Preliminary results for the 12 months to September 2006

EASYJET REPORTS RECORD PROFITS, UP 56% TO £129M

- Record profit before tax of £129 million, up 56% from £83 million in 2005.
- Passenger numbers rise by 11.5% to 33 million.
- Passenger revenues increased by 5.9% or £2.13 per seat, driven by strong summer trading.
- Ancillary revenues improved significantly in all areas rising by 34% or £0.86 per seat.
- Unit costs excluding fuel fell by 1.5% or £0.42 per seat from £28.78 to £28.36.
- Unit fuel costs increased by 33% or £2.48 per seat.
- Return on equity increased to 10.1% up 3 percentage points from 7.1% in 2005.
- 58 new routes and 11 new destinations were launched, expanding the network to 262 routes and 74 airports in 21 countries.
- Fleet grown to 122 aircraft with an average age of 2.2 years, making it one of the most modern and environmentally friendly fleets in Europe.
- Further expansion of fleet planned with 52 new A319s ordered, and options secured over a further 75. This brings the total number of aircraft on firm order to 104 worth over $4 billion, with a further 123 unexercised options still available.
- Strong balance sheet with cash of £861 million.

Commenting on the results, Andy Harrison, easyJet Chief Executive said:

"2006 was another year of successful growth with 33 million passengers choosing to fly easyJet, attracted by our winning combination of low cost, with care and convenience. We have continued to expand our range of destinations with 58 new routes launched during the year and the successful opening of our new base in Milan Malpensa.

"Our profits increased by 56% to a record £129 million, despite the big increase in fuel costs. Our profit growth was driven by a 34% increase in ancillary revenues per seat, significant improvements in passenger yields and a continuing reduction in our non fuel unit costs.

"Our Airbus order supports both our growth and our environmental credentials. The combination of our modern fleet, with an average age of 2.2 years, and high utilisation means that we emit nearly 30% fewer emissions per passenger kilometre than traditional airlines flying similar routes. We welcome the Stern Review, which says that aviation accounts for just 1.6% of global greenhouse gas emissions. We believe the best way forward is to bring aviation into the European Emissions Trading System as soon as possible.

"Today's Airbus order underpins our future growth and we expect to increase capacity in 2007 by 15%. Current trading is in line with our expectations and we see yields for winter broadly in line with last year. As we look further forward we anticipate more pressure on yields in the summer due to continued aggressive competition. We remain focused on improving execution and delivery of results by revenue enhancement, network development and cost reduction. This year has seen an encouraging step towards improved return on equity. The Board remains confident that the business will make good progress in the coming years."

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There will be an analyst presentation at 9:00 am on 14 November 2006 at ABN AMRO, 3rd floor, 250 Bishopsgate, 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 2:00 pm on 14 November 2006. For further details, contact Katy Balderston at Financial Dynamics on 020 7269 7228.

Chairman and Chief Executive's review

easyJet has delivered profitable growth during 2006 with profit before tax rising 56% to a record £129 million. This has been driven by our winning combination of low fares with care and convenience, which in 2006 was chosen by 33 million passengers across 21 different European countries.

This performance is aligned with our targets and underpins the delivery of improved returns to shareholders. We remain focused on improving our return on equity as outlined in the long term incentive plan for management put in place last year. During 2006 we improved the return on equity by 3 percentage points to 10.1% and increased our net profit by 59% to £94m, thus providing confidence that the targets we have set, while challenging and demanding, are achievable.

Key business highlights for the year were as follows:

- Record profit before tax of £129 million, up 56% from £83 million in 2005.
- Passenger numbers rose by 11.5% to 33 million.
- Passenger revenues increased by 5.9% or £2.13 per seat, driven by strong summer trading.
- Ancillary revenues improved significantly in all areas, rising by 34% or £0.86 per seat.
- Unit costs excluding fuel fell by 1.5% or £0.42 per seat from £28.78 to £28.36.
- Unit fuel costs increased by 33% or £2.48 per seat.
- 58 new routes and 11 new destinations were launched, expanding the network to 262 routes and 74 airports in 21 countries.
- The fleet grew to 122 aircraft with an average age of 2.2 years, making it one of the most modern and environmentally friendly fleets in Europe.
- The balance sheet remains strong with cash of £861 million and gearing at 31%.

In May, we highlighted network development, revenue enhancement, cost reduction and development of our people as our main areas of focus. These goals remain unchanged.

Network

2006 saw the increased presence of easyJet in Italy with the successful launch of our 16th base at Milan Malpensa in March, and the addition of 10 new routes bringing low cost travel to Milan. From Milan we now fly domestically to Naples and Palermo; offer key city destinations including Berlin, London, Madrid and Paris; serve beach and leisure destinations; and have further expansion planned for the coming year.

Building on the addition of our second Swiss base in Basel during 2005, we increased our Swiss operations considerably in the year with 16 new routes launched in the Swiss market and increased frequencies offered in the winter season. Our successful expansion since launching the Geneva base in 1999 has seen easyJet become the largest airline in both Geneva and Basel.

During the summer, we expanded into new markets with the introduction of flights to Croatia, Morocco and Turkey. As a proportion of our network these flights are not significant, but they indicate the continuing opportunities available both inside and outside the EU.

Overall, our highest rate of growth has been on Intra-European (non-UK) flying, where we have seen revenues grow by 62% year on year. While we continue to see and take opportunities in the UK, we expect the higher rate of growth in Europe to continue. This has been reflected in our base selections in recent years, and the announcement of our next base in Madrid, opening in February 2007, continues this trend.

Additional Airbus Order

To sustain the continued growth of easyJet, we will be asking shareholders to approve the conversion of 52 Airbus purchase rights into firm orders. In combination with our original order for 120 Airbus and our conversion of 20 purchase rights into firm orders in December 2005, this will take our number of firm Airbus A319 orders to 192 aircraft, 87 of which had been delivered by the end of September 2006. The additional 52 firm orders, with a value of $2.3 billion at list price, are for A319 aircraft to be delivered mainly during 2009 and 2010, and supports our planned growth. In conjunction with this, we have agreed with Airbus 75 further purchase rights, additional to the 120 purchase rights agreed in 2002. The terms of the additional purchase rights are substantially the same as on the original Airbus order. This order ensures that easyJet will continue to operate a young fleet of modern aircraft secured at very competitive rates.

Environment

We take seriously our duty to ensure that we are operating and developing in a responsible manner. We will further explain our environmental policy in the separate report on Corporate and Social Responsibility in our annual report, however the fundamentals can be summarised here. The easyJet model is low cost, based on maximising operating efficiencies, achieving high asset utilisation and providing point to point services between convenient locations, operating in established markets whilst avoiding the largest most congested hub airports. We use a modern fleet of young, fuel efficient, quiet aircraft, with a high seat density configuration and achieve consistently high load factors. Each of these factors helps make easyJet the environmentally friendly way to fly.

We have set ourselves the target of being a leading environmentally efficient and responsible airline, striving to be efficient in the air, efficient on the ground, and to lead the way in shaping a greener future for aviation.

Revenue

Passenger revenue per seat was down by 1.5% in the first half of the year, but rose 11.2% in the second half. The very strong performance in the second half was helped by the timing of Easter, but also reflected buoyant market conditions and good revenue management across the network.

Detailed route performance reviews and a strengthened yield management team helped ensure that suitable interventions were made in the revenue system to optimise contribution on flights. High impact marketing also helped increase awareness and stimulate demand. The spring saw the launch of our ‘objects’ marketing campaign, featuring iconic images associated with destinations on our network and the low fares we offer to fly to them - reinforcing our simple message of low fares with care and convenience. We also launched a business traveller campaign raising awareness of the frequency and flexibility of our services and the quality of our schedule on primary routes in specific markets.

Improvements to the easyJet.com website and a continued focus on non-ticket revenues allowed easyJet to deliver another year of high growth in ancillary revenues. Simple and direct delivery of insurance and car hire has helped increase conversion rates and income from partner revenues. Improved consistent application of charges has also driven increases across the other areas of ancillary revenue.

Costs and operational performance

Our focus on the cost base has continued throughout the year with particular progress coming from lower maintenance, improved ownership costs and reduced ground handling rates in Spain.

Maintenance costs benefited from lower rates as a result of our contract for Airbus airframe maintenance with SR Technics. The fleet mix has improved with the retirement of the Boeing 737-300s, only 3 of which remained in the fleet at 30 September, all of which are due for return by December 2006. Ownership costs have improved as our financing margin has reduced, we have saved money through better management of end of lease aircraft returns, and we have increased the proportion of owned aircraft. The effect of increasing US interest rates during the year, however, offset these improvements, so that total ownership costs have remained largely flat on a per seat basis compared with 2005.

Ground handling improvements have come with dedication and persistence which overcame a number of hurdles. As a result, we are now either self-handling or have re-negotiated our agreements with existing suppliers in seven airports in Spain which were among the most expensive in our network. This has resulted in more competitive costs in this area, ensuring the future growth of these destinations.

Overall, we have seen a reduction in unit costs excluding fuel of 1.5% for the year. The improvements in unit costs were largely accomplished in the first half, with the impact of wet leasing and disruption impacting the second half. Set against this, the effect of increasing fuel costs has continued, and including fuel, total costs per available seat flown rose by 5.7%. As we go into the 2007 financial year, we have hedged 59% of our fuel requirement. 28% is hedged using forwards with an average rate of $659 per metric tonne, and 31% is hedged using collars with average floor and ceiling rates of $687 and $753 per metric tonne respectively.

The August 10th security alert caused easyJet to cancel nearly 500 flights and resulted in additional costs of approximately £4m. The introduction of greater restrictions to carry-on items, and the inadequate resources of airports to cope with additional security procedures, resulted in pressures on passengers and operations. This led to reduced punctuality, and the proportion of our flights arriving within 15 minutes of scheduled arrival fell from 80.2% in 2005 to 75.6% in 2006. In addition, easyJet experienced some crew shortages in the summer resulting in low levels of standby crew. To minimise disruption to passengers, easyJet wet leased approximately three and a half lines of flying during the summer to help deliver the scheduled network flights. Disappointingly for all concerned, some disruption to the schedule was still experienced. At easyJet we are committed to delivering an excellent service and we can assure our passengers that recruitment and planning measures are now in place to ensure that the company delivers the highest standard of service with care and convenience.

People

In November 2005, we opened the easyJet Academy. Based in a low cost building close to our Luton headquarters, the Academy provides first class training facilities including a cabin simulator and aircraft slides. It provides the location for pilot, cabin crew and call centre training as well as housing the recruitment and training departments. Meanwhile, we are preparing to move our easyLand headquarters, taking up low cost office space inside our new maintenance hangar at our Luton base. This move should take place in early 2007.

We recognise and appreciate the extra effort many of our people have made this year and extend our thanks to all our people for their continued dedication and hard work.

Board

Andrew Harrison joined easyJet as Chief Executive in December 2005. During the year David Bennett and Professor Rigas Doganis were also appointed to the Board as Non-Executive Directors, and Sir David Michels was appointed as the Senior Independent Non-Executive Director. The appointments in the year have brought a good balance of expertise and experience to the Board and these will be invaluable as easyJet continues to grow. We thank all the members of the Board for their commitment and contributions in the year**.**

Outlook

Today's Airbus order underpins our future growth and we expect to increase capacity in 2007 by 15%. Current trading is in line with our expectations and we see yields for winter broadly in line with last year. As we look further forward we anticipate more pressure on yields in the summer due to continued aggressive competition. We remain focused on improving execution and delivery of results by revenue enhancement, network development and cost reduction. This year has seen an encouraging step towards improved return on equity. The Board remains confident that the business will make good progress in the coming years.

Sir Colin Chandler	Andrew Harrison
Chairman	Chief Executive

13 November 2006

Operational and financial review

Strategy and business model

easyJet is Europe's leading low fares airline. Formed in 1995 by Sir Stelios Haji-Ioannou, it has grown rapidly to become Europe's fourth largest airline by passengers carried. easyJet keeps costs low by eliminating the unnecessary costs and frills which characterise traditional airlines. This is done in a number of ways:

- The internet is used to reduce distribution costs. easyJet was one of the first airlines to embrace the opportunity of the internet when it sold its first seat online in April 1998. Now over 95% of all seats are sold on line, making easyJet one of Europe's biggest internet retailers;
- Maximising the utilisation of substantial assets. We fly our aircraft intensively, with swift turnaround times each time we land. This gives us a very low unit cost;
- Ticketless travel. Passengers receive booking details via an e-mail rather than paper. This helps to significantly reduce the cost of issuing, distributing, processing and reconciling millions of transactions each year;
- No 'free lunch'. We eliminate unnecessary services which are complex to manage such as free catering, pre-assigned seats, interline connections and cargo services. This allows us to keep our total cost of production low; and
- Efficient use of airports. easyJet flies to main destination airports throughout Europe, but gains efficiencies compared to traditional carriers with rapid turnaround times, and progressive landing charge agreements with airports.

Many have tried to imitate easyJet's business model, but few have succeeded. In addition to all the factors above, our customer proposition is defined by 'low cost with care and convenience'. This means that whilst we are committed to keeping our costs low, we will provide our customers with a quality product and good service; we fly to main European destinations from convenient local airports; and provide friendly on board service. People are a key point of difference at easyJet and are integral to our success. This allows us to attract the widest range of customers to use our services – both business and leisure.

We have a powerful business model, with a strong well-recognised brand across Europe. With a strong market presence and scale, we are well positioned to take advantage of growth opportunities in the European low cost market. easyJet still has only 6% of the total European market, which is forecast to grow by 5% to 6% per annum. On this basis we have targeted an annual growth rate of 15% over the medium term. We will do this by reinforcing our presence on our key routes, whilst identifying new route development opportunities where the product offering meets our goals.

Competitors

The markets in which easyJet operates are highly competitive, both from traditional 'flag carrier' airlines such as British Airways, Air France/KLM, Iberia and Swiss and from other low cost carriers such as Ryanair, Air Berlin and Vueling. We face competition from other airlines on same city-pair routes, from indirect flights, from charter services and also from other forms of transport, such as rail. There are virtually no routes where we have no competition. The level of intensity of the competition varies on a route by route basis, and depends on the nature of the competitors. However, most of the competitors we encounter have significantly higher unit costs than us. As a result, whilst these competitors can on occasion offer lower fares than easyJet, they cannot compete with our fares every day without an adverse financial effect.

Operational and financial review (continued)

Network

We have continued to develop the network during the year in a manner that absorbed the 12.1% growth in new capacity. At 30 September 2006, the easyJet network covered 262 routes and 74 airports, compared to 212 and 64 at the same time last year.

During the year, we have added 11 new cities to the easyJet network: Bordeaux, Bournemouth, Bremen, Istanbul, Lisbon, Marrakesh, Palermo, Rijeka, Rimini, La Rochelle and Split. A new base was opened at Milan Malpensa during the year, and a further base has been announced at Madrid Barajas for the coming financial year.

Resources and relationships

Fleet

At the end of September 2006, the fleet comprised 35 Boeing 737s and 87 Airbus A319s, giving a total of 122 aircraft, up from the 54 Boeing 737s and 55 Airbus A319s at the start of the financial year. Details of the fleet at 30 September 2006 are as follows:

	Owned	Under operating lease	Under finance lease	Total	Changes in year	Future deliveries (including exercised options)	Unexercised options (note 1)
Airbus A319s	**38**	**43**	**6**	**87**	**32**	53	100
Boeing 737-700s	**-**	**32**	**-**	**32**	**-**	-	-
Boeing 737-300s	**-**	**3**	**-**	**3**	**(19)**	-	**-**
	38	**78**	**6**	**122**	**13**	53	100

Notes:

1. Options may be taken as any Airbus A320 family aircraft and are valid until 2012.

A further 53 Airbus A319 aircraft are planned to be delivered through to September 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 is currently 2.2 years (2005: 3.0 years).

During the year, 20 aircraft which had been under option at 30 September 2005 were converted into firm future deliveries.

On 13 November 2006, easyJet agreed that, subject to shareholder approval, it had converted a further 52 of its Airbus option aircraft to firm deliveries in 2008, 2009 and 2010; furthermore an additional 75 purchase rights had been obtained for aircraft which could be delivered during the period to 2015.

Fleet changes:

The total fleet over the period to 30 September 2009 based on contractual commitments, excluding the order pending shareholder approval, is as follows:

	Airbus A319s	Boeing 737-700s	Boeing 737-300s	Total aircraft
At 30 September 2005	55	32	22	109
At 30 September 2006	**87**	**32**	**3**	**122**
At 30 September 2007	107	30	-	137
At 30 September 2008	120	29	-	149
At 30 September 2009	140	18	-	158

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.

Operational and financial review (continued)

Aircraft financing

Of the 32 aircraft that were delivered to easyJet during the year, 16 were mortgage financed through US dollar or sterling loans, 2 were temporarily cash acquired with mortgage finance drawn after year-end, 6 were sold to lessors and leased back under operating leases, 5 were financed through sale and finance leasebacks, and 3 were cash acquired supported by a Standby Facility. In addition, one previously delivered mortgage financed aircraft was restructured into sale and finance leaseback funding in the year.

During the year, we continued to secure financing for the Airbus delivery stream. We have now committed facilities available for 18 of the remaining 53 Airbus aircraft yet to be delivered. 3 of these aircraft will be subject to sale and leaseback, 8 will be financed through mortgage finance, and a further 7 aircraft will be supported by the Standby Facility.

Our people

At 30 September 2006 there were 4,859 employees in easyJet, an increase of 17.0% during the year from 4,152 at 30 September 2005. Whilst this was in excess of the growth of the business, the principal reason for this was the commencement of self handling at some of our Spanish airports (Alicante, Almeria, Asturias, Palma and Malaga), which has added 204 employees during the year. After allowing for this change, the rate of increase was 12.1%, in line with the rate of growth of the business, and indicative of management's focus on cost control.

Our people are integral to differentiating easyJet from our competitors and allowing us to deliver low cost with care and convenience. In the Corporate and Social Responsibility report in the annual report and accounts 2006, we comment in detail on the way in which easyJet values and manages its people.

Relationship with our customers

easyJet has a strong and consistent brand positioning. easyJet is the smarter choice for both business and leisure travel because it allows customers the chance to travel with low fares, convenience and the care they deserve. People travel with easyJet out of choice rather than compromise.

easyJet offers consistently low prices.

Central to it's core philosophy, easyJet offers:

- Safety first approach
- New reliable fleet
- Friendly attentive cabin crew trained in the easyJet way at our own accredited training academy
- A customer service programme which listens to all customer queries and complaints in an honest and reasonable manner
- Attractive in-flight refreshment and gift service

easyJet strives to offer a convenient service to its passengers. easyJet offers:

- Flights to and from major airports
- Multiple daily flights on major routes
- Flexibility to take earlier or later flights
- Easy to use website
- On line check in
- Hand baggage only check in
- Speedy boarding

Suppliers

We aim to have partnership agreements with our suppliers, which stress the importance of strong suppliers aligned to the success of easyJet as a business. We are committed to payment of suppliers within agreed terms. Many of our supply agreements are unique and tailored to the needs of our business, to make sure that our suppliers are rewarded appropriately for delivering services which meet pre-agreed performance targets and align with easyJet's own internal performance goals.

Selected consolidated financial and operating data (unaudited)	Year ended 30 September 2006	2005	Change %
Key performance indicators			
Return on equity [1]	**10.1%**	7.1%	3.0pp
Profit before tax per seat, £ [2]	**3.32**	2.38	39.6
Revenue per seat, £ [3]	**41.66**	38.66	7.8
Cost per seat, £ [4]	**38.34**	36.28	5.7
Cost per seat excluding fuel, £ [5]	**28.36**	28.78	(1.5)
Seats flown (millions) [6]	**38.9**	34.7	12.1
Output measures			
Passengers (millions)[7]	**33.0**	29.6	11.5
Number of aircraft owned/leased at end of period[8]	**122.0**	109.0	11.9
Average number of aircraft owned/leased during period[9]	**115.2**	102.6	12.3
Number of aircraft operated at end of period[10]	**118.0**	103.0	14.6
Average number of aircraft operated during period[11]	**107.0**	94.0	13.8
Sectors[12]	**253,548**	229,068	10.7
Block hours[13]	**454,823**	401,588	13.3
Number of routes operated at end of period	**262**	212	23.6
Number of airports served at end of period	**74**	64	15.6
Other performance measures			
Load factor[14]	**84.8%**	85.2%	(0.4)pp
Operated aircraft utilisation (hours per day)[15]	**11.6**	11.7	(0.5)
Owned/leased aircraft utilisation (hours per day)[16]	**10.8**	10.7	0.8
Available seat kilometres (“ASK”) (millions) [17]	**37,088**	32,141	15.4
Revenue passenger kilometres (“RPK”)(millions)[18]	**31,621**	27,448	15.2
Average sector length (kilometres)	**954**	926	3.0
Average fare (£)[19]	**45.17**	42.43	6.4
Revenue per ASK (pence)[20]	**4.37**	4.17	4.6
Cost per ASK (pence)[21]	**4.02**	3.92	2.6

Operational and financial review (continued)

Footnotes

1 Represents the profit after tax divided by the average of opening and closing shareholders' funds

2 Represents profit before tax 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 total revenues less profit before tax, divided by the number of seats flown available for passengers

5 Represents total revenues less profit before tax 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 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.

8 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 period.

9 Represents the average number of aircraft owned plus those held on lease arrangements of more than one month's duration during the relevant period.

10 Represents the number of owned/leased aircraft in service at the end of the relevant period.

11 Represents the average number of owned/leased aircraft in service during the relevant period.

12 Represents the number of one-way revenue flights.

13 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.

14 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.

15 Represents the average number of block hours per day per aircraft operated during the relevant period.

16 Represents the average number of block hours per day per aircraft owned / leased during the relevant period.

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

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, divided by the total number of ASK's.

22 Includes credit card fees, excess baggage charges, extra bag charges, sporting equipment fees, speedy boarding fees, infant fees, changes fees and change fees, profit share from in-flight sale 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 Includes revenue from ticket sales and ancillary revenue.

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, share of profits of associates and lease payments (excluding the maintenance reserve component of operating lease payments). Maintenance reserve costs are charged to the cost heading "maintenance".

Operational and Financial Review (continued)

Consolidated income statement

	Notes	Year ended 30 September 2006 £million	2005 £million
Passenger revenue		**1,488.4**	1,254.2
Ancillary revenue(23)		**131.3**	87.2
Revenue (24)		**1,619.7**	1,341.4
Ground handling charges, including salaries		**(144.1)**	(130.5)
Airport charges		**(258.4)**	(230.1)
Fuel		**(387.8)**	(260.2)
Navigation charges		**(121.2)**	(108.6)
Crew costs, including training		**(160.0)**	(136.2)
Maintenance		**(109.5)**	(119.2)
Advertising		**(38.2)**	(32.8)
Merchant fees and incentive pay		**(17.9)**	(15.6)
Aircraft and passenger insurance		**(15.8)**	(19.3)
Other costs(25)		**(88.3)**	(82.4)
EBITDAR (26)		**278.5**	206.5
Depreciation		**(27.4)**	(15.8)
Amortisation of intangible assets		**(0.8)**	(0.8)
Aircraft dry lease costs		**(122.9)**	(123.7)
Aircraft long-term wet lease costs		**(9.6)**	-
Group operating profit (EBIT)		**117.8**	66.2
Interest and other finance income		**35.4**	27.2
Interest and other finance charges		**(24.1)**	(10.9)
Net financing income		**11.3**	16.3
Share of profit after tax of associate		**0.1**	0.1
Profit before tax		**129.2**	82.6
Tax	4	**(35.1)**	(23.6)
Profit after tax		**94.1**	59.0
Earnings per share (pence)	3		
Basic		**23.18**	14.78
Diluted		**22.64**	14.43

Operational and Financial Review (continued)

Consolidated balance sheet

	Notes	30 September 2006 £million	2005 £million
Goodwill		309.6	309.6
Other Intangible assets		1.1	1.4
Property, plant and equipment	6	695.7	398.6
Financial instruments			
Restricted cash		26.1	22.4
Derivative financial instruments	2	0.4	-
Other non-current assets		2.9	6.7
Investments accounted for using the equity method		0.3	0.2
Deferred tax assets		0.3	-
Non-current assets		**1,036.4**	**738.9**
Trade and other receivables		213.3	210.7
Asset held for sale		-	7.1
Financial instruments			
Restricted cash		12.2	6.1
Derivative financial instruments	2	1.0	-
Cash and cash equivalents		860.7	667.0
Current assets		**1,087.2**	**890.9**
Trade and other payables	7	(414.1)	(342.9)
Borrowings	8	(32.8)	(16.3)
Derivative financial instruments		(15.3)	-
Current tax liabilities		(46.8)	(38.9)
Provisions		-	(16.4)
Current liabilities		**(509.0)**	**(414.5)**
Net current assets		**578.2**	**476.4**
Borrowings greater than one year	8	(446.9)	(201.0)
Derivative financial instruments		(4.8)	-
Other non-current liabilities	9	(74.8)	(75.1)
Provisions		(73.2)	(53.6)
Deferred tax liabilities		(32.0)	(22.2)
Non-current liabilities		**(631.7)**	**(351.9)**
Net assets		**982.9**	**863.4**
Ordinary shares	11	102.6	100.1
Share premium	11	591.4	557.2
Retained earnings	11	298.4	206.0
Other reserves	11	(9.5)	0.1
Shareholders' funds - equity		**982.9**	**863.4**

Operational and Financial Review (continued)

Consolidated statement of cashflows

	Notes	Year ended 30 September 2006 £million	2005 £million
Cashflows from operating activities			
Cash generated from operations	10	**221.6**	221.0
Interest received		**32.5**	28.8
Interest paid		**(24.4)**	(5.7)
Tax (paid) / received		**(4.5)**	2.9
Net cash from operating activities		**225.2**	**247.0**
Cashflows from investing activities			
Proceeds from sale of property, plant and equipment		**87.4**	75.5
Purchase of property, plant and equipment		**(408.3)**	(237.0)
Proceeds from sale of asset held for resale		**7.1**	-
Purchase of other intangible assets		**(0.5)**	(1.4)
Dividend received from joint venture		**-**	0.2
Net cash used in investing activities		**(314.3)**	**(162.7)**
Cashflows from financing activities			
Net proceeds from issue of ordinary share capital		**17.9**	2.0
Purchase of shares for employee share schemes		**(0.6)**	-
Net proceeds from drawdown of new bank loans		**201.2**	146.2
Net proceeds from sale and finance leasebacks		**108.6**	-
Repayment of bank loans		**(30.4)**	(46.9)
Repayment of capital elements of finance leases		**(1.0)**	-
Management of liquid resources		**(11.2)**	(14.2)
Net cash inflow / (used) in financing activities		**284.5**	**87.1**
Effects of exchange rate changes		**(1.7)**	(0.4)
Net increase in cash and cash equivalents		**193.7**	**171.0**
Cash and cash equivalents at beginning of period		**667.0**	496.0
Cash and cash equivalents at end of period		**860.7**	**667.0**

Operational and Financial Review (continued)

Consolidated statement of recognised income and expense

	Notes	Year ended 30 September 2006 £million	2005 £million
Cash flow hedges			
Fair value losses in period, net of tax		**(17.6)**	-
Transfers to net profit		**(2.7)**	-
Translation differences on foreign currency net investments		**-**	0.1
Income / (expense) recognised directly in equity		**(20.3)**	**0.1**
Profit for the period		**94.1**	59.0
Total recognised income / (expense) for the period attributable to shareholders of the Company		**73.8**	**59.1**
On adoption of IAS 32 and IAS 39	2	**13.3**	-
		87.1	**59.1**

Financial year 2006 compared with financial year 2005

Key Performance Indicators

Return on equity

The Board has set return on equity as the key financial measure at easyJet, since it best represents the return for the year attributable to the equity shareholders.

Return on equity for financial year 2006 was 10.1% up from 7.1% in financial year 2005. This was driven by a significant improvement in profit before tax and the effective tax rate of the business, but was partially offset by the introduction of new assets of £13.3 million relating to the value of financial instruments on adoption of IAS39 on 1 October 2005, and £17.9 million relating to the exercise of employee share options.

Management is incentivised through the Long Term Incentive Plan to deliver increases in return on equity to 15% by 2008.

Profit before tax per seat, revenue per seat and cost per seat

Profit before tax per seat is a measure used internally to allow all our people to understand and focus on the return on equity target, since the measures are closely related. It is the difference between revenue per seat and cost per seat, which are important measures that are used to monitor certain areas of the business. Profit before tax per seat increased in financial year 2006 by 39.6% from £2.38 to £3.32 as a result of a 7.8% increase in revenue seat from £38.66 to £41.66 (explained in more detail in 'Revenue' below), set off against an increase in cost per seat of 5.7% from £36.28 to £38.34.

Cost per seat, excluding fuel

Since the significant volatility in easyJet's fuel cost is largely dictated by external economic and political factors, we consider that the movement in cost per seat excluding fuel is the best indicator of management's performance in keeping unit costs low.

Cost per seat excluding fuel reduced by 1.5% from £28.78 to £28.36 in financial year 2006. This was as a result of direct management action to control overheads, despite cost increases resulting from disruption.

Seats flown

Seats flown is considered by management to be the best measure of output units of production. The number of seats flown in financial year 2006 increased by 12.1% from 34.7 million to 38.9 million, as a result of the introduction of new aircraft into the fleet.

Income statement

Revenue

easyJet’s revenue increased 20.7% from £1,341.4 million to £1,619.7 million, from financial year 2005 to financial year 2006. Revenue per seat increased 7.8% from £38.66 to £41.66.

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 18.7% from £1,254.2 million to £1,488.4 million, driven by an 11.5% growth in passenger numbers from 29.6 million to 33.0 million, and a 6.4% increase in average fares. The number of passengers carried reflected a 13.8% increase in the size of the easyJet fleet in operation from an average of 94.0 aircraft to an average of 107.0 aircraft offset by a small decrease in the average load factor achieved from 85.2% to 84.8%.

Growth was particularly strong in continental Europe, with intra-European revenues growing by 61.7%. The performance at our German bases and the successes of our new bases at Basel and Milan Malpensa were the key drivers to this growth.

Operational and Financial Review (continued)

-Ancillary revenue includes fees and charges (including credit card fees, excess baggage charges, sporting equipment fees, infant fees, change fees and rescue fees), profit share from in-flight sales (including food, beverages, and boutique items), and commissions received from products and services sold (such as hotel bookings, car hire bookings and travel insurance), less chargebacks from credit cards. In 2006, £131.3 million was earned from ancillary revenues, up 50.6% from 2005. This has been driven by the 11.5% growth in passengers carried, the positive effect of changes in arrangements for car hire, insurance and in flight catering and increases in rates for change fees and credit card fees.

Ground handling charges, including salaries

easyJet's ground handling charges increased by 10.4% from £130.5 million to £144.1 million, from financial year 2005 to financial year 2006. The increase in ground handling charges reflects the 10.7% increase in the number of sectors flown, alongside mix costs as a result of network expansion decisions. Cost savings were achieved as a result of self-handling and renegotiated third-party handling in Spain. As a result, ground handling cost per seat decreased by 1.5% from £3.76 to £3.71.

Airport charges

easyJet's external airport charges increased by 12.3% from £230.1 million to £258.4 million from financial year 2005 to financial year 2006. This increase was attributable to the growth in passengers carried of 11.5% and inflationary cost increases at regulated airports. On a per seat basis, costs increased by 0.2% from £6.63 to £6.65.

Fuel

easyJet's fuel costs increased by 49.0% from £260.2 million to £387.8 million from financial year 2005 to financial year 2006. This change is primarily due to a 22.9% increase in easyJet's average US dollar fuel cost per tonne (excluding hedging), compared with the previous year, resulting in additional costs to easyJet of £69.4 million. The weakening of the value of sterling against the US dollar, the currency in which fuel prices are denominated, provided an additional cost of approximately £11.5 million. The impact of a significant increase in flying and our hedging activities amounted to £52.5 million. Set against this was the more fuel efficient fleet of aircraft which provided a benefit of £5.8 million. On a per seat basis, costs increased by 33.0% from £7.50 to £9.98.

Navigation charges

easyJet's navigation charges increased by 11.6% from £108.6 million to £121.2 million from financial year 2005 to financial year 2006. This increase was principally attributable to a 15.4% increase in the ASKs flown in financial year 2006. Cost savings were derived from lower unit charges and a weaker Euro. On a per seat basis, costs decreased by 0.4% from £3.13 to £3.12.

Crew costs

easyJet's crew costs increased by 17.5% from £136.2 million to £160.0 million from financial year 2005 to financial year 2006. The increase in crew costs resulted from an increase in headcount during the financial year 2006 to service the additional sectors and aircraft operated by easyJet during the year, the increase in salaries, following a new pay deal agreed with our flight crew and cabin crew employees, and the costs of recruitment. On a per seat basis, costs increased by 4.9% from £3.92 to £4.12.

Maintenance

Maintenance expenses decreased by 8.2% from £119.2 million to £109.5 million from financial year 2005 to financial year 2006. 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 decrease in maintenance costs was largely due to the benefits of new contractual arrangements being negotiated with lower prices, such as with SR Technics, offset by the additional cost of a 10.7% increase in the number of sectors flown. On a per seat basis, costs reduced by 18.1% from £3.44 to £2.82.

Advertising

easyJet continues to advertise to consolidate the awareness of the brand and its low fares philosophy. Advertising costs increased by 16.4% from £32.8 million to £38.2 million from financial year 2005 to financial year 2006. Advertising cost per seat increased by 3.9% from £0.94 to £0.98 principally due to the effect of entering new markets such as Milan during the year.

Merchant fees and incentive pay

Merchant fees and incentive pay increased by 14.5% from £15.6 million to £17.9 million from financial year 2005 to financial year 2006. 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 is reflective of a larger volume of transactions in line with the growth of the business. On a per seat basis, costs increased by 2.2% from £0.45 to £0.46.

Aircraft insurance

Aircraft insurance costs reduced by 18.0% from £19.3 million in financial year 2005 to £15.8 million in financial year 2006, despite a 11.5% increase in passenger numbers. This was as a result of lower rates being negotiated offset by the effect of the weakening of sterling against the US dollar. On a per seat basis, costs decreased by 26.8% from £0.56 to £0.41.

Other costs

Other costs increased by 7.1% from £82.4 million to £88.3 million from financial year 2005 to financial year 2006. 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 other related disruption costs, the cost of share option schemes and management bonuses.

Depreciation

Depreciation charges increased by 73.4% from £15.8 million to £27.4 million from financial year 2005 to financial year 2006. The depreciation charge reflects depreciation on owned aircraft and capitalised aircraft maintenance charges, and also includes depreciation on computer hardware and other assets. easyJet has owned an average of 29.2 Airbus A319 aircraft during the financial year 2006 (2005: 4.1 Boeing 737-300 aircraft and 10.6 Airbus A319 aircraft). The increase in depreciation reflects the introduction of new owned Airbus aircraft, and a weakening in the average value of sterling against the US dollar. Aircraft are purchased in US dollars, and a stronger dollar will mean higher depreciation charges over the life of the asset. On a per seat basis, depreciation increased by 54.7% from £0.46 to £0.71.

Aircraft dry lease costs

easyJet's aircraft dry lease costs comprise the lease payments paid by easyJet in respect of those aircraft in its fleet operated pursuant to dry operating leases and end of operating lease return costs. Aircraft dry lease costs decreased by 0.6% from £123.7 million to £122.9 million from financial year 2005 to financial year 2006. During the period 6 new Airbus A319 aircraft were added to the fleet on lease agreements and 19 Boeing 737-300s were retired. The average number of leased aircraft during the year decreased by 2.2% to 86.0. Year over year, easyJet has been impacted by the weakening of the value of sterling against the US dollar, the currency in which lease costs are denominated and rising dollar interest rates.

Operational and Financial Review (continued)

Despite this, easyJet has seen its average leasing cost per aircraft decrease by around 1.7% year-on-year. On a per seat basis aircraft dry lease costs decreased by 11.3% from £3.56 to £3.16.

Aircraft long-term wet lease costs

easyJet's aircraft wet lease costs comprise the lease payments paid by easyJet in respect of aircraft pursuant to wet leases (that is, leases of aircraft plus crew, maintenance, and insurance) of a duration of one month or more. The £9.6 million charge in 2006 relates to the costs incurred of leasing aircraft for the summer 2006 season in order to deliver three and a half lines of flying in the light of crew shortages. Wet leased aircraft are not included in fleet numbers discussed elsewhere in the operating and financial review.

Interest and other finance income

Interest and other finance income represents interest received or receivable by easyJet offset by the revaluation of financing assets and liabilities. Interest and other finance income increased by 30.1% from £27.2 million in 2005 to £35.4 million in 2006. This reflects an increase in the cash and restricted cash balances during the year from £695.5 million to £899.0 million.

Interest and other finance charges

Interest and other finance charges represents interest paid or payable by easyJet offset by the revaluation of financing assets and liabilities. Finance charges relate predominantly to easyJet borrowings through either loans or sale and finance leasebacks. The average number of aircraft held under these arrangements increased by 82.3% from 14.7 in 2005 to 26.8 in 2006. Interest and other finance charges increased 120.9% from £10.9 million in 2005 to £24.1 million in 2006. This primarily reflects an increase in bank loans from £217.3 million to £479.7 million due to the financing of new Airbus aircraft. In addition there was an increase in US dollar and sterling interest rates. Foreign exchange revaluations on financing items produced a net expense of £ 1.4 million during 2006.

Share of profit after tax 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 2006, the share (26%) of the profit after tax attributable to easyJet was £0.1 million (2005: £0.1 million).

Taxation

In financial year 2006, easyJet incurred a tax charge of £35.1 million, an effective tax rate of 27.2% (2005: £23.6 million charge, being 28.6% effective tax rate). The effective tax rate is lower than the UK standard rate of tax principally due to some of the Group's income being taxed in other jurisdictions, where lower tax rates apply. A more detailed explanation may be found in note 4 to the financial information.

The net deferred tax liability increased by £9.5 million from £22.2 million to £31.7 million, primarily due to capital allowances taken being in excess of depreciation charges.

Profit after tax

For the reasons described above, easyJet's profit after tax increased by 59.4% from £59.0 million in financial year 2005 to £94.1 million in financial year 2006.

Earnings per share

The basic earnings per share increased by 56.8% from 14.78 pence in the financial year 2005 to 23.18 pence in the financial year 2006.

Balance sheet

Goodwill

Goodwill relates to the purchases of TEA Basel and Go Fly. No impairment was made to the carrying value of either asset in either the current or previous financial year.

Property, plant and equipment

Tangible fixed assets comprise principally owned aircraft, spares and deposits paid to Airbus in respect of the delivery of future aircraft which are not to be financed according to sale and leaseback arrangements. The net book amount attributable to tangible fixed assets increased from £398.6 million at 30 September 2005 to £695.7 million at 30 September 2006. The increase is due to capital expenditure of £413.2 million, set out in more detail in 'capital expenditure' below, set off against disposals of £88.7 million and depreciation of £27.4 million.

Other non-current assets

Other non-current assets comprise principally capitalised software and software development costs, restricted cash, deposits paid in respect of Airbus aircraft to be financed by sale and leaseback which deliver in more than one year. The total of other non-current assets has increased from £30.7 million at 30 September 2005 to £31.1 million at 30 September 2006.

Cash and cash equivalents

Cash and cash equivalents, excluding restricted cash, has increased by 29.0% from £667.0 million to £860.7 million.

Other current assets

Other current assets comprise trade and other receivables, restricted cash, derivative financial instruments and assets held for sale. Other current assets increased by 1.2% from £223.9 million at 30 September 2005 to £226.5 million at 30 September 2006.

Trade and other receivables comprise principally trade receivables, amounts due from credit card companies in respect of seat sales, supplier and lease deposits and prepayments. Trade and other receivables have increased by 1.2% from £210.7 million at 30 September 2005 to £213.3 million at 30 September 2006, principally due to the growth of the business.

Current liabilities

Current liabilities have increased by 22.8% from £414.5 million at 30 September 2005 to £509.0 million at 30 September 2006, principally due to the growth of the business

Non-current borrowings

Non-current borrowings all relate to debt related to owned aircraft. The amount increased by 122.3% from £201.0 million at 30 September 2005 to £446.9 million at 30 September 2006, due to the acquisition of more owned aircraft subject to debt finance arrangements, set off against the weakening of the US dollar compared to sterling.

Other non-current liabilities

Other non-current liabilities include provisions for maintenance liabilities, deferred surpluses on the sale and leaseback of aircraft and deferred tax provisions. The amount increased by 22.5% from £150.9 million at 30 September 2005 to £184.8 million at 30 September 2006. Whilst the deferred tax provision increased by £9.8 million, the deferred surplus on sale and leaseback reduced due to the small number of aircraft taken under sale and leaseback during 2006, whilst the maintenance provisions reduced due to the weakening of the US dollar, the currency in which much of the provision is denominated.

Operational and Financial Review (continued)

Cashflow

Capital expenditure

Group capital expenditure on property, plant and equipment is set out in note 9 to the financial statements, and is summarised as follows:

	2006 £million	2005 £million
Aircraft	353.7	162.3
Prepayments on account – aircraft deposits	49.8	71.3
Leasehold improvements	0.9	2.0
Fixtures, fittings and equipment	3.9	1.4
Total cash capital expenditure	**408.3**	**237.0**
Aircraft spares received free of charge (non-cash capital expenditure)	4.9	8.5
Total capital expenditure	**413.2**	**245.5**

As a result of a purchase agreement approved by shareholders in March 2003, the Group is contractually committed to the acquisition of a further 53 Airbus A319 aircraft with a list price of approximately US$2.3 billion, being approximately £1.3 billion (before escalations, discounts and deposits already paid). In respect of those aircraft deposit payments amounting to US$164.3 million or £90.9 million (2005: US$262.0 million, £145.5 million) had been made as at 30 September 2006 for commitments for acquisition of Airbus A319s. 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 2006, net current assets were £578.2 million, up £101.8 million from £476.4 million at 30 September 2005. This change principally reflects an increase in cash, an increase in debtors due to increased sales volumes offset by an increase in creditors.

Unearned revenue increased from £160.3 million to £179.3 million due to increased volumes.

Cash flow

Net cash inflow from operating activities totalled £225.2 million, a decrease of £21.8 million from £247.0 million in 2005 primarily due to changes in working capital

Financing arrangements

The following table sets out the movements in financing for the two years ended 30 September 2006:

	2006 £million	2005 £million
Balance at 1 October	217.3	119.8
New loans and finance leases raised	309.8	146.2
Capital repayments of loans and finance leases	(31.4)	(46.9)
Effect of exchange rates	(12.9)	1.4
Effect of deferred financing fees	(3.1)	(3.2)
Balance at 30 September	**479.7**	**217.3**

Of the 32 Airbus A319s that were delivered during the year, 16 were financed through US Dollar or sterling mortgage loans, 2 were temporarily cash acquired with mortgage finance

Operational and Financial Review (continued)

drawn after year-end, 6 were sold to lessors and leased back under operating leases, 5 were sold to lessors and leased back under finance leases, and 3 were cash acquired supported by a Standby Facility. In addition, 1 previously delivered mortgage financed aircraft was restructured into sale and finance leaseback funding in the year.

Share capital

The number of shares allotted, called up and fully paid on 30 September 2006 was 410.5 million (2005: - 400.4 million). During 2006, 10.1 million shares were issued on exercise of options under employee share option schemes (2005: 1.2 million).

Notes to the financial information

1. Basis of preparation

The financial information set out in this document does not constitute the statutory accounts for easyJet plc for the two years ended 30 September 2006 but is derived from those accounts.

easyJet plc ("easyJet" or the "Group" or the "Company") has historically prepared its audited annual financial statements under UK Generally Accepted Accounting Practice (UK GAAP). In the current year, easyJet has adopted International Financial Reporting Standards (IFRS) for the first time as the Group is required to present its annual consolidated financial statements in accordance with accounting standards adopted for use in the European Union (EU). The financial information has been prepared under the Group's IFRS accounting policies, details of which were made available on 20 January 2006 in the document entitled "Explanation of the financial impact following adoption of International Financial Reporting Standards", except for as noted below. That document contains reconciliations of easyJet's equity and results from UK GAAP to IFRS at the date of transition to IFRS, 1 October 2004, and for the year ended 30 September 2005.

easyJet has adopted IAS 32, Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement from 1 October 2005 and applied the exemption not to restate its comparative information for the impact of these standards. The Group's accounting policies for these standards are included in the document "Explanation of the financial impact following adoption of International Financial Reporting Standards", which can be viewed under the financial information section of our website, easyJet.com. The Group has chosen to recognise the fair value of all financial Instruments as current assets and liabilities on the balance sheet. The Group's accounting policies for Financial Instruments in the periods to 30 September 2005 are included in the Group's annual report and accounts for the year ended 30 September 2005. The impact of adopting IAS 32 and IAS 39 is explained below.

During the year ended 30 September 2006, the Group revised the period over which it depreciates Airbus A319 aircraft. Aircraft that the Group holds are expected to have an operational life of 20 - 30 years. Prior to September 2006 the Group depreciated its aircraft over seven years, which was the period that it expected to hold those assets for. The Group now holds aircraft over any period of up to the end of their operational life as deemed appropriate. Therefore the assets are depreciated to their residual value over a period of 23 years, which is estimated to be the operational life of an Airbus A319. Previously, the Group expected to hold aircraft for a period of approximately seven years before selling them. This change in estimate of useful economic life did not have a material impact on depreciation in the year ended 30 September 2006, and is not expected to have a material impact going forwards.

The financial information for the year ended 30 September 2005 included in this document is based upon easyJet's consolidated financial statements for that year, restated for the adoption of IFRS. Those financial statements were reported on by easyJet's auditors at that time and have been delivered to the Registrar of Companies. The statutory accounts for 2006 will be delivered to the Registrar of companies following easyJet's annual general meeting. The auditors have reported on those accounts: their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

Notes to the financial information (continued)

2. Adoption of IAS 32 and IAS 39

As permitted by IFRS 1, IAS 32 and IAS 39 have been adopted prospectively from 1 October 2005 and as a consequence the fair value of certain financial instruments have been measured and adjustments have been made to the Balance Sheet at that date.

At 1 October 2005, easyJet has met the criteria to adopt hedge accounting for foreign exchange and fuel derivative instruments. These instruments comprise forwards and zero cost collars. As a result of applying hedge accounting, at 1 October 2005 the fair value of the financial instruments has been recognised as a financial asset on the balance sheet, with the intrinsic value of the instruments at that date being recognised in reserves, and the time value portion being an adjustment to retained earnings.

Effect of changes on consolidated balance sheet at 1 October 2005:

	At 30 September 2005 £million	Impact of adoption IAS 32 and 39 £million	**At 1 October 2005 £million**
Non-current assets	738.9	-	**738.9**
Financial assets – derivative financial instruments	-	21.0	**21.0**
Other current assets	890.9	(1.4)	**889.5**
Current assets	890.9	19.6	**910.5**
Current liabilities	(414.5)	-	**(414.5)**
Deferred taxation	(22.2)	(6.3)	**(28.5)**
Other non-current liabilities	(329.7)	-	**(329.7)**
Non-current liabilities	(351.9)	(6.3)	**(358.2)**
Net assets	**863.4**	**13.3**	**876.7**
Share capital and share premium	657.3	-	**657.3**
Retained earnings	206.0	2.5	**208.5**
Other reserves	0.1	10.8	**10.9**
Shareholders' equity	**863.4**	**13.3**	**876.7**

3. Earnings per share

The earnings per share are based on the following:

	Year ended 30 September 2006 £million	2005 £million
Profit for the period retained for equity shareholders	94.1	59.0
	million	million
Weighted average number of ordinary shares in issue during the period used to calculate basic earnings per share	405.7	399.3
Weighted average number of dilutive share options used to calculate dilutive earnings per share	9.7	9.6

Notes to the financial information (continued)

4. Taxation

a) Tax on profit on ordinary activities

	Year ended 30 September 2006 £million	2005 £million
Current taxation:	**17.3**	18.2
Deferred taxation	**17.8**	5.4
Total taxation charge	**35.1**	23.6
Effective tax rate	**27.2%**	28.6%

b) Tax on items charged to equity

	Year ended 30 September 2006 £million	2005 £million
Deferred tax credit on stock options	**5.9**	7.7
Deferred tax credit on fair value movements of cashflow hedges	**8.7**	-
Current taxation	**4.9**	0.3
Total taxation credit / (charge) recognised in equity	**19.5**	8.0

c) Reconciliation of the total taxation charge

	Year ended 30 September 2006 £million	2005 £million
Profit on ordinary activities before tax	**129.2**	82.6
Tax charge at 30% (2005: 30%)	**38.8**	24.8
Attributable to rate other than 30%	**(6.4)**	(3.4)
Expenses not deductible for tax purposes	**2.0**	4.1
Share based payments	**(0.3)**	-
Adjustments in respect of prior periods - current taxation	**1.6**	2.9
Adjustments in respect of prior periods - deferred taxation	**(0.6)**	(4.8)
Total taxation	**35.1**	**23.6**

5. Dividends

No dividends have been paid or proposed in the period ended 30 September 2006 or during the comparative accounting periods.

Notes to the financial information (continued)

6. Property, plant and equipment

	Aircraft	Payments on account – aircraft deposits	Leasehold impr'ments - buildings	Fixtures, fittings and equipment	Total
	£million	**£million**	**£million**	**£million**	**£million**
Cost					
At 1 October 2005	299.3	117.7	6.0	12.8	**435.8**
Additions	358.6	49.8	0.9	3.9	**413.2**
Disposals	(9.8)	(83.7)	-	(0.8)	**(94.3)**
Transfers to other non-current assets	-	(2.6)	-	-	**(2.6)**
At 30 September 2006	**648.1**	**81.2**	**6.9**	**15.9**	**752.1**
Depreciation					
At 1 October 2005	23.5	-	3.0	10.7	**37.2**
Charge for the year	23.9	-	1.9	1.6	**27.4**
Disposals	(7.6)	-	-	(0.6)	**(8.2)**
At 30 September 2006	**39.8**	-	**4.9**	**11.7**	**56.4**
Net book value					
At 30 September 2006	**608.3**	**81.2**	**2.0**	**4.2**	**695.7**
At 1 October 2005	275.8	117.7	3.0	2.1	398.6

The net book value of aircraft held under finance leases was £80.9 million (2005 £nil). £1.8 million of the related accumulated depreciation was charged in the year ended 30 September 2006.

At 30 September 2006, aircraft with a net book value of £418.0 million (2005: £228.8 million) were mortgaged to lenders as security for loans.

Aircraft spares totalling £4.9 million (2005 £8.5 million) were received free of charge during the year.

7. Trade and other payables

	Year ended 30 September	
	2006	**2005**
	£million	**£million**
Trade payables	31.5	6.6
Other taxes and social security	4.3	3.7
Other creditors	12.8	16.9
Unearned revenue (including Government taxes)	179.4	160.3
Accruals and deferred income	186.1	155.4
	414.1	**342.9**

Notes to the financial information (continued)

8. Financial liabilities - Borrowings

Maturity of financial liabilities is as follows

30 September 2006	Bank loans £million	Finance leases £million	Total £million
Within one year	30.2	2.6	**32.8**
Between one and two years	31.7	2.8	**34.5**
Between two and five years	131.1	9.7	**140.8**
After five years	184.1	87.5	**271.6**
	377.1	**102.6**	**479.7**

30 September 2005	Bank loans £million	Finance leases £million	Total £million
Within one year	16.3	-	**16.3**
Between one and two years	17.0	-	**17.0**
Between two and five years	68.4	-	**68.4**
After five years	115.6	-	**115.6**
	217.3	**-**	**217.3**

The bank loans financed the acquisition of certain of the Group's aircraft. The aircraft purchased with the loans are provided as security against the borrowings. Bank loans are denominated in either US Dollars or Sterling and bear interest based upon the relevant national LIBOR equivalent.

Finance lease obligations are secured against certain of the Group's aircraft. See note 6.

9. Other non-current liabilities

	Year ended 30 September	
	2006 £million	2005 £million
Accruals and deferred income	74.8	75.1
	74.8	**75.1**

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

Notes to the financial information (continued)

10. Reconciliation of net profit to net cash inflow from operating activities

	Year ended 30 September 2006 £million	2005 £million
Profit after tax	**94.1**	59.0
Adjustments for:		
Tax charge	**35.1**	23.6
Depreciation charge	**27.4**	15.8
(Profit) / loss on disposal of property, plant and equipment	**(1.3)**	2.4
Amortisation of other intangibles	**0.8**	0.8
Interest income	**(35.4)**	(27.2)
Interest expense	**22.7**	8.2
Share based payments charge	**4.7**	2.0
Share of results of joint ventures after taxation	**(0.1)**	(0.1)
Financial instruments – time value	**9.8**	-
Foreign exchange	**(17.3)**	5.3
Changes in working capital:		
(Increase)/decrease in trade and other receivables	**(6.9)**	21.1
Increase in payables	**79.0**	43.3
Increase in provisions	**3.2**	27.2
Decrease in other non-current assets	**5.7**	12.2
Decrease in financial instruments	**0.4**	-
(Decrease)/Increase in other non-current liabilities	**(0.3)**	27.4
Cash generated from continuing operations	**221.6**	**221.0**

Notes to the financial information (continued)

11. Consolidated reconciliation of movements in shareholders' equity

	Share capital	Share premium	Other reserves - hedging	Other reserves – trans'n	Retained earnings	Total
	£million	£million	£million	£million	£million	£million
At 30 September 2005	**100.1**	**557.2**	**-**	**0.1**	**206.0**	**863.4**
Adoption of IAS 32 and IAS 39 (note 2)	-	-	10.8	-	2.5	13.3
At 1 October 2005	**100.1**	**557.2**	**10.8**	**0.1**	**208.5**	**876.7**
Profit for the period	-	-	-	-	94.1	**94.1**
Cashflow hedges						
Fair value losses in period, net of deferred tax	-	-	(17.6)	-	-	**(17.6)**
Transfers to net profit, net of tax	-	-	(2.7)	-	-	**(2.7)**
Translation differences on foreign currency net investments	-	-	-	(0.1)	-	**(0.1)**
Share options						
Proceeds from shares issued	2.5	34.2	-	-	(18.8)	**17.9**
Value of employee services net of deferred tax	-	-	-	-	15.2	**15.2**
Employee share schemes – purchase of shares	-	-	-	-	(0.6)	**(0.6)**
At 30 September 2006	**102.6**	**591.4**	**(9.5)**	**-**	**298.4**	**982.9**

12. Contingent liabilities

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

13. Post balance sheet events

On 13 November 2006, easyJet agreed that, subject to shareholder approval, it had converted a further 52 of its Airbus option aircraft to firm deliveries in 2008, 2009 and 2010; furthermore an additional 75 purchase rights had been obtained for aircraft which could be delivered during the period to 2015.