

Notes (continued)

17 Share options and other share awards (continued)

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

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

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

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

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

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

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

Notes (continued)

17 Share options and other share awards (continued)

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

Notes

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

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

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

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

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

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

18 Contingent liabilities

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

Notes (continued)

19 Commitments

(a) Lease commitments

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

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

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

(b) Other financial commitments

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

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

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

Notes (continued)

20 Notes to the cash flow statement

Analysis of amounts summarised in the cash flow statement

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

Notes (continued)

21 Financial instruments

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

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

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

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

Foreign currency risk

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

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

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

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

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

Notes (continued)

21 Financial instruments (continued)

Foreign currency risk (continued)

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

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

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

Interest rate risk

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

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

Notes (continued)

21 Financial instruments (continued)

Interest rate (continued)

The maturity of the bank loans is set out below.

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

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

The loans are repayable in quarterly and six monthly instalments.

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

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

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

Notes (continued)

21 Financial instruments (continued)

Liquidity risk

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

Credit risk

Potential concentrations comprise principally cash and trade debtors.

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

Funding risk

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

Fair values of financial assets and liabilities

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

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

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

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

Notes (continued)

22 Related party transactions

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

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

23 Ultimate controlling party

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

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

24 Post balance sheet events

The following events have occurred since 30 September 2001:

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

Company balance sheet

at 30 September

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

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

R Webster

C Walton

Notes (continued)

25 Company information

(a) Fixed asset investments

	Shares in subsidiary undertakings £000
At 1 October 2000	32,501
At 30 September 2001	32,501

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

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

Notes

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

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

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

Notes (continued)

25 Company information (continued)

(b) Debtors: Amounts due within one year

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

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

(c) Creditors: amounts falling due within one year

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

(d) Reconciliation of movement in equity shareholders' funds

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

Notes (continued)

25 Company information (continued)

(e) Guarantee and contingent liabilities

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

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

Selected financial unaudited information in Euros

Basis of preparation

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

Consolidated profit and loss account in Euros

for the year ended 30 September

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

Selected unaudited financial information in Euros (continued)

Consolidated net assets in Euros

as at 30 September

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

Summary of selected financial information for five years

Year ended 30 September

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

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