Preliminary results for the 12 months to September 2005

GOOD GROWTH REFLECTED IN 21% RISE IN PASSENGERS AND REVENUES UP 23%

PROFITS BENEFIT FROM ACCELERATION IN COST REDUCTIONS

- Profit before tax up 11% in H2, up 9% for full year to £68m (£62m)
- Reported earnings per share up by 3% to 10.7p
- Passenger numbers up 21% to 29.6m with load factor improved to 85.2% from 84.5%
- Total revenue per seat up 2% to £38.66
- Ancillary revenue per seat ahead by 17% reflecting our continued focus in this area
- Fuel cost per seat up 68% in H2, up 47% for full year
- Reduction in cost base accelerated with cost per seat ex-fuel and goodwill amortisation down 7% in H2 and 4% for the year, with reductions achieved in all key areas.
- Network developing rapidly with 72 new routes added in last year, giving a total of 212.
- Strong growth in continental Europe, revenue up 78% with Germany on track

Commenting on the results and prospects, Ray Webster, Chief Executive, said:

"*We've made sound progress in the year with good growth in passenger numbers and revenue. Despite the fuel price increases we've minimised the rise in costs and, excluding fuel, our cost base per seat has fallen by a useful 4.4%: indeed we accelerated our reduction in ex-fuel costs during the year, clearly benefiting our profits. I'm pleased also with the expansion of our network and with 72 new routes added we are in good shape for future growth.*

"In the current financial year we expect to deliver capacity growth, measured by available seats, of 15%. Our strong focus on controllable costs will continue and should result in a 3-5% reduction in cost per seat, before fuel. While we anticipate a slight reduction in total revenue per seat, ancillary revenues will improve with double digit percentage growth supported by a series of new initiatives. Overall, we therefore expect to achieve mid to high single-digit percentage profit growth."

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There will be an analyst presentation at 9:00 hours GMT on 22 November 2005 at ABN AMRO, 250 Bishopsgate, London, EC2M 4AA. A live webcast of the presentation will be available at www.easyJet.com.

There will be an analyst and investor conference call at 14:00 hours GMT on 22 November 2005. For further details, contact Sara Freeman at Financial Dynamics on 020 7269 7134.

Chairman's statement

During the last financial year, easyJet has begun the process of building a new management team. Where possible, this process was conducted in a phased manner, so as to ensure that sufficient continuity has been maintained to retain the required focus on the business.

In 2005 our financial performance improved with a 9.1% increase in profit before tax. This has been achieved due to a strong emphasis on revenue and cost management. We recognise the need to continue to enhance shareholder value and a new long term incentive plan for management based on increases in return on equity was introduced. This received shareholder approval at the Extraordinary General Meeting held on 15 September 2005. A key feature of this plan is the requirement for share ownership by senior management.

In March, we welcomed Jeff Carr as Group Finance Director. Jeff's previous experience in companies in highly competitive markets is already bringing benefits to easyJet.

In May, Ray Webster announced he would be stepping down from the Board on 1 December 2005. Ray's contribution to the growth of easyJet over the last ten years has been immense and he will be greatly missed. A rigorous search process resulted in the appointment of Andrew Harrison to the Board as our new Chief Executive Officer, and I am sure that he will make a significant contribution to improving easyJet's performance. Andrew will take over from Ray on 1 December.

Additionally, Ed Winter, our Chief Operating Officer, and Stephen Connock, our People Director, retired in September 2005.

Mike Szucs has been promoted from within the Group to Chief Operating Officer. Mike has more than ten years' airline experience and has been with easyJet since 2003. Mike Campbell has joined the management team as People Director. Mike recently held a number of senior management roles at the Waterford Wedgwood Group.

Our search for a Chief Commercial Officer has recently concluded and I am delighted to announce the appointment of Saad Hammad who joined the management team on 7 November.

Managing increased profitability from easyJet's continued growth as a high volume business necessitates the formation of a high quality senior management group. The building of the top team along with the long term incentive plan, with its emphasis on share ownership and its availability to our top 50 managers, give me confidence in our ability to grow shareholder returns.

As previously announced, Colin Day and Tony Illsley both stood down from the Board on 30 September 2005, and Amir Eilon, representing easyGroup on the Board, will not be offering himself for re-election. All three have been excellent participants in Board deliberations and I am most grateful for their contributions.

In May 2005, following the announcement that Amir Eilon would be stepping down, Stelios Haji-Ioannou rejoined the Board as a Non Executive Director. We are fortunate to have appointed as an Independent Non Executive Director David Bennett, the Finance Director of Alliance and Leicester plc, a FTSE 100 company. David's appointment was effective from 1 October 2005. I look forward to David's contribution to Board matters and his stewardship of the Audit Committee.

Despite high fuel prices, we have continued the trend from the first half and made significant reductions in our non-fuel cost base. In highly competitive markets, the challenge of simply improving shareholder value is unrelenting, but the quality of our team throughout the whole Group gives me confidence in our future. We would not have achieved what we have without the dedication of all our staff, and on behalf of the board I offer them many thanks and much appreciation.

Sir Colin Chandler
Chairman
21 November 2005

Chief Executive's review

When I first joined easyJet we'd set ourselves some big targets – increasing our aircraft numbers ten-fold (to 20!), achieving our own operating licence, and reaching profitability.

It seems a very long time since 1995 when we had two leased Boeing 737-200s and essentially acted as a "virtual airline" contracting everything from pilots to check-in staff. The first booking was taken on 18 October 1995, from a small, rented tin shed in a corner of Luton airport, called easyLand. Our concept of eliminating travel agents was at the time radical and untested, but proved to be successful. On 10 November 1995, when the inaugural flight took to the skies from London Luton airport to Glasgow it was carrying 120 passengers.

The business has come a very long way in the last ten years. We acquired, with great excitement, our first owned aircraft in 1996 and began our first international routes in the same year. Our much prized Air Operators Certificate was granted in 1997, the year we also reached break-even for the first time, and placed an order for 12 brand new Boeing 737-300s for delivery by 2000.

In 1998, the first seat was sold online at easyJet.com, we introduced our "The web's favourite airline" strapline and led the airline industry in developing the internet as the preferred distribution channel. In addition that year we purchased 40% of the Swiss Charter operation, TEA Basel AG, based in Basel.

The business continued to grow, and was floated on the London Stock Exchange five years ago on 22 November 2000. We acquired Go Fly in 2002 to create Europe's number one low-cost airline. A well planned and successful transformation followed. Airbus was appointed as our preferred aircraft supplier and we ordered a massive 120 aircraft for delivery over five years. Our first Airbus went into service in Geneva in 2003, and since that date no other airline has taken Airbus aircraft at the rate that we have.

From our small and often difficult beginnings, we now have a huge presence across Europe with 212 routes across 64 of Europe's best-placed and most popular airports.

Getting there wasn't an easy ride – and not for those with weak stomachs! easyJet was a small fish in a very large bowl. However, commitment and determination drove our people to believe and recognise that they had a product that would change the lives of consumers forever. Along the way, we picked fights with bigger airlines which tried or threatened to try to use anti-competitive behaviour to block our way. I remember with pride our battles with KLM, British Airways and most of all Swissair, when we operated a charter service (complete with bus ticket and a tent) to beat their monopoly on the Geneva Barcelona service and deliver low prices to customers. I would like to thank our employees for their professionalism and dedication to our unique values and customer service.

Today, easyJet is still growing. During 2005 we've reached several major milestones: we flew our 100 millionth passenger, and we took delivery of our 100th Aircraft, as well as our 50th Airbus A319. In the past ten years we have grown to an airline which carries 30 million passengers a year: a feat which took Ryanair twice the time to achieve. Consistent with our values of delivering excellent service to our customers through our people, we have celebrated our 10th birthday which has been marked by 15 parties at our 15 bases and a number of competitions for passengers.

I am proud of having led easyJet as it shook up the industry in the last ten years. We have provided a huge increase in the range of services available, all at lower prices and the customer has rewarded us by travelling in numbers that would have seemed impossible a few years ago. easyJet has led the way, but the customer is the clear winner and they have responded by travelling more frequently, expanding the market.

We have changed the way that people think about travel, and, in doing so, have opened up the continent by making it cheaper for people to fly. Europe is now available to everyone whenever they want - both for business and leisure travel. We've been responsible for thousands of life enhancing experiences and journeys made; made millions of introductions and forged countless friendships. We've launched long distance love affairs; mended broken hearts and helped people to realise their dreams. I wish easyJet and my successor, Andrew Harrison, all the best for the future as easyJet continues to grow.

Results

I believe the airline is in good shape for Andrew. These are commendable results in difficult conditions delivered partly through a very strong year-round focus on costs.

Safety is our primary concern, and our internal procedures and processes ensured that there were no significant incidents during the year. The operation has run superbly during the year – with on-time performance remaining excellent at 80.2% of all flights arriving within 15 minutes of scheduled arrival time.

In the year ended 30 September 2005, easyJet made a profit before tax of £67.9 million, an increase of 9.1% on the prior year. Profit before tax and goodwill amortisation for the year was £85.3 million, an increase of 7.6% by comparison to 2004. Basic earnings per share for the year were 10.68 pence (10.34 pence in 2004). Return on equity before goodwill amortisation was 7.4% (7.5% in 2004).

Despite increasing levels of competition, we managed to increase our revenue per seat from £37.88 in 2004 to £38.66, with our load factor rising from 84.5% in 2004 to 85.2% in 2005. With the increasing load factor and increase in revenue per seat, total revenues grew 23.0% to £1,341.4 million. The number of passengers rose 21.4% to 29.6 million. The average number of aircraft operated during the year increased 17.7% to 94.

Fuel costs were 50.5% higher on average than they were during the previous financial year – costing us £90.0m in the year after taking growth into account. In fact unrelenting fuel prices caused our cost per seat, before goodwill amortisation, to increase from £35.12 in 2004 to £36.20 in 2005.

So, I am particularly pleased with the results of the very strong focus in all other areas of the business this year. Cost per seat excluding goodwill amortisation and fuel decreased 4.4% from £30.03 to £28.71 with a 6.7% reduction in the second half of the year. During the year we have finalised a number of initiatives – including the signing of a major new long term maintenance agreement with SR Technics which is expected to lower our Airbus maintenance costs, excluding engines, by 25% over the life of the contract. We increased crew efficiency, reduced ground handling costs and we continue to benefit from the introduction of the Airbus A319.

This is the result of an exceptional amount of hard work by our people. But, despite the tangible progress, there is still more to do to provide an improvement to the underlying performance. We continue to fight against unjustifiable above inflation increases at airports across Europe and for lower handling charges in Spain. While we commend the UK government for resisting calls for a £250m subsidy from financially healthy airlines to the financially weak, I wish that other European governments would demonstrate such broadmindedness – too many national governments still seem intent on protecting their national airlines – whatever the cost.

Outlook

easyJet has a new management team in place which is clearly incentivised to deliver shareholder value through return on equity targets, as agreed by shareholders at our EGM on 15 September 2005. In the current financial year we expect to deliver capacity growth, measured by available seats, of 15%. Our strong focus on controllable costs will continue and should result in a 3-5% reduction in cost per seat, before fuel. While we anticipate a slight reduction in total revenue per seat, ancillary revenues will improve with double digit percentage growth supported by a series of new initiatives. Overall, we therefore expect to achieve mid to high single-digit percentage profit growth.

Ray Webster
Chief Executive
21 November 2005

Operational and financial review

Strategy and business model

During the year, management reviewed with the Board the implementation of easyJet's strategy and made changes to ensure that the business remains well positioned in an increasingly competitive marketplace. The business model required no change. It is tried and tested and has withstood the challenges of this difficult year.

Being mindful of the business environment, our strategy has three cornerstones: 'focus on our customers', 'own our markets' and 'reduce our costs'.

Focus on our customers

We know what our customers value, and we design our core product and ancillary services accordingly. Every year, we aim to create better value for our customers, whilst decreasing our costs to maintain or improve competitiveness.

Own our markets

We will develop and aggressively defend our chosen markets against competitors. This means quickly establishing a strong base, offering numerous routes with multiple frequencies to existing and new points on the network, and establishing a strong brand in the market.

Reduce our costs

Management is focused on increasing the return on equity. In order to achieve this, we will continue to challenge industry norms and further reduce our cost base through being highly productive, innovative and taking advantage of our scale and local knowledge in procuring goods and services. For example, in the coming year we will see benefit from the long term maintenance contract that we signed with SR Technics in August 2005.

We will withdraw capacity from any existing markets that are poorly performing or airports which are over priced.
We are confident that this strategy will bring clarity and focus to the efforts of our people and will provide easyJet with its unique strength to remain best in class, with a leading position in the growing European air travel market.

Network

We have continued to develop the network during the year in a manner that absorbed the 18.8% growth in new capacity, measured by sectors operated, without affecting operational performance. At 30 September 2005, the easyJet network covered 212 routes and 64 airports, compared to 153 and 44 at the same time last year. Thirteen routes ceased operations in the year due to their poor performance.

During the year, we have added 21 new cities to the easyJet network: Almeria, Asturias, Bratislava, Cagliari, Cork, Grenoble, Hamburg, Knock, Krakow, Maastricht, Mahon, Milan, Murcia, Olbia, Pisa, Riga, Shannon, Tallinn, Turin, Valencia, and Warsaw. Basel opened as a new base during the year.

Further growth is planned for the forthcoming season and we have already announced four new cities: Bournemouth, Doncaster, Lisbon, and Bremen. We announced last month the addition of a sixteenth base in Milan: our first Italian base.

Operational and financial review *(continued)*

Fleet and aircraft financing

At the end of the financial year, the fleet comprised 54 Boeing 737s and 55 Airbus 319s, giving a total of 109 aircraft. The fleet at the start of the year comprised 71 Boeing 737s and 21 Airbus A319s . Details of the fleet at 30 September 2005 are as follows:

	Owned	Under operating lease	Total	Changes in year	Future deliveries	Options (note 1)
Airbus A319s	18	37	55	34	65	120
Boeing 737-700s	-	32	32	(1)	-	-
Boeing 737-300s (note 2)	-	22	22	(16)	-	-
	18	**91**	**109**	**17**	**65**	**120**

Notes:
1. Options may be taken as any Airbus A320 family aircraft and are valid until 2012.
2. Excludes one Boeing 737-300 which is held for sale at 30 September 2005.

A further 65 Airbus A319 aircraft are planned to be delivered through to February 2009. This will give us a modern fleet of aircraft that will underpin our high levels of asset utilisation and increase our operational efficiency. The average fleet age, currently 3.0 years (2004: 4.5 years), is expected to fall to approximately 2.3 years by 30 September 2006.

Fleet changes:

The total fleet over the period to 30 September 2008 based on contractual commitments is as follows:

	Airbus A319s	Boeing 737-700s	Boeing 737-300s	Total aircraft
At 30 September 2004	21	33	38	92
At 30 September 2005	55	32	22	109
At 30 September 2006	87	32	3	122
At 30 September 2007	106	32	-	138
At 30 September 2008	118	31	-	149

Whilst we are very confident of growing the business at this rate, we have contractual rights with Airbus that allow us to moderate or accelerate our capacity growth within certain constraints.

Aircraft financing

Of the 34 aircraft that were delivered to easyJet during the year, 22 were sold to lessors and leased back under operating leases, and 12 were financed by debt.

During the year, we continued to secure financing through mortgages and sale and leasebacks for the majority of the Airbus delivery stream. We have now committed facilities available for 97 of the 120 Airbus aircraft ordered. The arrangements include facilities for deliveries in 2006 and 2007.

Our people

At 30 September 2005 there were 4,152 employees in easyJet, an increase of 11.4% during the year from 3,727 at 30 September 2004, well below the overall growth rate in the business. This is because of management action to increase the efficiency of our crew, and our focus on a more efficient easyLand.

Operational and financial review *(continued)*

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

Internally at a company level, we look at both revenue and cost per seat flown. Each seat flown incurs a cost of capital: we try and minimise the cost of debt through effective financing; we incentivise our top management to deliver higher returns on equity

We continue to publish other operating data and performance measures, to facilitate comparison with other airlines

Selected consolidated operating data	Year ended 30 September		Year on year change
(unaudited)	**2005**	2004	%
Key performance indicators			
Return on equity before goodwill amortisation [1]	**7.4%**	7.5%	(0.1)pp
Profit before tax and goodwill amortisation per seat [2]	**2.46**	2.75	(10.7)
Revenue per seat [3]	**£38.66**	£37.88	2.1
Cost per seat excluding goodwill amortisation [4]	**£36.20**	£35.12	3.1
Cost per seat excluding goodwill amortisation and fuel [5]	**£28.71**	£30.03	(4.4)
Seats flown (millions) [6]	**34.7**	28.8	20.5
Output measures			
Number of aircraft owned/leased at end of year[7]	**109**	92	18.5
Average number of aircraft owned/leased during year[8]	**102.6**	85.0	20.7
Number of aircraft operated at end of year[9]	**103**	90	14.4
Average number of aircraft operated during year[10]	**94.0**	79.9	17.7
Sectors[11]	**229,068**	192,742	18.8
Block hours[12]	**401,588**	328,074	22.4
Number of routes operated at end of year	**212**	153	38.6
Number of airports served at end of year	**64**	44	45.5
Passengers (millions)[13]	**29.6**	24.3	21.4
Other performance measures			
Operated aircraft utilisation (hours per day)[14]	**11.7**	11.2	4.5
Owned/leased aircraft utilisation (hours per day)[15]	**10.7**	10.5	2.2
Available seat kilometres (“ASK”) (millions) [16]	**32,141**	25,448	26.3
Load factor[17]	**85.2%**	84.5%	0.7pp
Revenue passenger kilometres (“RPK”)(millions)[18]	**27,448**	21,566	27.3
Average sector length (kilometres)	**926**	884	4.8
Average fare[19]	**£42.43**	£42.28	0.4
Revenue per ASK (pence)[20]	**4.17**	4.29	(2.7)
Cost per ASK before goodwill amortisation (pence)[21]	**3.91**	3.95	(1.1)

Footnotes can be found at the end of the operational and financial review.

Operational and financial review *(continued)*

Results of operations

(unaudited)	Year ended 30 September **2005** £ million	**%**	2004 £ million	%	Year on year change %
Passenger revenue	**1,254.2**	93.5	1,029.3	94.3	21.8
Ancillary revenue [22]	**87.2**	6.5	61.7	5.7	41.3
Revenue[23]	**1,341.4**	100.0	1,091.0	100.0	23.0
Ground handling charges, including salaries	**(130.5)**	9.7	(111.3)	10.2	17.2
Airport charges	**(230.1)**	17.2	(191.4)	17.5	20.2
Fuel	**(260.2)**	19.4	(146.9)	13.5	77.1
Navigation charges	**(108.6)**	8.1	(87.7)	8.0	23.8
Crew costs	**(136.2)**	10.2	(126.8)	11.6	7.4
Maintenance	**(119.2)**	8.9	(102.0)	9.3	16.9
Advertising	**(32.8)**	2.4	(30.5)	2.8	7.4
Merchant fees & incentive pay	**(15.6)**	1.2	(13.6)	1.2	15.0
Aircraft insurance	**(19.3)**	1.4	(19.8)	1.8	(2.6)
Other costs[24]	**(80.0)**	5.9	(71.7)	6.6	11.6
EBITDAR[25]	**208.9**	15.6	189.3	17.4	10.4
Depreciation	**(16.4)**	1.2	(19.2)	1.8	(14.4)
Accelerated depreciation of 737-300 aircraft	**(2.7)**	0.2	(6.1)	0.6	(55.7)
Goodwill amortisation	**(17.4)**	1.3	(17.1)	1.6	1.7
Aircraft dry lease costs	**(123.7)**	9.2	(96.4)	8.8	28.3
Group operating profit (EBIT)	**48.7**	3.7	50.5	4.6	(3.6)
Share of operating profit of The Big Orange Handling Company	**0.2**	0.0	0.2	-	15.9
Interest receivable	**27.2**	2.0	14.2	1.3	91.2
Interest payable	**(8.2)**	0.6	(2.7)	0.2	202.5
Net interest receivable	**19.0**	1.4	11.5	1.1	65.2
Profit before tax	**67.9**	5.1	62.2	5.7	9.1
Tax	**(25.3)**	1.9	(21.1)	1.9	19.7
Retained profit for the year	**42.6**	3.2	41.1	3.8	3.7
Earnings per share (pence)					
Basic	**10.68**		10.34		3.3
Diluted	**10.43**		10.11		3.1
Basic, before goodwill amortisation	**15.03**		14.64		2.7
Diluted, before goodwill amortisation	**14.68**		14.33		2.4

Footnotes can be found at the end of the operational and financial review.

Operational and financial review *(continued)*

Financial year 2005 compared with financial year 2004

Revenue

easyJet's revenue increased 23.0% from £1,091.0 million to £1,341.4 million, from financial year 2004 to financial year 2005. Revenue per seat increased 2.1% from £37.88 to £38.66.

Passenger revenue, the largest component, comprises the price paid for the seat less government taxes, such as Air Passenger Duty and VAT. It increased by 21.8% from £1,029.3 million to £1,254.2 million, driven by a 21.4% growth in passenger numbers from 24.3 million to 29.6 million, and a 0.4% increase in average fares. The number of passengers carried reflected a 17.7% increase in the size of the easyJet fleet in operation from an average of 79.9 aircraft to an average of 94.0 aircraft and a small increase in the average load factor achieved from 84.5% to 85.2%.

Growth was particularly strong in continental Europe, with intra-European revenues growing by 78%. The performance at our German bases was the key driver to this growth.

Ancillary revenue includes credit card fees, excess baggage charges, sporting equipment fees, infant fees, change fees and rescue fees, profit share from in-flight sales of food, beverages, and boutique items, commissions received from products and services sold such as hotel bookings, car hire bookings and travel insurance, less chargebacks. In 2005, £87.2 million was earned from ancillary revenues, up 41.3% from 2004. This has been driven by renegotiation of key contractual arrangements and more consistent application of policies on additional charges.

Ground handling charges, including salaries

easyJet's ground handling charges increased by 17.2% from £111.3 million to £130.5 million, from financial year 2004 to financial year 2005. The increase in ground handling charges reflects the 18.8% increase in the number of sectors flown, set off against mix savings as a result of network expansion decisions and our continued efforts to work with our suppliers. We exited expensive airports such as Zurich, and expanded at lower cost locations such as Basel and Berlin.

Airport charges

easyJet's external airport charges increased by 20.2% from £191.4 million to £230.1 million from financial year 2004 to financial year 2005. This increase was attributable to the growth in passengers carried of 21.4%, inflationary cost increases at regulated airports offset by the beneficial impact of growth centred at lower cost airports such as Basel and Berlin.

Fuel

easyJet's fuel costs increased by 77.1% from £146.9 million to £260.2 million from financial year 2004 to financial year 2005. The increase was significantly higher than the 22.4% increase in number of block hours flown. This change is primarily due to a 50.5% increase in easyJet's average US dollar fuel cost per tonne, compared with the previous year, resulting in additional costs to easyJet of £90.0 million. The strengthening of the value of sterling against the US dollar, the currency in which fuel prices are denominated, over the course of financial year 2005 provided a set off benefit of approximately £8.0 million. In addition, a 4.8% increase in sector length, the introduction of new aircraft and increased optimisation of route planning aided the efficiency of easyJet's fuel consumption. Benefits obtained from Group fuel hedging activities were £12.3 million.

Navigation charges

easyJet's navigation charges increased by 23.8% from £87.7 million to £108.6 million from financial year 2004 to financial year 2005. This increase was principally attributable to a 26.3 % increase in the ASKs flown in financial year 2005, set off against reductions in cost per kilometre flown in Germany, France and the UK.

Crew costs

easyJet's crew costs increased by 7.4% from £126.8 million to £136.2 million from financial year 2004 to financial year 2005. The increase in crew costs resulted from an increase in headcount during the financial year 2005 to service the additional sectors and aircraft operated by easyJet during the year, the increase in salaries, and the costs of recruitment. The increase in crew costs is less than the rate of growth in block hours of 22.4%. This is due to more efficient use of crew across the network, and because £6.4 million was incurred in 2004 during the migration of certain operations from Boeing to Airbus aircraft.

Maintenance

Maintenance expenses increased by 16.9% from £102.0 million to £119.2 million from financial year 2004 to financial year 2005. easyJet's maintenance expenses consist primarily of the cost of routine maintenance and spare parts and provisions for the estimated future cost of heavy maintenance and engine overhauls on aircraft operated by easyJet pursuant to dry operating leases. The extent of the required annual maintenance reserve charges is determined by reference to the number of flight hours and cycles permitted between each engine shop visit and heavy maintenance overhaul on aircraft airframes. The increase in maintenance costs was largely due to a 22.1% increase in the average number of leased aircraft from 72.0 to 87.9, offset by the benefits of the new SR Technics maintenance contract.

Advertising

Advertising costs increased by 7.4% from £30.5 million to £32.8 million from financial year 2004 to financial year 2005. Spend per passenger was approximately 11.7% lower than the previous year which is principally due to maturity of markets, particularly in the UK. This set off the additional costs incurred by entering into new markets in eastern Europe during the year. Costs in 2004 reflected the costs of establishing the easyJet brand in Germany, particularly in Berlin and Dortmund. While continued investment has been required in these markets in the current year, they have been at a lower level.

Merchant fees and incentive pay

Merchant fees and incentive pay increased by 15.0% from £13.6 million to £15.6 million from financial year 2004 to financial year 2005. Merchant fees and incentive pay includes the costs of processing fees paid for all of easyJet's credit and debit card sales and the per-seat sold/transferred commission paid as incentive pay to easyJet's telesales staff. The increase reflects an increase in passenger revenues of 21.8% since 2004. This is offset by a decrease in the number bookings made using credit cards from 72% of bookings in 2004 to 66% of bookings in 2005 due to wider card schemes enabling purchase by debit card in additional European countries. Incentive pay paid to telesales personnel decreased slightly year-on-year due to the full year effect of allowing online changes. 84% of changes were made online in 2005, compared to 73% in 2004.

Aircraft insurance

Aircraft insurance costs reduced from £19.8 million in financial year 2004 to £19.3 million in financial year 2005, despite a 21.4% increase in passenger numbers. This was as a result of lower rates being negotiated and also due to the beneficial effect of the strengthening of sterling against the US dollar.

Other costs

Other costs increased by 11.6% from £71.7 million to £80.0 million from financial year 2004 to financial year 2005. Items in this cost category include administrative costs and operational costs not included elsewhere including some salary expenses. This cost category also includes compensation paid to passengers, and certain other items, such as currency exchange gains and losses and the profit or loss on the disposal of fixed assets. The major influence of this category of costs was the growth in the scope of the operation.

Depreciation

Depreciation charges decreased by 14.4% from £19.2 million to £16.4 million from financial year 2004 to financial year 2005. The depreciation charge reflects depreciation on owned aircraft and capitalised aircraft maintenance charges, and also includes depreciation on computer systems and other assets. easyJet has owned an average of 4.1 Boeing 737-300 aircraft and 10.6 Airbus A319 aircraft during the financial year 2005 (2004: 8.0 Boeing 737-300 aircraft and 4.9 Airbus A319 aircraft). Due to the relative costs of acquisition, Boeing aircraft attract a higher absolute annual depreciation charge than Airbus aircraft. The decrease in depreciation reflects the disposal of most of the owned Boeing 737-300 aircraft and the 3.8% improvement in the average value of sterling against the US dollar, the currency in which the majority of easyJet's assets are denominated, and the additional depreciation of other assets such as spares and leasehold improvements.

Accelerated depreciation of 737-300 aircraft

In 2004, management provided £3.4 million of additional depreciation in respect of the four oldest owned Boeing 737-300 aircraft to align the aircraft carrying value with the residual value. These aircraft were all disposed of in the year ended 30 September 2004.

The residual values of six owned Boeing 737-300 aircraft were reassessed in 2004 which led to an additional £2.7 million of accelerated depreciation being recognised on these aircraft during 2004 and £2.7 million in 2005. All of the aircraft have now been sold, with five being sold prior 30 September 2005.

Goodwill amortisation

Goodwill amortisation charges increased slightly from £17.1 million to £17.4 million from financial year 2004 to financial year 2005.

Aircraft dry lease costs

Aircraft dry lease costs increased by 28.3% from £96.4 million to £123.7 million from financial year 2004 to financial year 2005. During the period 22 new Airbus A319 aircraft were added to the fleet on lease agreements, and the average number of leased aircraft during the year increased by 22.1% to 87.9. Over the period, easyJet has been impacted by increasing US dollar interest rates which have increased lease payments. This has been offset by the benefit of the strengthening of the value of sterling against the US dollar, the currency in which lease costs are denominated. As a consequence, easyJet has seen its average leasing cost per aircraft increase by around 4.5%, year-on-year.

Operational and financial review *(continued)*

Share of operating profit of The Big Orange Handling Company

The Big Orange Handling Company Limited is a joint venture company owned by Menzies Aviation Limited and easyJet. It was set up in January 2004 to provide ground handling services at London Luton airport. During the financial year 2005, the share (26%) of the turnover attributable to easyJet was £ 2.0 million (2004: £1.4 million), and the share of operating profit was £0.2 million (2004: £0.2 million).

Interest receivable

Interest receivable increased by 91.2% from £14.2 million in 2004 to £27.2 million in 2005. This increase is because of an increase in the cash balance during the year from £510.3 million to £695.5 million and the higher sterling interest rates, since most of the Group's cash is retained in sterling.

Interest payable

Interest payable increased 202.5% from £2.7 million to £8.2 million. This primarily reflects an increase in bank loans from £119.8 million to £220.4 million due to the financing of new Airbus aircraft, and the increase in US dollar and sterling interest rates.

Taxation

In financial year 2005, easyJet incurred a tax charge of £25.3 million, an effective tax rate of 37% (2004: - £21.1 million charge, being 34% effective tax rate). The effective tax rate is higher than the UK standard rate of tax principally due to goodwill amortisation not being tax deductible. A more detailed explanation may be found in note 3 to the preliminary announcement.

The deferred tax liability increased by £7.3 million from £20.2 million to £27.5 million, primarily due to capital allowances taken being in excess of depreciation charges.

Retained profit for the year

For the reasons described above, easyJet's retained profit increased by 3.7% from £41.1 million in financial year 2004 to £42.6 million in financial year 2005.

Earnings per share

The basic earnings per share increased by 3.3% from 10.34 pence in the financial year 2004 to 10.68 pence in the financial year 2005.

The basic earnings per share, before goodwill amortisation, increased by 2.7% from 14.64 pence in the financial year 2004 to 15.03 pence in the financial year 2005.

Operational and financial review *(continued)*

Capital expenditure

Group capital expenditure on tangible assets is set out in Note 5 to the financial information below. Aircraft expenditure includes purchases of new Airbus aircraft, and the cost of purchased rotable spares and aircraft improvements. Aircraft deposits include the amount expended on pre-delivery payments to Airbus (and in 2004 Boeing in addition). Fixtures, fittings and equipment includes, amongst other things, IT hardware and software development costs and office fixtures and fittings.

Total capital expenditure in the two years ended 30 September 2005 is summarised as follows:

	2005	2004
	£million	£million
Aircraft	**159.2**	262.3
Prepayments on account – aircraft deposits	**83.9**	103.7
Leasehold improvements – buildings	**2.0**	0.5
Fixtures fittings and equipment	**2.8**	3.9
	247.9	370.4

In addition, aircraft spare parts totalling £8.5 million were received free of charge during 2005.

As a result of a purchase agreement approved by shareholders in March 2003, the Group is contractually committed to the acquisition of a further 65 new Airbus A319 aircraft with a list price of approximately US$2.9 billon, or £1.6 billion (before escalations, discounts and deposits already paid) (2004: 99 Airbus A319s, US$ 4.4 billion; £ 2.4 billion). In respect of those aircraft, prepayments on account amounting to US$262.0 million (£148.1 million) had been made as at 30 September 2005 (2004: US$299.4 million, £165.4 million). It is intended that these aircraft will be financed partly by cash holdings and internal cash flow and partly through external financing including committed facilities arranged prior to delivery. In addition certain of the aircraft will be sold and leased back under operating leases.

Working capital

At 30 September 2005, net current assets were £495.1 million, up £125.1 million from £370.0 million at 30 September 2004. This change principally reflects an increase in cash, an increase in debtors due to increased sales volumes offset by an increase in creditors, and an increase in the current portion of deferred profits on sale and leasebacks due to an additional 22 Airbus aircraft being sold and leased back during the year.

Unearned revenue (including Government taxes) increased from £143.0 million to £160.3 million due to increased volumes of passenger bookings.

Operational and financial review *(continued)*

Cash flow

Net cash inflow from operating activities totalled £169.8 million, an increase of £9.3 million from £160.5 million in 2004. The principal components of the net cash inflow were the operating profit and movements in the working capital cycle, in addition to movements in the maintenance provision of £27.1 million and an increase in long term deferred profits on sale and leaseback of aircraft of £27.5 million.

Net cash inflow before management of liquid resources and financing decreased £21.1 million from £108.4 million in 2004 to £87.3 million in 2005, due to increases in net cash inflow from operating activities offset by capital expenditure.

Financing arrangements

The following table sets out the movements in loans for the two years ended 30 September 2005:

	2005 **£million**	2004 £million
Balance at 1 October	**119.8**	72.8
New loans raised	**146.2**	65.8
Repayment of amounts borrowed	**(46.9)**	(8.3)
Financing fees	**(3.2)**	-
Effect of exchange rates	**1.4**	(10.5)
Balance at 30 September	**217.3**	119.8

34 Airbus A319s were delivered during the year. 12 of the aircraft were financed through US dollar or sterling mortgage loans with the remaining being sold and leased back for a period of between seven and ten years.

For the purposes of the financial statements, foreign currency debt is translated into sterling at year-end exchange rates. Gains and losses on translation on loans which finance US dollar denominated fixed assets are taken to reserves, together with the differences arising on the translation of the related assets. The debt translation loss taken to reserves in 2005 was £1.4 million (2004: gain of £10.5 million).

Share capital

The number of shares allotted, called up and fully paid on 30 September 2005 was 400.4 million (2004: 399.2 million). During 2005, 1.2 million shares were issued on exercise of options under employee share option schemes (2004: 5.2 million).

Footnotes

(1) Represents the profit after tax and before goodwill amortisation divided by the average shareholders' funds
(2) Represents profit before tax and goodwill amortisation divided by the number of flown seats available for passengers
(3) Revenue per seat represents total revenues divided by the number of seats flown available for passengers
(4) Represents the difference between total revenues less profit before tax plus goodwill amortisation, divided by the number of seats flown available for passengers
(5) Represents the difference between total revenues less profit before tax plus goodwill amortisation plus fuel costs, divided by the number of seats flown available for passengers
(6) Represents the number of seats flown available for passengers
(7) Represents the number of aircraft owned plus those held on lease arrangements of more than one month's duration at the end of the relevant financial year.
(8) Represents the average number of aircraft owned plus those held on lease arrangements of more than one month's duration during the relevant financial year.
(9) Represents the number of owned/leased aircraft in service at the end of the relevant financial year. Owned/leased aircraft in service exclude those in maintenance and those which have been delivered but have not yet entered service or those out of service prior to disposal or return.
(10) Represents the average number of owned/leased aircraft in service during the relevant financial year. Owned/leased aircraft in service exclude those in maintenance and those, which have been delivered but have not yet entered service or those out of service prior to disposal or return.
(11) Represents the number of one-way revenue flights.
(12) Represents the number of hours that aircraft are in actual service, measured from the time that each aircraft leaves the terminal at the departure airport to the time that such aircraft arrives at the terminal at the arrival airport.
(13) Represents the number of earned seats flown by easyJet. Earned seats include seats that are flown whether or not the passenger turns up, because easyJet is generally a no-refund airline and once a flight has departed a no-show customer is generally not entitled to change flights or seek a refund. Earned seats also include seats provided for promotional purposes and to easyJet staff for business travel.
(14) Represents the average number of block hours per day per aircraft operated during the relevant financial year.
(15) Represents the average number of block hours per day per aircraft owned / leased during the relevant financial year.
(16) Represents the sum by route of seats available for passengers multiplied by the number of kilometres those seats were flown.
(17) Represents the number of passengers as a proportion of the number of seats available for passengers. No weighting of the load factor is carried out to recognise the effect of varying flight (or "stage") lengths.
(18) Represents the sum by route of passengers multiplied by the number of kilometres those passengers were flown.
(19) Represents the passenger revenue divided by the number of passengers carried.
(20) Represents the total revenue divided by the total number of ASK's.
(21) Represents the difference between total revenue and profit before tax, plus goodwill amortisation, divided by the total number of ASK's.
(22) Includes credit card fees, excess baggage charges, sporting equipment fees, infant fees, change fees and rescue fees, profit share from in-flight sales of food, beverages, and boutique items, commissions received from products and services sold such as hotel bookings, car hire bookings and travel insurance, less chargebacks.
(23) When easyJet makes refunds to customers, it records refunds made in the pre-flight period as reductions in revenue and any refunds made post-flight as marketing expenses, included in "Other costs".
(24) Includes principally administrative costs and operational costs not included elsewhere, including some salary expenses, compensation paid to passengers, and certain other items, such as currency exchange gains and losses and the profit or loss on the disposal of fixed assets.
(25) EBITDAR is defined by the group as earnings before interest, taxes, depreciation, amortisation and lease payments (excluding the maintenance reserve component of operating lease payments). Maintenance reserve costs are charged to the cost heading, "Maintenance".

Consolidated profit and loss account

for the year ended 30 September

	Notes	**2005** **£ million**	2004 £ million
Turnover : Group and share of joint ventures and associates	*2*	**1,343.4**	1,092.4
Less: share of turnover of joint ventures and associates		**(2.0)**	(1.4)
Group turnover	*2*	**1,341.4**	1,091.0
Cost of sales		**(1,166.4)**	(929.3)
Gross profit		**175.0**	161.7
Distribution and marketing expenses		**(66.5)**	(55.7)
Administrative expenses		**(59.8)**	(55.5)
Group operating profit		**48.7**	50.5
Share of operating profit of joint venture		**0.2**	0.2
Total operating profit: Group and share of joint ventures and associates		**48.9**	50.7
Interest receivable and similar income		**27.2**	14.2
Interest payable		**(8.2)**	(2.7)
Profit on ordinary activities before taxation		**67.9**	62.2
Tax on profit on ordinary activities	*3*	**(25.3)**	(21.1)
Retained profit for the financial year	*10*	**42.6**	41.1
		Pence	Pence
Earnings per share			
Basic	*4*	**10.68**	10.34
Diluted	*4*	**10.43**	10.11
Basic, before goodwill amortisation	*4*	**15.03**	14.64
Diluted, before goodwill amortisation	*4*	**14.68**	14.33

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

Consolidated balance sheet

as at 30 September

	Notes	**2005** £ million	**2005** £ million	2004 £ million	2004 £ million
Fixed assets					
Intangible assets			**292.2**		309.6
Tangible assets	*5*		**425.8**		330.4
Investments					-
Joint venture arrangements:					
Share of gross assets		**0.5**		0.6	
Share of gross liabilities		**(0.3)**		(0.4)	
			0.2		0.2
			718.2		640.2
Current assets					
Debtors		**197.2**		174.4	
Cash at bank and in hand		**695.5**		510.3	
		892.7		684.7	
Creditors: amounts falling due within one year	*6,8*	**(397.6)**		(314.7)	
Net current assets			**495.1**		370.0
Total assets less current liabilities			**1,213.3**		1,010.2
Creditors: amounts falling due after more than one year	*7,8*		**(276.1)**		(157.7)
Provisions for liabilities and charges	*9*		**(97.5)**		(63.1)
Net assets			**839.7**		789.4
Capital and reserves					
Called up share capital	*10*		**100.1**		99.8
Share premium account	*10*		**557.2**		554.2
Profit and loss account	*10*		**182.4**		135.4
Shareholders' funds – equity			**839.7**		789.4

These financial statements were approved by the Board of Directors on 21 November 2005 and were signed on its behalf by:

R Webster
Director

J Carr
Director

Cash flow information

for the year ended 30 September

Reconciliation of operating profit to net cash flow from operating activities

	2005	2004
	£ million	£ million
Group operating profit	**48.7**	50.5
Goodwill amortisation	**17.4**	17.1
Depreciation of tangible fixed assets	**19.1**	25.3
Loss on sale of fixed assets	**2.0**	-
Increase in debtors	**(17.0)**	(36.1)
Increase in creditors and provisions	**99.6**	103.7
Cash flow from operating activities	**169.8**	160.5

Consolidated cash flow statement

	2005	2004
	£ million	£ million
Cash flow from operating activities	**169.8**	160.5
Returns on investments and servicing of finance	**23.1**	12.6
Dividends received from joint venture	**0.2**	-
Taxation	**2.9**	(6.2)
Capital expenditure	**(108.9)**	(61.9)
Acquisitions and disposals	**-**	3.4
Cash inflow before management of liquid resources and financing	**87.1**	108.4
Management of liquid resources	**(14.2)**	4.8
Financing	**98.1**	66.5
Increase in cash in the year	**171.0**	179.7

Financing cash flow includes £2.0 million (2004: - £8.8 million) in respect of the exercise of employee share options.

Cash flow information *(continued)*

Reconciliation of net cash flow to movements in net funds

	2005 **£ million**	2004 £ million
Increase in cash in the year	**171.0**	179.7
Cash inflow from the increase in debt	**(96.1)**	(57.5)
Cash outflow / (inflow) for the increase / (decrease) in liquid resources	**14.2**	(4.8)
Change in net funds resulting from cash flows	**89.1**	117.4
Exchange difference on loans	**(1.4)**	10.5
Increase in net funds for the year	**87.7**	127.9
Net funds at the start of the year	**390.5**	262.6
Net funds at the end of the year	**478.2**	390.5

Net funds at the end of the year comprises:

	2005 **£ million**	2004 £ million
Cash at bank and in hand	**695.5**	510.3
Bank loans	**(217.3)**	(119.8)
	478.2	390.5

£28.5 million (2004 - £14.3 million) of the cash at bank and in hand is subject to restrictions governing its use.

Consolidated statement of total recognised gains and losses

for the year ended 30 September

	2005 **£ million**	2004 £ million
Retained profit for the year	**42.6**	41.1
Currency translation differences on foreign currency net investments	**5.4**	(18.8)
Total recognised gains and losses for the year	**48.0**	22.3

Consolidated reconciliation of movements in shareholders' funds

for the year ended 30 September

	2005 **£ million**	2004 £ million
Retained profit for the year	**42.6**	41.1
Currency translation differences on foreign currency net investments	**5.4**	(18.8)
Shares issued by easyJet plc	**3.3**	15.9
Movement in shares held by easyJet trustees	**0.3**	0.2
Movement in reserves for employee share scheme	**(1.3)**	(7.1)
Net addition to shareholders' funds	**50.3**	31.3
Opening shareholders' funds	**789.4**	758.1
Closing shareholders' funds	**839.7**	789.4

Notes

(forming part of the financial statements)

1 Accounting policies

The financial information set out does not constitute the statutory accounts for easyJet plc (‘easyJet’) for the two years ended 30 September 2005 but is derived from those accounts. Statutory accounts for 2004 have been delivered to the Registrar of Companies, and those for 2005 will be delivered following easyJet’s annual general meeting. The auditors have reported on those accounts: their reports were unqualified and did not contain a statement under section 237(3) of the Companies Act 1985. The consolidated financial statements comply with applicable accounting standards (UK GAAP) and have been prepared on the basis of accounting policies set out in easyJet’s Report and Accounts.

2 Segmental information

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

The geographical analysis of turnover is as follows:

	2005 **£ million**	2004 £ million
Within the United Kingdom	**224.5**	224.1
Between the United Kingdom and the Rest of Europe	**869.9**	728.5
Within the Rest of Europe	**247.0**	138.4
	1,341.4	1,091.0

All revenue from easyJet’s joint venture was derived within the United Kingdom. easyJet's share of joint venture revenue for the year was £2.0 million (2004: £1.4 million).

All the Group’s operating profit arises from airline-related activities.

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

Notes

3 Taxation

The taxation charge is made up as follows:

	2005 £ million	2004 £ million
Current taxation:		
UK corporation tax		
Corporation tax at 30% (2004: 30%)	**13.6**	13.9
Adjustments in respect of prior years	**2.8**	(4.7)
	16.4	9.2
Overseas taxation		
Corporation tax	**1.5**	1.2
Adjustments in respect of prior years	**0.1**	-
	1.6	1.2
Total current taxation	**18.0**	10.4
Deferred taxation:		
Capital allowances in advance of depreciation	**10.9**	11.1
Future credits not taxable	**(1.6)**	1.8
Other fixed asset timing differences	**(2.0)**	(2.2)
Total deferred taxation	**7.3**	10.7
Total taxation	**25.3**	21.1
Effective tax rate	**37.2%**	33.9%

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

	2005 £ million	2004 £ million
Profit on ordinary activities before tax	**67.9**	62.2
Tax charge at 30% (2004: 30%)	**20.4**	18.6
Expenses not deductible for tax purposes	**4.1**	1.8
Lower tax rates in certain overseas jurisdictions	**(3.4)**	(2.3)
Movement in share option scheme deduction	**(0.4)**	2.0
Purchased goodwill not deductible	**5.2**	5.1
Fixed asset timing differences	**(10.8)**	(10.1)
Adjustments in respect of prior periods	**2.9**	(4.7)
Total current taxation	**18.0**	10.4
Deferred tax	**7.3**	10.7
Total taxation	**25.3**	21.1

Notes *(continued)*

3 **Taxation** *(continued)*

Tax losses

There are no UK tax losses available for use in future periods. The amount of foreign tax losses available for use was less than £0.1 million in both the current and previous financial years.

easyJet Switzerland

easyJet Switzerland, a Group member, has the benefit of an exemption from communal and cantonal taxes in Switzerland until 1 January 2008, subject to meeting certain conditions. The effective tax rate in Switzerland at present is 7.8%, but will rise to 27.5% from 1 January 2008 assuming that tax rates remain unchanged.

4 **Earnings per share**

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary 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 period, those options are included in the calculation of dilutive potential shares.

The earnings per share are based on the following:

	2005	2004
Profit for the year retained for equity shareholders (£ million)	**42.6**	41.1
	Number	Number
Weighted average number of ordinary shares in issue during the year used to calculate basic earnings per share (millions)	**399.3**	397.7
Weighted average number of dilutive share options used to calculate dilutive earnings per share (millions)	**9.6**	8.7

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

	2005 **£ million**	2004 £ million
Profit for the year retained for equity shareholders	**42.6**	41.1
Add back: goodwill amortisation	**17.4**	17.1
	60.0	58.2

Notes *(continued)*

5 Tangible fixed assets

	Aircraft £ million	Payments on account- aircraft deposits £ million	Leasehold improvements - buildings £ million	Fixtures, fittings and equipment £ million	Total £ million
Cost					
At 1 October 2004	207.6	165.4	4.0	14.8	391.8
Exchange differences	4.0	2.4	-	-	6.4
Additions	167.7	83.9	2.0	2.8	256.4
Disposals	(71.8)	(103.6)	-	(0.6)	(176.0)
Transfer to debtors	(14.4)	-	-	-	(14.4)
At 30 September 2005	**293.1**	**148.1**	**6.0**	**17.0**	**464.2**
Depreciation					
At 1 October 2004	48.3	-	2.3	10.8	61.4
Exchange differences	-	-	-	-	-
Charge for year	15.5	-	0.7	2.9	19.1
Disposals	(34.8)	-	-	(0.2)	(35.0)
Transfer to debtors	(7.1)	-	-	-	(7.1)
At 30 September 2005	**21.9**	**-**	**3.0**	**13.5**	**38.4**
Net book value					
At 30 September 2005	**271.2**	**148.1**	**3.0**	**3.5**	**425.8**
At 30 September 2004	159.3	165.4	1.7	4.0	330.4

At 30 September 2005, aircraft with a net book value of £225.5 million (2004: £120.7 million) were mortgaged to lenders as security for loans (see note 8).

easyJet reviewed the carrying value of its aircraft at September 2003 and concluded that the four oldest Boeing 737-300 aircraft required an acceleration in depreciation which caused an additional depreciation charge of £3.4 million prior to their disposal in 2004.

easyJet performed a similar residual value review of its aircraft during the year ended 30 September 2004 and concluded that the six remaining owned Boeing 737-300 aircraft required an acceleration in depreciation. This led to an additional charge of £2.7 million in 2005 (2004: £2.7 million). Five of these aircraft were disposed of during the year. One Boeing 737-300 aircraft was transferred to debtors in September 2005 as a contract had been signed for its sale. The aircraft was delivered in November 2005.

Notes *(continued)*

6 Creditors: amounts falling due within one year

	2005 **£ million**	2004 £ million
Bank loans (note 8)	**16.3**	9.7
Trade creditors	**6.6**	17.6
Other taxes and social security	**3.7**	3.6
Other creditors	**16.9**	9.8
Corporation tax	**38.9**	18.0
Unearned revenue (including Government taxes)	**160.3**	143.0
Accruals and deferred income	**154.9**	113.0
	397.6	314.7

7 Creditors: amounts falling due after more than one year

	2005 **£ million**	2004 £ million
Bank loans (note 8)	**201.0**	110.1
Accruals and deferred income	**75.1**	47.6
	276.1	157.7

Accruals and deferred income includes the non-current excess of sales price over fair value of certain assets that were subject to sale and operating leaseback transactions. These amounts will be released to the profit and loss account over the respective asset's lease term.

8 Loans

	2005 **£ million**	2004 £ million
Amounts falling due:		
Within one year	**16.3**	9.7
Due within one to two years	**17.0**	10.1
Due in two to five years	**68.4**	37.2
Due after five years	**118.7**	62.8
	220.4	119.8
Less deferred financing costs	**(3.1)**	-
	217.3	119.8
Included within amounts falling due within one year	**(16.3)**	(9.7)
	201.0	110.1

The bank loans financed the acquisition of certain aircraft by the Group. The aircraft acquired with the loans are provided as security against the borrowings.

Notes *(continued)*

9 Provisions for liabilities and charges

	2005 £ million	2004 £ million
Maintenance liabilities	**70.0**	42.9
Deferred taxation	**27.5**	20.2
	97.5	63.1

10 Share capital and reserves

	Share capital £ million	Share premium £ million	Profit and loss account £ million	Total £ million
At 1 October 2004	99.8	554.2	135.4	789.4
Issue of ordinary share capital:				
Share option schemes	0.3	3.0	-	3.3
Movement in shares held by trustees	-	-	0.3	0.3
Movement in profit and loss account for employee share schemes	-	-	(1.3)	(1.3)
Retained profit for the year	-	-	42.6	42.6
Currency translation differences on foreign currency net investments	-	-	5.4	5.4
At 30 September 2005	**100.1**	**557.2**	**182.4**	**839.7**

At 30 September 2005 there were no shares issued held in Employee Share Option Trusts which have not vested unconditionally with employees. At 30 September 2004 there were 194,842 unallocated shares which were excluded from equity. These shares are held by easyJet Trustees, the trust managing employee share schemes.

11 Contingent liabilities

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

In 2002, Navitaire Inc. ("Navitaire"), a former supplier of airline reservation software to easyJet Airline Company Limited, a Group company, issued proceedings against that Group company alleging copyright infringement in relation to airline reservations software. In November 2005, the parties reached an amicable agreement fully resolving the dispute, bringing the litigation to an end.

12 Post balance sheet events

David Bennett was appointed to the Board as a Non Executive Director on 1 October 2005.

One Boeing 737-300 aircraft was transferred from fixed assets to debtors in September 2005 as a contract had been signed for its sale. The aircraft was delivered in November 2005.