

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

Cash flow projections have been derived from management-approved three-year forecasts, using the following key assumptions:

Pre tax discount rate (derived from weighted average cost of capital)	10.8%
Fuel price, per metric tonne, in US dollars	920
Exchange rates	
US dollar	1.75
Euro	1.25
Swiss franc	2.08

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

Cash flow projections beyond the forecast period have been extrapolated using real growth rate scenarios ranging from zero up to an estimated average of long-term growth rates for the United Kingdom, France, Spain and Italy. No impairment resulted from any of these scenarios.

8 Property, plant and equipment

	Aircraft £million	Leasehold improvements £million	Fixtures and fittings £million	Total £million
Cost				
At 1 October 2007	987.8	12.2	22.4	1,022.4
Acquisition of GB Airways (note 22)	83.4	–	–	83.4
Additions	319.5	0.3	4.2	324.0
Transfer to assets held for sale	(212.2)	–	–	(212.2)
Disposals	(0.7)	–	–	(0.7)
At 30 September 2008	**1,177.8**	**12.5**	**26.6**	**1,216.9**
Depreciation				
At 1 October 2007	68.2	5.6	12.8	86.6
Charge for the year	41.6	0.8	2.0	44.4
Transfer to assets held for sale	(16.4)	–	–	(16.4)
Disposals	(0.3)	–	–	(0.3)
At 30 September 2008	**93.1**	**6.4**	**14.8**	**114.3**
Net book value				
At 30 September 2008	**1,084.7**	**6.1**	**11.8**	**1,102.6**
At 1 October 2007	919.6	6.6	9.6	935.8

	Aircraft £million	Leasehold improvements £million	Fixtures and fittings £million	Total £million
Cost				
At 1 October 2006	729.3	6.9	15.9	752.1
Additions	264.0	5.3	6.5	275.8
Disposals	(5.5)	–	–	(5.5)
At 30 September 2007	987.8	12.2	22.4	1,022.4
Depreciation				
At 1 October 2006	39.8	4.9	11.7	56.4
Charge for the year	31.5	0.7	1.1	33.3
Disposals	(3.1)	–	–	(3.1)
At 30 September 2007	68.2	5.6	12.8	86.6
Net book value				
At 30 September 2007	919.6	6.6	9.6	935.8
At 1 October 2006	689.5	2.0	4.2	695.7

At 30 September 2008, easyJet is contractually committed to the acquisition of 109 (2007: 120) Airbus A320 family aircraft with a total list price of $5.1 billion (2007: $5.3 billion) before escalations and discounts. 25 orders were converted from A319 to A320 during the current year with a consequent increase in financial commitments.

The net book value of aircraft at 30 September 2008 includes £188.1 million (2007: £116.0 million) relating to advance and option payments for future delivery of aircraft. This amount is not depreciated.

The net book value of aircraft held under finance leases at 30 September 2008 was £74.5 million (2007: £77.8 million). £3.3 million of the related accumulated depreciation was charged in the year ended 30 September 2008 (2007: £3.3 million).

At 30 September 2008, aircraft with a net book value of £610.9 million (2007: £517.5 million) were mortgaged to lenders as loan security.

9 Loan notes – The Airline Group Limited

In March 2001, easyJet in consortium with six other UK airlines formed The Airline Group Limited in order to acquire a minority interest in NATS, the company that owns the UK air traffic control system. easyJet's initial investment was £6.9 million in the form of loan notes of two classes bearing interest at fixed rates of 8% and 11%. The blended interest rate on the loan notes is 8.07%, and interest receivable is settled by the issue of additional loan notes. Redemption is governed by a priority agreement among the consortium members.

During the year ended 30 September 2002 the carrying value of the loan notes was impaired to zero due to uncertainty over the timing of returns to easyJet following the events of 11 September 2001. In June 2007 NATS announced that it would recommence paying dividends; as a consequence the present value of easyJet's loan notes investment exceeded their carrying value and the impairment was reversed in July 2007.

	£million
At 1 October 2007	11.1
Interest receivable converted to loan notes	0.9
At 30 September 2008	**12.0**

	Loan notes £million	Impairment £million	Total £million
At 1 October 2006	10.6	(10.6)	–
Interest receivable converted to loan notes	0.6	–	0.6
Amortisation of loan issue costs	(0.1)	–	(0.1)
Impairment reversal relating to prior years	–	10.6	10.6
At 30 September 2007	11.1	–	11.1

The impairment reversal relating to prior years comprises:

	£million
Reinstatement of original loan notes and acquisition costs	6.9
Interest receivable to 30 September 2006 converted to loan notes	3.7
	10.6

10 Other non-current assets

	2008 £million	2007 £million
Recoverable supplemental rent on leased aircraft (pledged as collateral)	**54.2**	54.4
Prepayments	**6.9**	3.7
	61.1	58.1

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

11 Assets held for sale

Seven Airbus A321 and five Airbus A319, measured at carrying value, are classified as assets held for sale at 30 September 2008. These aircraft are to be sold as part of management's strategy to manage capacity growth during the coming year. They were classified as assets held for sale in July 2008 and are expected to be sold within one year from that date.

12 Trade and other receivables

	2008 £million	2007 £million
Trade receivables	**142.1**	169.6
Less: provision for impairment of trade receivables	**(2.6)**	(1.2)
	139.5	168.4
Other receivables	**27.1**	22.7
Recoverable supplemental rent on leased aircraft (pledged as collateral)	**20.6**	2.3
Prepayments and accrued income	**49.7**	30.2
	236.9	223.6

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

Allowance for credit losses

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

	2008 £million	2007 £million
As at 1 October	**1.2**	1.4
Increase/(decrease) in provision	**2.2**	(0.2)
Amounts written off	**(0.8)**	–
As at 30 September	**2.6**	1.2

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

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

	2008 £million	2007 £million
Up to three months past due	**13.4**	27.0
Over three months past due	**1.7**	0.3
	15.1	27.3

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

The carrying amount of trade and other receivables that would otherwise be past due or impaired whose terms have been renegotiated is nil in both the current and prior year.

Overview
Directors' report
Report on Directors' remuneration
Financial information
Other information

13 Cash and money market deposits

	2008 £million	2007 £million
Cash and cash equivalents (original maturity less than three months)	**632.2**	719.1
Money market deposits (original maturity over three months)	**230.3**	193.4
Current restricted cash	**23.3**	15.9
Non-current restricted cash	**42.9**	32.9
	928.7	961.3

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

Restricted cash comprises:

	2008 £million	2007 £million
Customer payments for packaged holidays	**23.3**	15.9
Pledged as collateral to third-parties:		
Aircraft operating lease deposits	**37.2**	26.2
Funds in escrow related to overseas taxation	**1.7**	1.5
Aircraft mortgage collateral	**4.0**	5.2
	66.2	48.8

14 Trade and other payables

	2008 £million	2007 £million
Trade payables	**77.5**	39.6
Other taxes and social security	**10.2**	5.6
Other creditors	**41.8**	24.2
Unearned revenue (including related Air Passenger Duty)	**286.2**	205.6
Accruals and deferred income	**237.3**	186.7
	653.0	461.7

15 Borrowings

	2008 £million	2007 £million
Bank loans	**524.9**	427.5
Finance lease obligations	**102.0**	91.6
	626.9	519.1
Current portion	**56.7**	40.5
Non-current portion	**570.2**	478.6
	626.9	519.1

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

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

The maturity profile of borrowings is set out in note 24.

16 Other non-current liabilities

	2008 £million	2007 £million
Deferred income	**68.8**	86.8

Deferred income principally represents the non-current excess of sale price over fair value of aircraft that were subject to sale and operating lease back.

17 Maintenance provisions

	£million
At 1 October 2007	138.8
Exchange adjustments	22.9
Acquisition of GB Airways (note 22)	6.1
Charged to income statement	47.3
Utilised in the year	(5.7)
At 30 September 2008	**209.4**

Maintenance provisions are analysed as follows:

	2008 £million	2007 £million
Current	**49.0**	2.8
Non-current	**160.4**	136.0
	209.4	138.8

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

18 Called up share capital

	Number		Value	
	2008 million	2007 million	2008 £million	2007 £million
Authorised				
At beginning and end of the year, ordinary shares of 25 pence each	**500.0**	500.0	**125.0**	125.0
Allotted, called up and fully paid				
At 1 October	**419.1**	410.5	**104.8**	102.6
Issued during the year under share incentive schemes	**3.6**	8.6	**0.9**	2.2
At 30 September	**422.7**	419.1	**105.7**	104.8

The weighted average share price for options exercised during the year was £4.72 (2007: £6.10)

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

	2008	2007
Number of shares (million)	**1.9**	1.1
Cost (£ million)	**10.3**	5.2
Market value at 30 September (£ million)	**5.6**	5.6

19 Share incentive schemes

easyJet operates the following share incentive schemes, all of which are equity settled. The change in the number of awards outstanding during the year and the number exercisable at 30 September 2008 were as follows:

Grant date	1 October 2007 million	Granted million	Forfeited million	Exercised million	**30 September 2008 million**	Exercisable million
Pre-flotation scheme						
29 February 2000	3.8	–	–	(0.2)	**3.6**	3.6
26 September 2000	0.6	–	–	(0.1)	**0.5**	0.5
Discretionary schemes						
18 January 2001	0.1	–	–	–	**0.1**	0.1
19 January 2004	0.6	–	–	(0.1)	**0.5**	0.5
8 December 2004	7.0	–	(0.2)	(2.2)	**4.6**	4.6
2 June 2005	0.4	–	–	–	**0.4**	0.4
1 December 2005	0.7	–	–	–	**0.7**	–
Sharesave						
29 June 2005	1.7	–	(0.1)	(1.0)	**0.6**	0.6
2 June 2006	0.6	–	(0.1)	–	**0.5**	–
8 June 2007	1.1	–	(0.6)	–	**0.5**	–
6 June 2008	–	3.7	(0.2)	–	**3.5**	–
Share incentive plan	1.1	0.9	(0.1)	–	**1.9**	–
Long term incentive plan						
1 December 2005	0.5	–	–	–	**0.5**	–
1 December 2006	0.7	–	–	–	**0.7**	–
3 December 2007	–	0.9	–	–	**0.9**	–
29 February 2008	–	0.4	–	–	**0.4**	–
Chief Executive recruitment award	0.3	–	–	–	**0.3**	–
	19.2	5.9	(1.3)	(3.6)	**20.2**	10.3

Pre-flotation scheme

Options vested in tranches of 25% ending on the third anniversary of easyJet's admission to the Official List, and expire ten years after grant.

Discretionary schemes

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

All other awards have a three-year vesting period and performance conditions based on growth in earnings per share. During the year the options granted in December 2004 and June 2005 vested in full as the average annual growth in EPS over the three years to September 2007 exceeded RPI plus 20%.

All options expire ten years after grant.

Sharesave

Sharesave is open to all employees on the UK payroll. Participants may elect to save up to £250 per month under a three-year savings contract. An option is granted by the Company to buy shares at a discount of 20% from market price at the time of the grant. At the end of the savings period, a tax free bonus is applied to the savings and the option becomes exercisable for a period of six months.

Employees who are not paid through the UK payroll may save under similar terms and conditions, albeit without tax benefits.

Share incentive plan

The share incentive plan is open to all employees on the UK payroll. Participants may invest up to £1,500 of their pre tax salary each year to purchase partnership shares in easyJet. For each partnership share acquired easyJet purchases a matching share. Employees must remain with easyJet for three years from the date of purchase of each partnership share in order to qualify for the matching share, and for five years for the shares to be transferred to them tax free. The employee is entitled to dividends and to vote at shareholder meetings.

Employees who are not paid through the UK payroll may save under similar terms and conditions, albeit without tax benefits.

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

Long term incentive plan

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

Chief Executive recruitment award

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

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

	Years
Pre-flotation scheme	1.5
Discretionary schemes	6.2
Sharesave	2.7
Long term incentive plan	1.9
Share incentive plan	3.6
Chief Executive recruitment award	0.9

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

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

Grant date	Share price	Exercise price	Expected volatility	Option life	Risk-free interest rate	Fair value
Discretionary schemes						
19 January 2004	3.80	3.60	40%	6.5	4.62%	1.90
8 December 2004	1.81	1.84	42%	6.5	4.45%	0.88
2 June 2005	2.25	2.32	42%	6.5	4.20%	1.08
1 December 2005	3.42	3.30	42%	6.5	4.15%	1.42
Sharesave						
29 June 2005	2.45	1.86	42%	3.5	4.09%	1.12
2 June 2006	3.66	2.61	42%	3.5	4.68%	1.79
8 June 2007	5.19	4.79	32%	3.5	5.76%	1.82
6 June 2008	2.86	2.40	41%	3.5	4.92%	1.16
Long term incentive plan						
1 December 2005	3.42	–	–	–	–	3.42
1 December 2006	5.95	–	–	–	–	5.95
3 December 2007	5.63	–	–	–	–	5.63
29 February 2008	4.33	–	–	–	–	4.33
Share incentive plan	2.71-7.27	–	–	–	–	2.71-7.27
Chief Executive recruitment award	3.76	–	–	–	–	3.76

The weighted average fair value of shares issued under the share incentive plan during the year was £5.46 (2007: £5.04)

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

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

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

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

20 Shareholders' funds

	Share capital £million	Share premium £million	Hedging reserve £million	Translation reserve £million	Retained earnings £million	Total £million
At 1 October 2007	104.8	633.9	(13.7)	–	427.4	1,152.4
Profit for the year	–	–	–	–	83.2	**83.2**
Cash flow hedges						
Fair value gains	–	–	143.6	–	–	**143.6**
Transfers to income statement	–	–	(87.6)	–	–	**(87.6)**
Transfers to property, plant and equipment	–	–	(0.3)	–	–	**(0.3)**
Related tax (note 5b)	–	–	(14.4)	–	–	**(14.4)**
Share incentive schemes						
Proceeds from shares issued	0.9	6.3	–	–	(0.3)	**6.9**
Value of employee services	–	–	–	–	4.2	**4.2**
Related tax (note 5b)	–	–	–	–	(5.3)	**(5.3)**
Purchase of own shares (note 18)	–	–	–	–	(4.6)	**(4.6)**
Currency translation differences	–	–	–	0.1	–	**0.1**
At 30 September 2008	**105.7**	**640.2**	**27.6**	**0.1**	**504.6**	**1,278.2**

	Share capital £million	Share premium £million	Hedging reserve £million	Translation reserve £million	Retained earnings £million	Total £million
At 1 October 2006	102.6	591.4	(9.5)	–	298.4	982.9
Profit for the year	–	–	–	–	152.3	152.3
Cash flow hedges						
Fair value losses	–	–	(39.7)	–	–	(39.7)
Transfers to income statement	–	–	34.6	–	–	34.6
Transfers to property, plant and equipment	–	–	1.1	–	–	1.1
Related tax (note 5b)	–	–	(0.2)	–	–	(0.2)
Share incentive schemes						
Proceeds from shares issued	2.2	42.5	–	–	(28.2)	16.5
Value of employee services	–	–	–	–	7.5	7.5
Related tax (note 5b)	–	–	–	–	2.0	2.0
Purchase of own shares (note 18)	–	–	–	–	(4.6)	(4.6)
At 30 September 2007	104.8	633.9	(13.7)	–	427.4	1,152.4

In prior years, when share options were exercised, the option holder paid the option price. The subsidiary employing the option holder paid the difference ("spread") between the option price and market value at the time the option was exercised. This applied to all subsidiaries regardless of where they were incorporated. The market value of the shares so issued was credited to share capital (25 pence per share) and share premium. The spread was debited to retained earnings. During the year ended 30 September 2007, payment of spread was discontinued for subsidiaries incorporated in the United Kingdom, but continues for subsidiaries incorporated elsewhere.

The amounts recognised in the current and prior years are as follows:

	2008 £million	2007 £million
Option price – paid by option holder	**6.9**	16.5
Spread – paid by employing subsidiary	**0.3**	28.2
	7.2	44.7

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

21 Reconciliation of net profit to net cash inflow from operating activities

	2008 £million	2007 £million
Cash generated from operations		
Profit for the year	**83.2**	152.3
Adjustments for:		
Tax charge	**27.0**	49.6
Depreciation charge	**44.4**	33.3
Profit on disposal of property, plant and equipment	**(0.1)**	(0.9)
Amortisation of other intangibles	**2.5**	0.9
Reversal of prior year impairment losses on financial assets	**–**	(10.6)
Interest income	**(48.9)**	(53.0)
Interest expense	**34.0**	35.4
Share-based payments	**4.2**	7.5
Share of profit of associates	**–**	(0.1)
Derivative financial instruments – time value	**2.6**	(4.5)
Unrealised foreign exchange differences	**(4.4)**	(15.4)
Changes in working capital:		
Decrease in trade and other receivables	**8.7**	6.0
Increase in trade and other payables	**112.9**	51.9
Increase/(decrease) in provisions	**49.8**	(0.2)
Increase in other non-current assets	**(0.3)**	(3.8)
(Increase)/decrease in derivative financial instruments	**(5.3)**	0.4
(Decrease)/increase in other non-current liabilities	**(18.0)**	12.0
	292.3	260.8

22 Acquisition of GB Airways

On 25 October 2007, easyJet announced that, subject to regulatory clearance, it had agreed to acquire 100% of the share capital of and voting rights in GB Airways. The acquisition has been unconditionally cleared and completion occurred on 31 January 2008. The assets and liabilities acquired and their provisional fair values are as follows:

	Carrying amount £million	Provisional fair value £million
Landing rights	–	72.4
Other intangible assets	–	2.5
Property, plant and equipment	85.0	83.4
Other non-current assets	6.2	2.7
Assets held for sale	–	30.0
Current assets excluding cash and cash equivalents	59.7	55.6
Cash and cash equivalents	15.4	15.1
Current liabilities, excluding borrowings and overdrafts	(85.5)	(91.6)
Overdrafts	(3.7)	(3.7)
Borrowings	(59.1)	(59.1)
Deferred tax liabilities	–	(22.0)
Maintenance provisions	(3.3)	(6.1)
Net assets acquired	14.7	79.2
Goodwill	–	50.2
	14.7	**129.4**
Purchase consideration		
Initial consideration paid		103.5
Deferred consideration paid		21.6
Direct acquisition costs		4.3
		129.4
Cash and cash equivalents acquired		(15.1)
Overdrafts acquired		3.7
Cash outflow		**118.0**

Carrying amounts represent the assets and liabilities of GB Airways at completion determined in accordance with IFRS. Fair values are stated after accounting policy alignments and fair value adjustments.

The principal fair value adjustments were the recognition of landing rights ("slots") at Gatwick and Heathrow at fair value, and related deferred tax provisions. The Heathrow landing rights are shown as assets held for sale as these were not operated by easyJet after 29 March 2008. These rights were sold in June 2008, and, in accordance with the acquisition agreement, the proceeds were remitted to the vendors.

Additional fair value adjustments have been made since the publication of easyJet's Interim Report for the six months ended 31 March 2008. These adjustments, totalling £7.5 million before tax relief, principally comprise irrecoverable debtors and valuation adjustments relating to aircraft ordered by GB Airways for delivery during 2009.

Goodwill is attributable to the anticipated future operating synergies derived from improved yield, cost economies of scale and additional network destinations.

Prior to the acquisition, GB Airways commenced an arbitration action in the London Court of International Arbitration, concerning the interpretation of the franchise agreement with British Airways. This action is due to be heard in 2009, and any settlement from British Airways above an agreed amount will be remitted to the vendors as additional deferred consideration. The purchase consideration and net assets acquired shown above do not include any amount in respect of this action as it cannot be reliably measured.

GB Airways recorded a loss before tax of £4.9 million for the period from 1 February to 29 March 2008; this loss has been provided for in the fair value adjustments as the final two months of operations under the British Airways franchise agreement represented an onerous contract.

Had the acquisition occurred on 1 October 2007, easyJet's consolidated revenue and profit before tax for the year ended 30 September 2008 would have been £2,433.8 million and £107.8 million respectively. These figures include £71.0 million of revenue and £2.5 million of profit before tax in respect of GB Airways operations for the period 1 October 2007 to 31 January 2008 and the loss before tax incurred in February and March 2008 treated as an onerous contract.

With effect from 30 March 2008 the GB Airways operations were merged into the existing easyJet business, and separate disclosure of revenue and profit after that date is impracticable.

23 Financial instruments

Carrying value and fair value of financial assets and financial liabilities

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

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

At 30 September 2007	Amortised cost: Loans and receivables £million	Amortised cost: Financial liabilities £million	Held at fair value: Cash flow hedge £million	Held at fair value: Held for trading £million	Non-financial instruments £million	Carrying value £million	Fair value £million
Financial assets							
Loan notes	11.1	–	–	–	–	11.1	11.4
Restricted cash	48.8	–	–	–	–	48.8	48.8
Other non-current assets	55.8	–	–	–	2.3	58.1	58.1
Derivative financial assets	–	–	14.4	–	–	14.4	14.4
Trade and other receivables	197.2	–	–	–	26.4	223.6	223.6
Cash and money market deposits	912.5	–	–	–	–	912.5	912.5
Financial liabilities							
Trade and other payables	–	206.9	–	–	254.8	461.7	461.7
Borrowings	–	519.1	–	–	–	519.1	521.6
Derivative financial liabilities	–	–	32.6	0.3	–	32.9	32.9

Fair value calculation methodology

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

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

23 Financial instruments (continued)

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

	2008 £million	2007 £million
Operating profit		
Unrealised revaluation gains/(losses) on non-derivative financial instruments	**15.5**	(1.1)
Unrealised revaluation (losses)/gains on other monetary assets and liabilities	**(13.5)**	3.4
Realised foreign exchange (losses)/gains on financial instruments	**(6.7)**	1.6
Unrealised gains/(losses) on derivatives held for trading	**1.4**	(0.3)
Realised gains/(losses) on derivatives	**10.8**	(5.5)
	7.5	(1.9)
Financing costs		
Unrealised gains on derivatives	**0.3**	0.4
Unrealised revaluation gains on other financial instruments	**0.7**	13.1
Realised gains/(losses) on derivatives	**3.3**	(11.9)
	4.3	1.6
Net gains/(losses)	**11.8**	(0.3)

Fair value of derivative financial instruments

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

At 30 September 2007	Quantity million	Assets £million	Liabilities £million
Designated as cash flow hedges			
Forward US dollar contracts	1,363.9	–	(17.0)
Zero cost US dollar collars	367.0	–	(15.6)
Forward jet fuel contracts	0.3	14.4	–
Designated as held for trading			
Forward US dollar contracts	100.0	–	(0.3)
		14.4	(32.9)
Less non-current portion			
Forward contracts		–	(3.4)
Zero cost collars		–	(2.9)
Current portion		14.4	(26.6)

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

Derivatives designated as cash flow hedges

All derivatives to which hedge accounting is applied are designated as cash flow hedges, with only the intrinsic value being designated for option instruments.

Changes in fair value are recognised directly in shareholders' funds, to the extent that they are effective, with the ineffective portion being recognised in the income statement.

Where the hedged item results in a non-financial asset or liability, the accumulated gains and losses previously recognised in shareholders' funds are included in the carrying value of that asset or liability. Otherwise accumulated gains and losses are recognised in the income statement in the same period in which the hedged items affects the income statement.

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

The cumulative net gains/(losses) deferred in shareholders' funds and their expected maturities are as follows:

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

At 30 September 2007	Within 1 year £million	1–2 years £million	Total £million
Hedges of transaction currency risk	(25.8)	(6.1)	(31.9)
Hedges of jet fuel price risk	14.4	–	14.4
	(11.4)	(6.1)	(17.5)
Related deferred tax			3.8
Net losses			(13.7)

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

Amounts recorded in the income statement were as follows:

	2008 £million	2007 £million
Gains and (losses) on cash flow hedges recycled from shareholders' funds into income statement captions:		
Fuel	**90.0**	(29.3)
Maintenance	**(0.2)**	(0.6)
Aircraft dry lease costs	**(2.2)**	(4.7)
Undesignated portion of gains/(losses) on cash flow hedges (time value)	**(2.6)**	4.5
	85.0	(30.1)

The amount transferred to property, plant and equipment from shareholders' funds during the period is a loss of £0.3 million (2007: gain of £1.1 million).

Changes in the fair value of options attributable to time value represent the undesignated portion of the gain or loss and are charged directly to the income statement. Over the full life of each instrument, the income statement impact of time value will be zero.

23 Financial instruments (continued)

Derivatives designated as held for trading

easyJet has US dollar net monetary liabilities at the balance sheet date of £181.0 million (2007: £47.0 million). easyJet has no other significant currency net monetary exposure at each balance sheet date. In accordance with IAS 21, monetary assets and liabilities are revalued using exchange rates at the balance sheet date. This exposure is managed by the use of forward foreign exchange contracts.

Net US dollar monetary liabilities at the balance sheet date comprise the following:

	2008 £million	2007 £million
Cash and money market deposits	**432.5**	369.6
Loans	**(453.5)**	(327.5)
Maintenance provisions	**(101.9)**	(67.6)
Net working capital	**(58.1)**	(21.5)
	(181.0)	(47.0)

24 Financial risk and capital management

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

The Board is responsible for setting financial risk management policy and objectives which are implemented by the treasury function on a day-to-day basis. The policy outlines the approach to risk management and also states the instruments and time periods which the treasury function is authorised to use in managing financial risks. The policy is under ongoing review to ensure best practice in light of developments in the financial markets.

Foreign currency risk management

The principal exposure to currency exchange rates arises from fluctuations in both the US dollar and euro rates which impact operating, financing and investing activities. The aim of foreign currency risk management is to reduce the impact of exchange rate volatility on the results of the Group. Foreign exchange exposure arising from transactions in various currencies is reduced through a policy of matching, as far as possible, receipts and payments in each individual currency. Any remaining anticipated exposure is managed through the use of forward foreign exchange contracts and zero cost collars. In addition, easyJet has substantial US dollar balance sheet liabilities, largely offset by holding US dollar cash; any residual net liability is managed through the use of forward foreign exchange contracts.

Fuel price risk management

easyJet is exposed to fuel price risk. The objective of the fuel price risk management policy is to provide protection against sudden and significant increases in jet fuel prices whilst retaining access to price reductions. In order to manage the risk exposure, zero cost collars and forward contracts are used in line with Board approved policy of hedging a maximum of 80% of estimated exposures up to 12 months in advance, and to hedge a smaller percentage of estimated usage up to 24 months in advance. In exceptional market conditions, the Board may accelerate or limit the implementation of the hedging policy.

Financing and interest rate risk management

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

Interest rate risk management policy aims to provide certainty in a proportion of financing while retaining the opportunity to benefit from interest rate reductions. Interest rate policy is used to achieve the desired mix of fixed and floating rate debt. All loans are at floating interest rates repricing every three to six months. A significant proportion of the US dollar loans are matched with US dollar cash, with the cash being invested to coincide with the repricing of the debt. Operating leases are a mix of fixed and floating rates. Of the operating leases in place at 30 September 2008 approximately 60% of lease payments were based on fixed interest rates and 40% were based on floating interest rates (2007: 54% fixed, 46% floating).

All debt is asset related, reflecting the capital intensive nature of the airline industry and the attractiveness of aircraft as security to lenders. These factors are also reflected in the medium-term profile of the Group's loans and operating leases. During the year 13 aircraft were cash acquired. In addition, all aircraft to be delivered through to 30 September 2009 have committed financing in place at 30 September 2008 (2007: 11 of 49).

Credit risk management

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

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

Liquidity risk management

The objective of easyJet's liquidity risk management is to ensure sufficient cash resources and the availability of funding as required. easyJet holds financial assets either for which there is a liquid market or which are expected to generate cash inflows that are available to meet liquidity needs. In addition, easyJet has committed undrawn bank facilities of $1,135 million (2007: $250 million) to support any funding requirements, being a $250 million revolving credit facility and a balance of $885 million of financing arrangements in respect of future aircraft deliveries, arranged during the year. The cash, cash equivalent, restricted cash balances and money market deposits at 30 September 2008 totalled £928.7 million (2007: £961.3 million). easyJet continues to hold significant cash or liquid funds to mitigate the impact of potential business disruption events with Board approved policy stating an absolute minimum level of liquidity that must be maintained at all times. Surplus funds are invested, in line with Board approved policy, in high quality short-term liquid instruments, usually money market funds or bank deposits.

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

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

30 September 2007	Within 1 year £million	1–2 years £million	2–5 years £million	Over 5 years £million
Borrowings	73.9	73.2	246.3	310.1
Trade and other payables	206.9	–	–	–
Derivative contracts – receipts	(641.3)	(200.4)	–	–
Derivative contracts – payments	642.4	204.3	–	–

Market risk sensitivity analysis

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

The currency sensitivity analysis is based on easyJet's foreign currency financial instruments held at each balance sheet date taking into account forward exchange contracts and zero cost collars that offset effects from changes in currency exchange rates. The increased sensitivity in the US dollar and euro rate represents sterling weakening against each variable currency with the –10% sensitivity showing a stronger sterling sensitivity.

The fuel price sensitivity analysis is based on easyJet's fuel related derivative financial instruments held at the end of each reporting period.

The sensitivity applied to both currency rates and the fuel price is based on reasonably possible change in the rate applied to the value of financial instruments at the balance sheet date.

24 Financial risk and capital management (continued)
Market risk sensitivity analysis (continued)

The interest rate analysis assumes a 1% change in interest rates over the reporting year applied to end of year financial instruments.

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

At 30 September 2007	Currency rates				Interest rates	Fuel price
	US dollar +10% £million	US dollar –10% £million	Euro +10% £million	Euro –10% £million	1% increase £million	10% increase £million
Income statement impact: gain/(loss)	6.3	(5.2)	2.4	(2.4)	3.4	–
Impact on shareholders' funds: increase/(decrease)	62.9	(54.0)	–	–	–	9.4

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

Capital management

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

easyJet manages its capital structure in response to changes in both economic conditions and strategic objectives. The cash and net debt position together with the maturity profile of existing debt is monitored to ensure the continuity of funding. During the year, a major aircraft financing programme was put in place though a number of bi-lateral facilities totalling $937 million.

The principal measure used by easyJet to manage capital risk is the gearing ratio of debt (debt plus seven times aircraft operating lease payments less cash, including money market deposits and restricted cash) to shareholders' funds. Gearing increased in the year from 20.4% to 28.8%. Cash was used to purchase GB Airways and the acquisition resulted in taking on additional borrowings related to owned aircraft and additional lease costs. A strengthening US dollar in the year also contributed to increased indebtedness and lease costs.

25 Leasing commitments
Commitments under operating leases

	Land and buildings		Aircraft	
	2008 £million	2007 £million	**2008 £million**	2007 £million
Total commitments under non-cancellable operating leases due:				
Within one year	**2.5**	1.5	**118.2**	109.3
Greater than one and less than five years	**4.4**	3.8	**267.7**	305.9
After five years	**4.1**	4.9	**72.8**	100.7
	11.0	10.2	**458.7**	515.9

easyJet holds 84 aircraft (2007: 76 aircraft) under operating leases, with initial lease terms ranging from seven to ten years. At 30 September 2008, approximately 60% (2007: 54%) of lease payments were based on fixed interest rates and 40% (2007: 46%) on floating interest rates. easyJet is contractually obliged to carry out maintenance on these aircraft, and the cost of this is provided based on the number of flying hours and cycles operated. Further details are given in the critical accounting policies section of note 1.

Commitments under finance leases

	2008 £million	2007 £million
Minimum lease payments fall due as follows:		
Not later than one year	**6.9**	7.4
Later than one year but not more than five years	**28.5**	29.6
More than five years	**91.4**	89.0
	126.8	126.0
Future finance charges on finance leases	**(24.8)**	(34.4)
Carrying value of finance lease liabilities	**102.0**	91.6

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

26 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, management considers that the ultimate resolution of these disputes will not have a material effect on the Group's financial position or results.

Company balance sheet

	Notes	30 September 2008 £million	30 September 2007 £million
Non-current assets			
Investments in subsidiary undertakings	b	**700.2**	694.6
Loans due from subsidiary undertakings	b	**–**	46.1
		700.2	740.7
Current assets			
Amounts due from subsidiary undertakings		**362.4**	854.5
Current liabilities			
Amounts due to subsidiary undertakings		**(227.7)**	(788.3)
Net current assets		**134.7**	66.2
Net assets		**834.9**	806.9
Shareholders' funds			
Ordinary shares	c	**105.7**	104.8
Share premium	c	**640.2**	633.9
Retained earnings	c	**89.0**	68.2
		834.9	806.9

The financial statements were approved by the Board of Directors and authorised for issue on 17 November 2008 and signed on behalf of the Board.

Andrew Harrison
Director

Jeff Carr
Director

Company cash flow statement

	Notes	Year ended 30 September 2008 £million	Year ended 30 September 2007 £million
Cash flows from operating activities			
Cash used by operations	d	**(12.5)**	(47.1)
Interest received		**5.3**	2.4
Net cash used by operating activities		**(7.2)**	(44.7)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**7.2**	44.7
Net movement in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year		**–**	–
Cash and cash equivalents at end of year		**–**	–

Notes to the Company balance sheet and cash flow statement

a) Income statement and statement of recognised income and expense

In accordance with Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement. The Company's profit for the year was £15.2 million (2007: loss of £1.7 million). The Company recognised no other income or expenses in either the current or prior year.

The Company has seven employees. These are the Non Executive Directors of easyJet plc; their remuneration is paid by easyJet Airline Company Limited. Andrew Harrison and Jeff Carr are employed and paid by easyJet Airline Company Limited. Details of Directors' remuneration are disclosed in the Report on Directors' remuneration and in note 4 to the Group financial statements.

b) Investments in and loans due from subsidiary undertakings

Investments in subsidiary undertakings were as follows:

	£ million
At 1 October 2007	694.6
Capital contributions to subsidiaries	5.6
At 30 September 2008	**700.2**

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

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

The Company has a 49% interest in easyJet Switzerland SA with an option that expires in 2014 to acquire the remaining 51%. easyJet Switzerland SA has been consolidated as a subsidiary from 24 June 1999 on the basis that since that date the Company has 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% of the shares have no entitlement to any dividends from that holding and the Company has an option to acquire those shares for a predetermined consideration.

Loans due from subsidiary undertakings were redeemed during the year ended 30 September 2008, being replaced by intercompany balances on normal terms as described in note f. This non-cash transaction has been excluded from the cash flow statement.

c) Reconciliation of movement in shareholders' funds

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

	Share capital £million	Share premium £million	Retained earnings £million	Total £million
At 1 October 2006	102.6	591.4	61.4	755.4
Loss for the year	–	–	(1.7)	(1.7)
Share options				
Proceeds from shares issued	2.2	42.5	–	44.7
Movement in reserves for employee share scheme	–	–	8.5	8.5
At 30 September 2007	104.8	633.9	68.2	806.9

Details of authorised and allotted share capital and movements in ordinary shares during 2008 are shown in note 18 to the Group financial statements.

d) Reconciliation of net loss to net cash flow from operating activities

	2008 £million	2007 £million
Cash generated from operations		
Profit/(loss) for the year	**15.2**	(1.7)
Adjustments for:		
Interest income	**(5.3)**	(5.7)
Unrealised foreign exchange differences	**(10.1)**	6.9
Changes in working capital:		
Decrease/(increase) in amounts owed by subsidiary undertakings	**538.2**	(270.6)
(Decrease)/increase in amounts owed to subsidiary undertakings	**(550.5)**	224.0
	(12.5)	(47.1)

e) Guarantee and contingent liabilities

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

The Company has 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.

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

f) Related party transactions

Transactions with subsidiaries are carried out on an arm's-length basis. Outstanding trading balances are placed on intercompany accounts with no specified credit period. Intercompany balances owed to and from the Company by subsidiary undertakings bear market rates of interest in accordance with intercompany loan agreements.

Overview
Directors' report
Report on Directors' remuneration
Financial information
Other information

Five year summary

Year end to 30 September

	2008 £million	2007 £million	2006 £million (represented)	2005 £million	2004 £million
Income statement					
Revenue	**2,362.8**	1,797.2	1,619.7	1,341.4	1,091.0
EBITDAR	**248.6**	298.2	278.5	206.6	189.6
Group operating profit (EBIT)	**91.0**	172.0	117.7	66.2	50.5
Profit before tax	**110.2**	201.9	129.2	82.6	62.2
Profit for the year	**83.2**	152.3	94.1	59.0	41.1
Earnings per share (basic)	**19.8**	36.6	23.2	14.8	14.6
Earnings per share (diluted)	**19.4**	35.6	22.6	14.4	14.3
Balance sheet					
Non-current assets	**1,680.8**	1,350.0	1,088.3	738.9	640.2
Current assets	**1,415.0**	1,166.4	1,101.1	890.9	684.7
Current liabilities	**(909.8)**	(621.3)	(522.9)	(414.5)	(314.7)
Non-current liabilities	**(907.8)**	(742.7)	(683.6)	(351.9)	(220.8)
Net assets	**1,278.2**	1,152.4	982.9	863.4	789.4
Cash flow statement					
Cash flows from operating activities	**292.3**	260.8	221.6	221.0	160.5
Net interest received	**18.1**	12.0	8.1	23.1	12.6
Tax (paid)/received	**(14.2)**	(2.0)	(4.5)	2.9	(6.2)
Investing activities	**(417.6)**	(272.1)	(314.3)	(162.7)	(58.5)
Financing activities	**5.9**	(128.9)	284.5	87.1	71.3
Exchange rates	**28.6**	(11.4)	(1.7)	(0.4)	n/a
(Decrease)/increase in cash and cash equivalents	**(86.9)**	(141.6)	193.7	171.0	179.7
Key performance indicators					
Return on equity	**6.8%**	14.3%	10.1%	7.1%	5.3%
Profit before tax per seat (£)	**2.12**	4.54	3.32	2.38	2.16
Revenue per seat (£)	**45.51**	40.42	41.66	38.66	37.88
Cost per seat (£)	**43.39**	35.88	38.34	36.28	35.72
Cost per seat excluding fuel (£)	**29.74**	26.31	28.36	28.78	30.63
Seats flown (millions)	**51.9**	44.5	38.9	34.7	28.8

Information for the four years from 2005 to 2008 is presented under IFRS. Information for 2004 is presented under UK GAAP.

Glossary

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

Shareholder information

Financial calendar

Financial year end	30 September 2008
Annual General Meeting	5 February 2009
Announcement of 2009 results	
Release of interim results to 31 March 2009	6 May 2009
Preliminary results year to 30 September 2009	17 November 2009

Registered office
Hangar 89
London Luton Airport
Bedfordshire
LU2 9PF

Company number
3959649

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

Auditors
PricewaterhouseCoopers LLP

FSC Mixed Sources Product group from well-managed forests and other controlled sources Cert no. TT-COC-2142 www.fsc.org © 1996 Forest Stewardship Council

100%

This annual report is printed on Revive 100 uncoated, the paper is produced from 100% recovered waste. Both the paper mill and printer involved in the production support the growth of responsible forest management and are both accredited to ISO14001 which specifies a process for continuous environmental improvement and both are FSC certified. If you have finished reading this report and no longer wish to retain it, please pass it on to other interested readers or dispose of it in your recycled paper waste.

Thank you.

This report is available at: http://easyjet.com/EN/Investor/investorrelations_financialreports.html

Designed and produced by Radley Yeldar. www.ry.com

easyJet plc

Hangar 89
London Luton Airport
Luton
Bedfordshire
LU2 9PF
www.easyJet.com