17 November 2015

easyJet plc

Results for the twelve months ended 30 September 2015

easyJet delivers record profits and returns

	2015	2014	Change
Total revenue (£ million)	4,686	4,527	3.5 %
Profit before tax (£ million)	686	581	18.1 %
Pre-tax margin (%)	14.6	12.8	+1.8 ppt
Basic earnings per share (pence)	139.1	114.5	+21.5 %
Proposed ordinary dividend per share (pence)	55.2	45.4	+21.6 %
Return on capital employed[1] (%)	22.2	20.5	+1.7 ppt

Summary:

- Passengers increased by 6% to 68.6 million, with a record load factor in August of 94.4%, delivered by easyJet's proposition of good value fares to convenient airports and leading-edge digital platform. Annual load factor increased by 0.9 percentage points to 91.5%.
- Total revenue increased by 3.5% to £4,686 million and by 6.5% on a constant currency basis.
- Revenue per seat increased by 1.5% year-on-year on a constant currency basis, whilst capacity grew by 5% to 75 million seats.
- Cost per seat decrease of 3.4%, with benefit from fuel and currency. Cost per seat at constant currency excluding fuel increased by 3.6%. £46 million of sustainable savings delivered in 2015. Pipeline of structural cost improvement in place for future savings.
- Profit grew to record levels for a fifth consecutive year, up 18% to £686 million. Pre-tax profit margin increased by 1.8 percentage points to 14.6%.
- Return on capital employed reached a record 22.2%, an increase of 1.7 percentage points.
- 22% increase in proposed ordinary dividend will deliver £219 million to shareholders.
- Strong results and confidence in pipeline of opportunities in our existing markets will be supported by an additional 36 aircraft, secured through the 2013 framework agreement with Airbus. These aircraft will be delivered between 2018 and 2021 and will give easyJet a further expected cost saving of £27 million by 2021.

Commenting on the results, Carolyn McCall, easyJet Chief Executive said:

"Our outlook for the longer term is positive. We expect demand in our markets to be sustained and for easyJet to continue to be a winner in its markets. We will see passenger growth of 7% a year, sustaining margins through rigorous cost control and the benefit of fleet up-gauging, resulting in positive profit momentum. We remain totally focused on our network advantage, digital leadership and offering our customers great low fares and service. We continue to invest in profitable growth, ensuring our digital advantage and giving our customer good value fares."

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There will be an analyst presentation at 9:30 am GMT on 17 November 2015 at Nomura, One Angel Lane, London, EC4R 3AB

A live webcast of the presentation will be available at www.easyJet.com

Live conference call (Listen only):

- UK & International: +44 (0) 20 3003 2666
- UK Toll Free Number: 0808 109 0700
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Replay facility (available for 7 days):

- UK & International: +44 (0) 20 8196 1998
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Overview

This has been another year of record profits and delivering our strategy for easyJet. We carried an additional 4 million passengers to reach 68.6 million passengers; we grew revenue to £4,686 million; and we increased profit before tax for the fifth successive year to a record £686 million. Return on capital employed increased to 22.2%, another record for the Company.

Our markets are strong, with favourable economic and consumer trends. Our core leisure customer is part of a market that is growing strongly every year as people take more holidays and city breaks, complemented by a business travel market that prizes both flexibility and value.

easyJet has positioned its network and product to capitalise on these trends and has delivered again during the year. Our business model and strategy are continuing to drive profitable growth and increasing annual returns to shareholders.

In particular:

- Revenue increased by 3.5% to £4,686 million, with passenger volumes increasing by 6% and revenue per seat by 1.5% on a constant currency basis to £64.28, offset by currency headwinds.
- Our passengers continue to be attracted by our model of having convenient airports and flights, available at good value. We finished the year strongly with record load factors in both July and August driving revenue per seat up by 3.2% in constant currency in the fourth quarter.
- Load factor for the full year grew by 0.9 percentage points to 91.5% demonstrating strong demand in a competitive environment.
- We increased yield and revenue throughout the year with our market-leading digital platform driving and fulfilling demand, supported by our best-in-class Revenue Management System.
- Our confidence both in the demand environment and our structural growth opportunities within our markets has led us to secure an additional 36 aircraft between 2018 and 2021, comprising 30 Next Generation A320s and 6 Current Generation A320s, all in the 186 seat configuration. This will bring flexibility and secure further cost savings of £27 million.
- Cost per seat decreased by 3.4%, with benefits from both fuel and currency. Cost per seat at constant currency excluding fuel increased by 3.6%. We have experienced cost pressures that include regulated airport price increases, increased de-icing costs and significant disruption costs. We have mitigated this through £46 million of sustainable savings and we have a pipeline of structural cost improvement to deliver future savings.
- Profit before tax grew by £105 million to a record £686 million and we increased the profit before tax margin to 14.6% from 12.8%.
- Return on capital employed[1] increased by 1.7 percentage points to a record 22.2% (2014 20.5%), with some benefit from our hedge position, maintaining our strong market returns. We continue to drive capital efficiency with rigour and discipline, reallocating aircraft around the network to maximise return on capital employed.
- We generated over £895 million of operating cash flow, reducing our gearing to 14%, thus further strengthening our balance sheet.
- Reflecting the strong financial performance during 2015, the Board has recommended a dividend of 55.2 pence per share, an increase of 21.6% from the prior year, in line with its policy of paying 40% of annual profit after tax to shareholders.

External environment

easyJet operates in the short haul European aviation market, which has seen strong underlying demand throughout the year. easyJet's focus is primarily in Western and Northern Europe, where there is a high propensity to travel and deep, rich markets. Economic trends are currently favourable, with GDP growth in our main markets. The UK is the strongest country in terms of absolute GDP performance in 2015 and we continue to see an improving outlook across all of our other major regions. In addition, consumer confidence is growing in those markets, which we expect to support growth in economic activity. These positive trends, combined with our market positioning, are reflected in strong demand for our services.

The total European short-haul market[2] grew by 5% year-on-year in the 12 months to 30 September 2015, sustained in part by a continued low fuel price. Low cost carrier share of the short haul market increased by around one percentage point to 42%. In the same period easyJet's competitors increased capacity by 7% in its markets, with particularly strong growth in the UK market. Over its financial year easyJet increased capacity by 5%, with growth of 4% in the first half increasing to 6% in the second half.

Whilst the overall short haul market has grown over the last 10 years, the low cost carriers have taken significant market share, as the legacy carriers have cut mainline capacity across their networks in order to address their lack of competitiveness. At the same time the legacy carriers are transferring capacity from their flag airlines to lower-cost subsidiaries such as Vueling, Eurowings and Transavia. In its 20 years of existence, easyJet has grown its own market share as part of that low cost growth and now has an estimated 8% of the European short haul market. We see a number of opportunities to increase our market share.

easyJet has delivered a strong performance against this competitive backdrop, demonstrating the strength of its model and implementation of its strategy. With a track record of high growth across economic cycles, strong underlying demand, as well as our relatively low current market share, we continue to see opportunities to deliver further growth over the medium term.

Our Strategy

easyJet is confident that through its strategy it will deliver sustainable growth and returns for shareholders.

Build strong number one and two network positions

easyJet flies to a network of primary airports and routes that tap into deep, wealthy markets with populations that have a high propensity to fly. We have chosen to establish ourselves at the right airports, serving valuable catchment areas that represent Europe's top markets by GDP, driving both leisure and business travel. This is also where strong markets already exist, built up over a period of time by legacy carriers. We have the opportunity both to capture further market share and to grow the overall market.

Driven by strong underlying demand and an attractive customer proposition, we will continue to invest in growing our network. We operate more of the top 100 routes in Europe than any other airline and our route frequencies deliver choice and flexibility for our customers while increasing returns. Our competitive advantage is reinforced by the overall portfolio of peak time slots at airports where either total slot availability or availability at customer-friendly times is constrained.

We regularly review the route network in order to maximise returns and exploit demand opportunities in the market. During the year we added a net 60 routes to the network, slightly more than last year. These were allocated to new bases, such as Amsterdam, Hamburg, Naples and Oporto and to markets where we want to consolidate our position and grow our share, such as Switzerland and Italy. We have recently announced new base openings in Venice and Barcelona. Our plans for fleet expansion will help us to capitalise on expected demand in markets that we understand.

Over time, increased route maturity and greater numbers of frequencies have contributed to increasing profitability and returns. We continue to establish stronger leadership positions in all of our markets, to achieve the aim of holding the position of number one or number two in each market. We currently have 52% of our capacity in airports where we have the number one position by share and 83% as one of the top two.

Progress in our main markets is as follows:

United Kingdom

easyJet is the UK's largest short-haul airline where we have a 20% market share. At year-end the UK had 134 based aircraft.

We are continuing to reinforce our already strong position in the UK market, both London-based and regional. easyJet remains the number one carrier by market share at almost all of its UK bases, including its major bases of London Gatwick, London Luton, Bristol, Belfast and Edinburgh. Our positioning, market share and airport bases are driving both leisure and business passengers. We increased capacity by 3% in the twelve months to 30 September 2015, launching new routes such as London Gatwick to Stuttgart and London Luton to Essaouira, while continuing to increase frequencies on selected routes. Our competitors increased their capacity on our markets by 9%.

France

easyJet is France's second largest short-haul airline with a 14% market share. At year end France had 26 based aircraft.

We see opportunities to grow our market share in France, leveraging our competitive market position, adding capacity at Charles de Gaulle through up-gauging and strengthening our domestic network (we are the number one or two carrier after Air France in most of the airports where we operate). We increased capacity in France by 6% in the year, against competitor growth on our markets of 5%, launching eight new routes in the year such as Toulouse to Seville and Paris Orly to Split.

Italy

easyJet has a 12% market share in Italy. At year end Italy had 29 based aircraft.

We continue to target increasing market share in Italy, by reinforcing our existing strong positions and investing more in the higher value catchment areas. We are the biggest operator at Milan Malpensa with 22 touching aircraft, have recently opened a new base at Naples and will open a base in Venice early in 2016 (and we are already the number one airline at both). We are supporting this by redeploying aircraft and crew from Rome Fiumicino, which still remains an important part of our network with an expected two million passengers a year. During 2015 we increased capacity in Italy by 7% launching twenty three new routes in the year, including Milan Malpensa to Munich, Milan Linate to Paris Charles de Gaulle and Milan Linate to Amsterdam.

Switzerland

easyJet is Switzerland's second largest airline with a 23% total market share. At year end Switzerland had 23 based aircraft.

easyJet is the number one operator at both Geneva and Basel airports, with the latter also part of the Zurich catchment area. We increased capacity by 9% in the twelve months to 30 September 2015, building and reinforcing our leading positions at both airports. As the leading airline brand in Geneva and Basel, easyJet's strategy is to continue to build customer preference in the market. Competitor capacity growth on our markets was also 9%. easyJet launched eleven new routes in the year such as Geneva to Menorca and Basel to London Luton.

Germany

easyJet has 4% market share in Germany. At 30 September Germany had 12 based aircraft.

Germany is a large and attractive market, although with a more regional, federal structure than other European countries. easyJet is focused on its two bases at Berlin Schoenefeld, where it is the number one airline, and Hamburg, which opened in 2014. We target continued growth in Germany, taking share from the incumbent operators. We have increased capacity by 15% during the year. Competitor growth on our markets was 6%. We launched sixteen new routes in the year such as Hamburg to Lanzarote and Hamburg to Paris Orly.

Portugal / Spain

easyJet has 13% market share in Portugal and 8% market share in Spain. At year end Portugal had 6 based aircraft.

Portugal and Spain are principally an in-bound market for easyJet, with strong demand on key flows to the region from the rest of Europe. We increased capacity by 8% and 2% in Portugal and Spain respectively, reflecting in particular the investment in a new base in Oporto from where we launched six new routes to Luxembourg, Nantes, Stuttgart, Manchester, Bristol and London Luton Airports. We also announced that a new base at Barcelona would be opening in February 2016. Competitor market growth on our markets was 10% in Portugal and 7% in Spain.

Netherlands

easyJet is the Netherlands second largest short-haul airline with a 9% market share. At year end the Netherlands had 3 based aircraft.

The Netherlands is a significant opportunity for easyJet, where we currently carry four million passengers a year. In March 2015 we opened a new base at Schipol Airport, Amsterdam (where we are now the second biggest operator) and we are continuing to invest in growth of our market share. As a result we have increased capacity by 17% during the year against competitor growth on our markets of 9%. easyJet launched nine new routes in the year such as Amsterdam to Nice.

Drive Demand, Conversion and Yields

Alongside the quality of its network, easyJet is able to drive profitable growth through its leading customer-focused proposition. In particular we are driving increasing levels of loyalty and attracting passengers through the quality and innovation of our digital platform.

Leading Customer Offering

easyJet's strong relationship with its customers continues to develop, with passengers increasingly likely to travel with easyJet again after previously taking an easyJet flight. Increasing customer loyalty helps to create more sustainable long term revenue.

In the last year 74% of our seats were booked by returning our customers, which is a six percentage point increase from 2010. All easyJet markets have seen an increase in customer loyalty, with France showing the biggest increase of 28% since 2011. The strength of the relationship was best illustrated during the very busy summer trading period with approximately 80% of passengers who flew with easyJet being returning customers.

As part of the 20th Anniversary celebrations easyJet announced the launch of its new customer loyalty programme. This aims to recognise and retain our high value and loyal customers with a scheme that makes travel with easyJet even easier. Very different to legacy frequent flyer programs, which are highly expensive and complex, we want to make the simple things easy for our customers. The programme offers a range of benefits such as free name changes, free booking changes and a low price promise, all reinforced by a dedicated customer support team. This is expected to be rolled out in early 2016.

Our combination of using primary airports in large economic markets, alongside high frequencies and attractive flight timings, also makes easyJet a logical choice for business passengers. We are focused on providing a bespoke business offering through distribution platforms, Travel Management Companies and direct to small and medium sized enterprises. We signed up 100 corporate customers during the year. Despite a strong comparable benefit in 2014 due to the Air France strike, we nevertheless continued to increase the business yield premium during the year. Sales of business products performed well, with a 58% increase in the sale of flexible business fares when compared to 2014. Sales through Global Distribution Systems grew by 32% in the year as easyJet continued to leverage its relationships with the Travel Management Companies. Bookings from corporate customers direct also went up by 30%. easyJet continues to see opportunities to sell its business product across Europe and we have recently strengthened our corporate sales capability through a new market, customer and industry structure.

Innovation and digital leadership

Our digital platform is a key point of differentiation with our competitors. We believe that we have significant advantages in the capability of our web platform, our Customer Relationship Management ("CRM") data and our mobile offering. During the year we had over 500 million visits across all platforms, an 18% increase in the last two years and we grew web conversion by 13% over the same period.

Our CRM enables our customers to benefit from increasing levels of personalisation across multiple channels, with examples such as saved passport details, targeted marketing campaigns via email and text message and bespoke offers from our affiliate partners. The user experience has been further developed over the year, with greater ease of interaction on the website and mobile and optimised layouts and design.

We have put significant focus on the mobile offering over the past two years, with an award-winning app that enables mobile hosting through the airport, disruption notification live with the ability to change flights, and saved personal data such as payment details. We have seen very positive take-up of mobile as the platform for seat sales, almost doubling as a percentage over the last twelve months to over 8%.

The strength of the digital platform was recently demonstrated when our summer 2016 season tickets went on sale. On the day we were commanding 33% of all UK airline web traffic share. Across all channels we had 2.6 million visits, up 30% on the prior year, of which over 15% were on mobile. In the early moments we were selling 800 seats per minute, rising to a peak when we were selling out the equivalent of an A320 every seven seconds.

We will be investing substantially in our digital capability over the next three years, as we continue to innovate and maintain our leadership position in the sector. Our initial focus will be on enhancing the digital customer interface, to be delivered by summer 2016, followed by the development of support systems that will lead to easyJet having the first fully-integrated e-commerce platform in the airline industry. In the longer term we are committing to the acceleration of our use of data science to improve efficiency, increase revenue and drive greater customer satisfaction.

The digital programme will offer increasing amounts of personalisation, introducing a more relevant booking journey based on previous behaviour to drive higher footfall, higher conversion rates and higher attachment rates. It will also enable greater self-management capability through the entire journey chain, from booking to check-in, through the airport and in the event of disruption.

We are subsequently building an e-commerce platform that will give us a competitive advantage for the long term. Its primary objective is to give us significantly better flexibility and capability than we currently have, specifically around our ability to offer customers bespoke, attractive options.

Lastly, we have started to explore ways to innovate in other areas across the business. In June we showcased new technology such as engineering drones and prognostics software. Looking to the future, we are investing in research around Artificial Intelligence to exploit the large amounts of data generated by our operations.

Maintain cost advantage

easyJet has a strong cost-focused culture, with a number of structural advantages in key areas that enable it to combine the offering of a primary airport network with good value fares. Every year easyJet delivers substantial cost savings against underlying cost inflation, whilst in the longer term we have a pipeline of opportunities that will further improve our structural competitiveness.

In 2015 cost per seat decreased by 3.4% primarily reflecting benefits from fuel and foreign currency. On a constant currency, ex-fuel basis cost per seat rose 3.6%. Part of this is the cost of doing business within our successful business model; part was due to one-off factors during the year. We have generated sustainable savings during the year of £46 million.

easyJet's structural advantages are an integral part of our business model, with established benefits in fleet, airports and handling, engineering, pensions and overheads:

- We operate an exclusively Airbus A320-family fleet. This delivers operational flexibility as well as efficiencies in engineering and maintenance, crew, ownership and fuel. As the second-largest operator of Airbus aircraft in the world we also benefit from significant economies of scale on acquisition. Between 2016 and 2021 we will derive a major benefit from up-gauging of our fleet, from a majority 156-seat A319 composition to a fleet that is over 70% 186-seat A320s. This is expected to have a 13%-14% cost per seat benefit, which translates into over £110 million of comparable savings.

- With significant positions in our airports, we are able to drive economies of scale from long term deals with the airport owners and operators, as well as with ground handling agents at those airports. We are now in our second year of a seven year contract with Gatwick airport, as the largest operator at the airport, and likewise at Luton airport, where we have signed a 10 year contract. In Ground Handling we signed an arrangement with GH Italia covering all of the nine airports where we operate in Italy. We expect to agree a number of new contracts in both areas in 2016 and 2017.

- During 2015 we completed our new component support arrangement with AJW Group, consolidating previous arrangements and again leveraging our increasing scale. This has been successfully implemented in October 2016 and we expect to drive significant maintenance savings over the term of the contract.

- easyJet is not encumbered with significant historic costs that legacy carriers have. Our crew are more productive. We maintain a lean and efficient head office and we do not have expensive pension arrangements for current and previous employees. We believe we can leverage this position to drive incrementally profitable growth in the medium term.

We will relentlessly focus on delivering these initiatives in the next few years. Our experiences in 2015 have given us the impetus to increase our cost saving efforts. We plan to re-invigorate what has already been a hugely successful cost saving programme, leveraging our increasing scale and reviewing our cost management down to the lowest level.

Disciplined use of capital

easyJet has a clear capital structure framework and a strategy which is intended to maximise shareholder returns. The company maintains a strong balance sheet with low gearing which gives us a strong competitive advantage through access to a lower cost of funding as well as operational flexibility.

Our objective is always to optimise our return on capital employed through the allocation of aircraft and capacity across the network, regularly moving them to airports and routes with better opportunities. In line with this strategy, we took the decision in June to close our base at Rome Fiumicino and will redistribute those eight base aircraft to other bases in Italy, including the opening of a new base in Venice. These actions reiterate our focus on returns and will increase the return on capital employed of the Company as a whole, as we have done regularly in the past and will do so in the future.

As we continue to add frequencies and commit to basing aircraft around the network in scale, we are able to maintain the very high fleet utilisation that sets us apart. In 2015 we maintained our asset utilisation across the network, at an average of 11 block hours per day (2014: 11 hours).

Fleet

We manage our fleet to provide flexibility in our planning arrangements, so that on the one hand we can maximise opportunities in a strong demand environment, whilst being able to manage our capacity as necessary. easyJet's total fleet as at 30 September 2015 comprised 241 aircraft and increased by a net 15 from 30 September 2014.

Over the next five years we will reduce cost by changing the fleet mix and ownership structure. We took delivery of 20 A320 aircraft in the 12 months to 30 September 2015, which provide a per seat cost saving of 7% to 8% over the A319 through up-gauging. Five A319 aircraft were retired and the average age of the fleet increased to 6.2 years (2014: 5.8 yrs).

Agreement for 36 additional aircraft

Due to our continued robust trading, high demand for easyJet flights and the number of profitable opportunities we see in our markets, we are pleased to have secured an agreement with Airbus to take delivery of an additional 36 A320 aircraft between 2018 and 2021, all in the 186 seat configuration. These aircraft will offer increased flexibility in fleet planning, including the faster replacement of some of our A319 aircraft, lower overall unit costs and ensure easyJet can continue to grow past 2019 to support increasing total shareholder returns.

easyJet is exercising rights to 30 next generation NEOs under the existing framework agreement signed in 2013[3]. The additional six aircraft are current generation A320 aircraft added to that agreement. We have secured an additional 30 A320 NEO purchase rights to replace those we are exercising. Funding is available. easyJet's balance sheet and cash generation is strong with gearing at 30 September at 14%, marginally below the Board's target of 15% - 30%.

Fleet as at 30 September 2015:

	Owned	Operating leases	Finance leases	**Total**	% of fleet	Changes in year	Future committed deliveries at 16 November 2015	Unexercised purchase rights
A319	93	49	6	**148**	61%	(5)	-	-
A320	70	18	5	**93**	39%	20	56	-
A320neo	-	-	-	**-**		-	130	100
	163	**67**	**11**	**241**		**15**	**186**	**100**

Culture, People and Platform

easyJet is passionate about its people and we believe that it is what sets us apart. In particular we believe that our customer-facing employees are the best in the industry and contribute significantly to the positive experience that our passengers enjoy, which in turn drives their loyalty and repeat business.

It is our people who continue to deliver the strategy for the business and will drive future success. Internally we continue to focus on recruiting the right people, helping them to understand the Company's values and their role in the business and then giving them the tools to develop a high-performance culture.

In line with the rest of the business, we recruited during the year to help support our growth, adding over 290 pilots and 1,300 cabin crew, as well as 390 people within the management, administration, engineering and maintenance departments. Retention rates remain good with employee turnover of 6.6% (2014: 6.7%).

Delivering shareholder returns

Our high revenue growth and good cost control have driven strong profit growth and this year we have recorded record profit for the fifth consecutive year. Our cash generation is also strong. We generated £895 million in operating cash, before investing £532 million, principally in the acquisition of 20 aircraft. easyJet ended the year with net cash of £435 million and gearing of 14%, marginally below the bottom end of the Board's target range.

Return on capital employed increased to 22.2% from 20.5% last year, as the increase in profit more than made up for the increase in fleet. As we embark on a new phase of fleet acquisition we expect this to reduce slightly in the next few years, whilst remaining among the higher performers in the market.

As we look forward, we expect that our ability to grow revenue and the renewed focus on cost will deliver strong earnings momentum and significant returns to shareholders.

Hedging positions

easyJet operates under a clear set of treasury policies agreed by the Board. The aim of easyJet's hedging policy is to reduce short term earnings volatility. Therefore, easyJet hedges forward, on a rolling basis, between 65% and 85% of the next 12 months anticipated fuel and currency requirements and between 45% and 65% of the following 12 months anticipated requirements.

Details of current hedging arrangements are set out below:

Percentage of anticipated requirement hedged	**Fuel requirement**	**US Dollar requirement**	**Euro surplus**	**CHF surplus**
Six months to 31 March 2016	85%	89%	75%	69%
Average rate	$852 / metric tonne	$1.62	€1.20	CHF 1.46
Full year ending 30 September 2016	83%	81%	80%	67%
Average rate	$830 / metric tonne	$1.63	€1.22	CHF 1.46
Full year ending 30 September 2017	60%	61%	54%	51%
Average rate	$664 / metric tonne	$1.55	€1.33	CHF1.43

Sensitivities

- A $10 movement per metric tonne impacts the FY'16 fuel bill by $3.5 million.
- A one cent movement in £/$ impacts the FY'16 profit before tax by £1.5 million.
- A one cent movement in £/€ impacts the FY'16 profit before tax by £0.7 million.
- A one cent movement in £/CHF impacts the FY'16 profit before tax by £0.4 million.

Outlook

We remain confident in our ability to deliver growth and returns for shareholders as we continue to execute our strategy. For the year to 30 September 2016 we plan to increase capacity by c.7% and by c.8% in the first half of the year as we invest in profitable growth. We will continue to expand in our new bases of Hamburg, Amsterdam and Oporto as well as consolidating our strong market positions in the UK, Switzerland, France and Italy. Demand remains resilient and with forward bookings in line with last year, we view the future with confidence.

Based on current market fuel prices we expect the unit fuel[4] bill to decline by between £140 million and £160 million during the year to 30 September 2016. As you would expect, passengers will continue to benefit from the lower fuel cost and therefore we expect a slight decline in revenue per seat at constant currency during the first half of the year.

We expect a slight decline in total cost per seat at constant currency including fuel for the full year of approximately 1%, based on jet fuel prices within a range of $450 metric tonne to $550 metric tonne. Cost per seat excluding fuel and currency is expected to increase by approximately 2% for the full year. This will be weighted towards the first six months to 31 March 2016, primarily reflecting further increases in regulated airports costs and navigation charges, disruption costs and an expected cold winter.

Exchange rate movements[5] are likely to have an adverse impact of approximately £15 million in the first half year compared to the six months to 31 March 2015 and £40 million for the 12 months to 30 September 2016 compared to the 12 months to 30 September 2015. Consequently market expectations are in line within the Board's expectations for the full year.

We continue to see significant longer term opportunities to grow revenue, profit and shareholder returns. We expect market demand to remain strong and easyJet's unique model and strategy are well-positioned to capture significant value from favourable trends in both leisure and business markets.

Footnotes:

(1) Return on capital employed shown adjusted for leases with leases capitalised at 7 times.
(2) Capacity and market share figures from OAG. Size of European market based on internal easyJet definition. Historical data based on 12 month period from October 2014 to September 2015.
(3) The aircraft list prices based on the relevant price catalogue in January 2012, is US$76,260,569 for the current generation A320 aircraft and US$92,346,946 for the new generation A320 NEO aircraft (being the sum of the airframe list price, engine option list price and the price of certain assumed specification change notices). Therefore the total list price for the 36 aircraft is approximately US$3,227,971,794.
(4) Unit fuel calculated as the difference between latest estimate of FY'16 fuel costs less FY'15 fuel cost per seat multiplied by FY'16 seat capacity.
(5) US $ to £ sterling 1.522, euro to £ sterling 1.4106. Currency and fuel increases are shown net of hedging impact

OUR FINANCIAL RESULTS

In the 2015 financial year ("2015"), easyJet flew 68.6 million passengers (2014: 64.8 million) and grew profit before tax by 18.1% to £686 million. Profit after tax was £548 million, an increase of 21.8% over last year.

Basic earnings per share increased 21.5% to 139.1 pence.

Financial overview

			2015			2014
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Total revenue	**4,686**	**62.48**	**5.59**	4,527	63.31	5.69
Costs excluding fuel	**(2,801)**	**(37.35)**	**(3.34)**	(2,695)	(37.70)	(3.39)
Fuel	**(1,199)**	**(15.98)**	**(1.43)**	(1,251)	(17.49)	(1.57)
Profit before tax	**686**	**9.15**	**0.82**	581	8.12	0.73
Tax charge	**(138)**	**(1.84)**	**(0.17)**	(131)	(1.83)	(0.16)
Profit after tax	**548**	**7.31**	**0.65**	450	6.29	0.57
Operating profit*	**688**	**9.18**	**0.82**	581	8.12	0.73

* Operating profit represents profit before interest and tax

Year on year seats flown grew by 4.9%. Total revenue per seat fell by 1.3% to £62.48. At constant currency, revenue per seat grew by 1.5% to £64.28.

Excluding fuel, cost per seat decreased by 0.9% to £37.35, and increased by 3.6% at constant currency. This increase includes higher disruption costs following French ATC strikes in April and the impact of two fires at Rome Fiumicino airport. There were also additional costs due to increased airport charges, the early recruitment of crew in the winter to provide a resilient operation ahead of three crew base openings, and a one-off settlement of £8 million with Eurocontrol in the second half of the year.

Fuel costs decreased by £52 million, and from £17.49 to £15.98 per seat, primarily driven by the significant reduction in market price.

Profit before tax per seat increased 12.6% to £9.15 per seat (2014: £8.12).

The tax charge for the year was £138 million. The effective tax rate for the period was 20.1% (2014: 22.5%), slightly lower than the standard UK rate of 20.5%, reflecting the impact of net prior year adjustments of £6 million.

Earnings per share and dividends per share

	2015	2014	
	pence per share	pence per share	Change

Basic earnings per share	**139.1**	114.5	21.5%
Proposed ordinary dividend	**55.2**	45.4	21.6%

Reflecting the increased profit after tax, basic earnings per share were 139.1 pence.

In line with the stated dividend policy of a payout ratio of 40% of profit after tax, the Board is recommending an ordinary dividend of £219 million or 55.2 pence per share which is subject to shareholder approval at the Company's Annual General Meeting on 11 February 2016. This will be paid on 18 March 2016 to shareholders on the register at close of business on 26 February 2016.

Return on capital employed (ROCE) and capital structure

	2015	2014	Change
ROCE	**22.2%**	20.5%	1.7ppt
Gearing	**14%**	17%	(3ppt)

ROCE for the year was 22.2%, an improvement of 1.7 percentage points on the prior year. The impact of hedging reserve movements on capital employed represents 0.8 percentage points of this increase. The acquisition of twenty aircraft during the year contributed to an overall 9.1% increase in capital employed which was more than compensated for by the increase in profit for the year.

The combined effect of the profit for the year and the lower lease adjustment following the return of five leased aircraft, offset the impact of capital expenditure and the ordinary dividend payment, resulting in gearing of 14% (2014: 17%) which is marginally outside the target range of 15% to 30%.

Exchange rates

The strong performance of UK beach routes and the strengthening of sterling against euro year-on-year resulted in an increase in the proportion of sales denominated in sterling. The relative weakness in the euro was observable to a greater extent in cost than revenues due to the timing of the revenue and cost cash flows.

		Revenue		**Costs**
	2015	2014	**2015**	2014
Sterling	**49%**	47%	**27%**	26%
Euro	**40%**	42%	**32%**	33%
US dollar	**1%**	1%	**35%**	35%
Other (principally Swiss franc)	**10%**	10%	**6%**	6%

Average exchange rates

	2015	2014
Euro – revenue	**€1.29**	€1.21

Euro – costs	**€1.35**	€1.22
US dollar	**$1.58**	$1.59
Swiss franc	**CHF 1.48**	CHF 1.49

The net adverse impact on profit due to the year-on-year changes in exchange rates was mainly driven by the weaker average euro rate:

Favourable / (adverse)

	Euro £ million	Swiss franc £ million	US dollar £ million	Other £ million	Total £ million
Revenue	(131)	(1)	4	(7)	(135)
Fuel	-	-	(6)	-	(6)
Costs excluding fuel	127	(3)	5	-	129
Total	**(4)**	**(4)**	**3**	**(7)**	**(12)**

Financial performance

Revenue

	2015			2014		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Seat revenue	**4,616**	**61.54**	**5.51**	4,462	62.40	5.61
Non-seat revenue	**70**	**0.94**	**0.08**	65	0.91	0.08
Total revenue	**4,686**	**62.48**	**5.59**	4,527	63.31	5.69

Revenue per seat decreased by 1.3% to £62.48 (2014: £63.31), again impacted by the weak euro, with an increase of 1.5% at constant currency.

Load factor increased by 0.9 percentage points to 91.5%.

Average sector length increased 0.5% year-on-year contributing to a reduction in revenue per ASK of 1.8% (increased by 1.0% at constant currency).

Costs excluding fuel

	2015			2014		
	£ million	**£ per seat**	**Pence per ASK**	£ million	£ per seat	Pence per ASK

Operating costs						
Airports and ground handling	**1,122**	**14.96**	**1.34**	1,107	15.48	1.39
Crew	**505**	**6.73**	**0.60**	479	6.70	0.60
Navigation	**313**	**4.17**	**0.38**	307	4.30	0.39
Maintenance	**229**	**3.06**	**0.27**	212	2.97	0.27
Selling and marketing	**102**	**1.36**	**0.12**	103	1.45	0.13
Other costs	**276**	**3.70**	**0.33**	245	3.41	0.30
	2,547	**33.98**	**3.04**	2,453	34.31	3.08
Ownership costs						
Aircraft dry leasing	**114**	**1.51**	**0.14**	124	1.73	0.16
Depreciation	**125**	**1.66**	**0.15**	106	1.49	0.13
Amortisation	**13**	**0.17**	**0.02**	12	0.17	0.02
Net interest payable	**8**	**0.12**	**-**	7	0.10	0.01
Net exchange (gains) / losses	**(6)**	**(0.09)**	**(0.01)**	(7)	(0.10)	(0.01)
	254	**3.37**	**0.30**	242	3.39	0.31
Total costs excluding fuel	**2,801**	**37.35**	**3.34**	2,695	37.70	3.39

Cost per seat excluding fuel decreased by 0.9% to £37.35 but increased by 3.6% per seat at constant currency.

Airports and ground handling cost per seat decreased by 3.4% but increased by 2.4% at constant currency. This increase reflects higher charges at regulated airports, primarily in Italy, partially offset by savings from renegotiated airport contracts. Higher levels of de-icing costs in the first half of the year also contributed to the uplift.

Crew cost per seat rose by 0.6% to £6.73, and by 3.8% at constant currency. This was driven by early recruitment of crew in the winter to provide a resilient operation ahead of three crew base openings together with the cost of regular pay increases.

Navigation costs decreased by 2.8% to £4.17 per seat but were up by 5.1% at constant currency due to annual price increases and a one-off £8 million settlement with Eurocontrol.

Maintenance cost per seat increased by 3.1% to £3.06, and by 3.8% at constant currency. The 2014 financial year benefited from a reduction in the cost of heavy maintenance following a revised engine contract, a significant proportion of this reduction was one-off in nature and did not recur this year. This impact was partially offset by the reduced maintenance from the return of five leased aircraft during the year, and some benefits of a reduced maintenance contract in the year.

Other costs per seat increased by 8.2% to £3.70 per seat, and by 9.6% at constant currency. There were increased disruption costs during the year due to the French ATC strikes in April and the two fires at Rome Fiumicino airport. Investment in the development of our digital customer proposition also contributed to the increased cost per seat.

Aircraft dry leasing cost per seat fell by 12.6% to £1.51 and by 9.7% at constant currency due to the return of five leased aircraft during the year and the extension of 12 aircraft leases at lower monthly rentals.

Depreciation costs have increased by 11.8% on a per seat basis. The increase is principally driven by the acquisition of 20 new A320 aircraft, which increased the average number of owned fleet by 9.7% from 150 in 2014 to 164 in 2015.

Fuel

	2015			2014		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Fuel	**1,199**	**15.98**	**1.43**	1,251	17.49	1.57

Fuel cost per seat decreased by 8.6% and by 9.1% at constant currency.

During the period the average market Jet fuel price fell by 36.4% to $619 per tonne from $973 per tonne in the previous year. The operation of easyJet's fuel hedging policy meant that the average effective fuel price movement only saw a decrease of 10.7% to $872 per tonne from $977 per tonne in the previous year.

Cost per seat including fuel decreased by 3.4% to £53.33 and decreased by 0.4% at constant currency.

Net cash and financial position

Summary net cash reconciliation

	2015	2014	Change
	£ million	£ million	£ million
Operating profit	**688**	581	107
Depreciation and amortisation	**138**	118	20
Net working capital movement	**50**	69	(19)
Net tax paid	**(98)**	(96)	(2)
Net capital expenditure	**(536)**	(449)	(87)
Purchase of own shares for employee share schemes	**(92)**	(57)	(35)
Net decrease/(increase) in restricted cash	**21**	(20)	41
Other (including the effect of exchange rates)	**22**	26	(4)
Ordinary dividend paid	**(180)**	(133)	(47)
Special dividend paid	**-**	(175)	175
Net increase/(decrease) in net cash	**13**	(136)	149

Net cash at beginning of year	422	558	(136)
Net cash at end of year	**435**	422	13

Net cash at 30 September 2015 was £435 million (2014: £422 million) and comprised cash and money market deposits of £939 million (2014: £985 million) and borrowings of £504 million (2014: £563 million). After allowing for the impact of aircraft operating leases, adjusted net debt has decreased by £83 million to £363 million. As a result, gearing has decreased by three percentage points to 14% at 30 September 2015.

Net capital expenditure includes the acquisition of 20 aircraft (2014: nine aircraft), the purchase of life-limited parts used in engine restoration and pre-delivery payments relating to aircraft purchases.

easyJet made net corporation tax payments totalling £98 million during the 2015 financial year (2014: £96 million).

Cash and money market deposits as at 30 September 2015 were £939 million, a reduction of £46 million from the end of the prior financial year. At 30 September 2015, £619 million (2014: £572 million) of cash and money market deposits represented unearned revenue in relation to flight seats sold but not yet flown.

On 10 February 2015 easyJet signed a $500 million revolving credit facility with a minimum five-year term, and continues to have available funds in excess of its liquidity objective of £4 million per aircraft.

Summary consolidated statement of financial position

	2015	2014	Change
	£ million	£ million	£ million
Goodwill	**365**	365	-
Property, plant and equipment	**2,877**	2,542	335
Derivative financial instruments	**(297)**	(21)	(276)
Unearned revenue	**(619)**	(572)	(47)
Net working capital	**(350)**	(417)	67
Restricted cash	**12**	32	(20)
Net cash	**435**	422	13
Current and deferred taxation	**(219)**	(239)	20
Other non-current assets and liabilities	**45**	60	(15)
	2,249	2,172	77

Opening shareholders' equity	**2,172**	2,017	
Profit for the year	**548**	450	
Ordinary dividend paid	**(180)**	(133)	
Special dividend paid	**-**	(175)	

Change in hedging reserve	**(222)**	38
Other movements	**(69)**	(25)
	2,249	2,172

Net assets increased by £77 million, with the adverse movement on the hedging reserve and the payment of the ordinary dividend more than offset by the profit and cash generated in the period. The movement on the hedging reserve was due to the adverse mark-to-market movement on Jet fuel forward contracts offset to an extent by favourable movements on foreign currency forward contracts.

The net book value of property plant and equipment increased by £335 million driven principally by the acquisition of 20 A320 family aircraft, and pre-delivery payments relating to aircraft purchases.

Key statistics

Operating measures	**2015**	2014	Change
Seats flown (millions)	**75.0**	71.5	4.9%
Passengers (millions)	**68.6**	64.8	6.0%
Load factor	**91.5%**	90.6%	+0.9ppt
Available seat kilometres (ASK) (millions)	**83,846**	79,525	5.4%
Revenue passenger kilometres (RPK) (millions)	**77,619**	72,933	6.4%
Average sector length (kilometres)	**1,118**	1,112	0.5%
Sectors	**457,479**	439,943	4.0%
Block hours	**892,052**	849,790	5.0%
Number of aircraft owned/leased at end of year	**241**	226	6.6%
Average number of aircraft owned/leased during year	**232.6**	220.8	5.3%
Number of aircraft operated at end of year	**233**	217	7.4%
Average number of aircraft operated during year	**221.1**	210.8	4.9%
Operated aircraft utilisation (hours per day)	**11.1**	11.0	0.5%
Owned aircraft utilisation (hours per day)	**10.5**	10.6	(0.9%)
Number of routes operated at end of year	**735**	675	8.9%
Number of airports served at end of year	**136**	135	0.7%

Financial measures			
Return on capital employed	**22.2%**	20.5%	+1.7ppt
Gearing	**14%**	17%	-3ppt
Profit before tax per seat (£)	**9.15**	8.12	12.6%
Profit before tax per ASK (pence)	**0.82**	0.73	12.0%
Revenue			
Revenue per seat (£)	**62.48**	63.31	(1.3%)
Revenue per seat at constant currency (£)	**64.28**	63.31	1.5%
Revenue per passenger (£)	**68.28**	69.90	(2.3%)
Revenue per passenger at constant currency (£)	**70.25**	69.90	0.5%
Revenue per ASK (pence)	**5.59**	5.69	(1.8%)
Revenue per ASK at constant currency (pence)	**5.75**	5.69	1.0%
Costs			

Per seat measures			
Total cost per seat (£)	**53.33**	55.19	(3.4%)
Total cost per seat excluding fuel (£)	**37.35**	37.70	(0.9%)
Total cost per seat excluding fuel at constant currency (£)	**39.07**	37.70	3.6%
Operating cost per seat (£)	**49.96**	51.80	(3.6%)
Operating cost per seat excluding fuel (£)	**33.98**	34.31	(1.0%)
Operating cost per seat excluding fuel at constant currency (£)	**35.57**	34.31	3.7%
Ownership cost per seat (£)	**3.37**	3.39	(0.4%)
Per ASK measures			
Total cost per ASK (pence)	**4.77**	4.96	(3.9%)
Total cost per ASK excluding fuel (pence)	**3.34**	3.39	(1.5%)
Total cost per ASK excluding fuel at constant currency (pence)	**3.49**	3.39	3.1%
Operating cost per ASK (pence)	**4.47**	4.65	(4.1%)
Operating cost per ASK excluding fuel (pence)	**3.04**	3.08	(1.5%)
Operating cost per ASK excluding fuel at constant currency (pence)	**3.18**	3.08	3.1%
Ownership cost per ASK (pence)	**0.30**	0.31	(1.0%)

Consolidated Income Statement

	Notes	**Year ended 30 September 2015 £ million**	Year ended 30 September 2014 £ million
Seat revenue		**4,616**	4,462
Non-seat revenue		**70**	65
Total revenue		**4,686**	4,527
Fuel		**(1,199)**	(1,251)
Airports and ground handling		**(1,122)**	(1,107)
Crew		**(505)**	(479)
Navigation		**(313)**	(307)
Maintenance		**(229)**	(212)
Selling and marketing		**(102)**	(103)
Other costs		**(276)**	(245)
EBITDAR		**940**	823
Aircraft dry leasing		**(114)**	(124)
Depreciation	7	**(125)**	(106)
Amortisation of intangible assets		**(13)**	(12)
Operating profit		**688**	581
Interest receivable and other financing income		**9**	11
Interest payable and other financing charges		**(11)**	(11)
Net finance charges	3	**(2)**	-
Profit before tax		**686**	581
Tax charge	4	**(138)**	(131)

Profit for the year		**548**	450

Earnings per share, pence			
Basic	5	**139.1**	114.5
Diluted	5	**138.0**	113.2

Consolidated Statement of Comprehensive Income

	Notes	**Year ended 30 September 2015 £ million**	Year ended 30 September 2014 £ million
Profit for the year		**548**	450
Other comprehensive income/(expense)			
Cash flow hedges			
Fair value losses in the year		**(510)**	(2)
Losses transferred to income statement		**229**	50
Losses transferred to property, plant and equipment		**3**	-
Related tax credit/(charge)	4	**56**	(10)
		(222)	38
Total comprehensive income for the year		**326**	488

For capital expenditure cash-flow hedges, the accumulated gains and losses recognised in other comprehensive income will be transferred to the initial carrying amount of the asset acquired, within property, plant and equipment. All other items in other comprehensive income will be re-classified to the income statement.

Consolidated Statement of Financial Position

	Notes	**30 September 2015 £ million**	30 September 2014 £ million
Non-current assets			
Goodwill		**365**	365
Other intangible assets		**127**	113
Property, plant and equipment	7	**2,877**	2,542
Derivative financial instruments		**44**	36
Restricted cash		**6**	9
Other non-current assets		**130**	156
		3,549	3,221
Current assets			
Trade and other receivables		**206**	200
Derivative financial instruments		**128**	53
Restricted cash		**6**	23
Money market deposits		**289**	561
Cash and cash equivalents		**650**	424
		1,279	1,261
Current liabilities			
Trade and other payables		**(495)**	(523)

Unearned revenue	**(619)**	(572)
Borrowings	**(182)**	(91)
Derivative financial instruments	**(368)**	(87)
Current tax payable	**(43)**	(53)
Provisions for liabilities and charges	**(61)**	(94)
	(1,768)	(1,420)
Net current liabilities	**(489)**	(159)
Non-current liabilities		
Borrowings	**(322)**	(472)
Derivative financial instruments	**(101)**	(23)
Non-current deferred income	**(47)**	(62)
Provisions for liabilities and charges	**(165)**	(147)
Deferred tax	**(176)**	(186)
	(811)	(890)
Net assets	**2,249**	2,172
Shareholders' equity		
Share capital	**108**	108
Share premium	**659**	658
Hedging reserve	**(239)**	(17)
Translation reserve	**1**	1
Retained earnings	**1,720**	1,422
	2,249	2,172

Consolidated Statement of Changes in Equity

	Share capital £ million	**Share premium £ million**	**Hedging reserve £ million**	**Translation reserve £ million**	**Retained earnings £ million**	**Total £ million**
At 1 October 2014	**108**	**658**	**(17)**	**1**	**1,422**	**2,172**
Total comprehensive (expense)/income	**-**	**-**	**(222)**	**-**	**548**	**326**
Dividends paid (note 6)	**-**	**-**	**-**	**-**	**(180)**	**(180)**
Share incentive schemes						
Proceeds from shares issued	**-**	**1**	**-**	**-**	**-**	**1**
Value of employee services	**-**	**-**	**-**	**-**	**18**	**18**
Related tax (note 4)	**-**	**-**	**-**	**-**	**4**	**4**
Purchase of own shares	**-**	**-**	**-**	**-**	**(92)**	**(92)**
At 30 September 2015	**108**	**659**	**(239)**	**1**	**1,720**	**2,249**

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2013	108	657	(55)	1	1,306	2,017
Total comprehensive income	-	-	38	-	450	488
Dividends paid (note 6)	-	-	-	-	(308)	(308)
Share incentive schemes						
Proceeds from shares issued	-	1	-	-	-	1

Value of employee services	-	-	-	-	23	23
Related tax (note 4)	-	-	-	-	8	8
Purchase of own shares	-	-	-	-	(57)	(57)
At 30 September 2014	108	658	(17)	1	1,422	2,172

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

Consolidated Statement of Cash Flows

	Notes	**Year ended 30 September 2015 £ million**	Year ended 30 September 2014 £ million
Cash flows from operating activities			
Cash generated from operations	8	**895**	793
Ordinary dividends paid		**(180)**	(133)
Special dividends paid		**-**	(175)
Net interest and other financing charges (paid)/received		**(8)**	5
Net tax paid		**(98)**	(96)
Net cash generated from operating activities		**609**	394
Cash flows from investing activities			
Purchase of property, plant and equipment	7	**(509)**	(426)
Proceeds from sale of property, plant and equipment		**-**	1
Purchase of intangible assets		**(27)**	(23)
Other		**4**	3
Net cash used by investing activities		**(532)**	(445)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**1**	1
Purchase of own shares for employee share schemes		**(92)**	(57)
Repayment of bank loans		**(80)**	(104)
Repayment of capital element of finance leases		**(11)**	(8)
Net decrease/(increase) in money market deposits		**277**	(338)
Net decrease/(increase) in restricted cash		**21**	(20)
Net cash generated from/(used by) financing activities		**116**	(526)
Effect of exchange rate changes		**33**	(12)
Net increase/(decrease) in cash and cash equivalents		**226**	(589)
Cash and cash equivalents at beginning of year		**424**	1,013
Cash and cash equivalents at end of year		**650**	424

Notes to the Accounts

1. Basis of preparation

This consolidated financial information has been prepared in accordance with the Listing Rules of the Financial Conduct Authority.

The financial information set out in this document does not constitute statutory accounts for easyJet plc for the two years ended 30 September 2015 but is extracted from the 2015 Annual report and accounts.

The Annual report and accounts for 2014 has been delivered to the Registrar of Companies.

The Annual report and accounts for 2015 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

2. Significant judgements, estimates and critical accounting policies

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

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

Aircraft maintenance provisions

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

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

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

Other provisions

easyJet incurs liabilities for amounts payable to customers who make claims in respect of flight delays and cancellations, and refunds of air passenger duty or similar charges. Estimates required include passenger claim history, level of claims made and period of time over which claims are made. The bases of all estimates are reviewed at least annually and also when information becomes available that is capable of causing a material change to the estimate.

Goodwill and landing rights

Goodwill and landing rights are tested for impairment at least annually. easyJet has one cash-generating unit, being its route network. In making this assessment, easyJet has considered the manner in which the business is managed including the centralised nature of its operations and the ability to open or close routes and redeploy aircraft and crew across the whole route network.

The value in use of the cash-generating unit is determined by discounting future cashflows to their present value. When applying this method, easyJet relies on a number of estimates including its strategic plans, fuel prices, exchange rates, long-term economic growth rates for the principal countries in which it operates, and its pre-tax weighted average cost of capital.

3. Net finance charges

	2015	2014
	£ million	£ million
Interest receivable and other financing income		
Interest income	**(3)**	(4)
Net exchange gains on monetary assets and liabilities	**(6)**	(7)

	(9)	(11)
Interest payable and other financing charges		
Interest payable on bank loans	**5**	6
Interest payable on finance lease obligations	**5**	5
Other interest payable	**1**	-
	11	11
	2	-

4. Tax charge

Tax on profit on ordinary activities

	2015 £ million	2014 £ million
Current tax		
United Kingdom corporation tax	**109**	99
Foreign tax	**6**	6
Prior year adjustments	**(14)**	(7)
Total current tax charge	**101**	98
Deferred tax		
Temporary differences relating to property, plant and equipment	**28**	25
Other temporary differences	**2**	3
Prior year adjustments	**8**	8
Change in tax rate	**(1)**	(3)
Total deferred tax charge	**37**	33
	138	131
Effective tax rate	**20.1%**	22.5%

Current tax payable at 30 September 2015 amounted to £43 million (2014: £53 million). The current tax payable at 30 September 2015 of £43 million entirely related to tax payable in the UK. The current tax payable at 30 September 2014 of £53 million related to £45 million of tax payable in the UK and £8 million related to tax due in other European countries.

During the year ended 30 September 2015, net cash tax paid amounted to £98 million (2014: £96 million).

Tax on items recognised directly in other comprehensive income or shareholders' equity

	2015 £ million	2014 £ million
Credit/(charge) to other comprehensive income		
Deferred tax on change in fair value of cash flow hedges	**56**	(10)
Credit/(charge) to shareholders' equity		
Current tax credit on share-based payments	**13**	7
Deferred tax (charge)/credit on share-based payments	**(9)**	1
	4	8

5. Earnings per share

Basic earnings per share has been calculated by dividing the profit for the year by the weighted average number of shares in issue during the year after adjusting for shares held in employee benefit trusts.

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

Earnings per share is based on:

	2015 £ million	2014 £ million
Profit for the year	**548**	450

	2015 million	2014 million
Weighted average number of ordinary shares used to calculate basic earnings per share	**394**	393
Weighted average number of dilutive potential shares	**3**	5
Weighted average number of ordinary shares used to calculate diluted earnings per share	**397**	398

Earnings per share	2015 pence	2014 pence
Basic	**139.1**	114.5
Diluted	**138.0**	113.2

6. Dividends

An ordinary dividend in respect of the year ended 30 September 2015 of 55.2 pence per share, or £219 million, is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this proposed dividend.

An ordinary dividend of 45.4 pence per share, or £180 million in respect of the year ended 30 September 2014 was paid in the year ended 30 September 2015. An ordinary dividend of 33.5 pence per share, or £133 million, and a special dividend of 44.1 pence per share, or £175 million, in respect of the year ended 30 September 2013 were both paid in the year ended 30 September 2014.

7. Property, plant and equipment

	Aircraft and spares £ million	Other £ million	Total £ million
Cost			
At 1 October 2014	**3,035**	**36**	**3,071**
Additions	**500**	**36**	**536**
Transfer to intangible assets	**-**	**(27)**	**(27)**
Transfer to maintenance provisions	**(48)**	**-**	**(48)**
Disposals	**(2)**	**(2)**	**(4)**
At 30 September 2015	**3,485**	**43**	**3,528**
Depreciation			
At 1 October 2014	**517**	**12**	**529**
Charge for the year	**121**	**4**	**125**
Disposals	**(2)**	**(1)**	**(3)**
At 30 September 2015	**636**	**15**	**651**
Net book value			
At 30 September 2015	**2,849**	**28**	**2,877**
At 1 October 2014	2,518	24	2,542

The net book value of aircraft includes £275 million (2014: £322 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £583 million (2014: £597 million) are mortgaged to lenders as loan security.

Aircraft with a net book value of £149 million (2014: £142 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 150 (2014: 170) Airbus A320 family aircraft, with a total list price of US$13.0 billion (2014: US$14.6 billion) before escalations and discounts for delivery in 2016 (20 aircraft), between 2017 and 2018 (30 aircraft) and between 2017 and 2022 (100 new generation aircraft).

On 16 November 2015, easyJet secured an agreement with Airbus to take delivery of an additional 36 aircraft (of which 30 are new generation) with a total list price of $3.2 billion, based on January 2012 list prices.

The ‘other’ category mainly comprises leasehold improvements, computer hardware, and fixtures, fittings and equipment.

8. Reconciliation of operating profit to cash generated from operations

	2015 £ million	2014 £ million
Operating profit	**688**	581
Adjustments for non-cash items:		
Depreciation	**125**	106
Loss on disposal of property, plant and equipment	**1**	2
Amortisation of intangible assets	**13**	12
Share-based payments	**18**	23
Changes in working capital and other items of an operating nature:		
Decrease / (increase) in trade and other receivables	**5**	(6)
Decrease in trade and other payables	**(30)**	(5)
Increase in unearned revenue	**47**	25
Increase in provisions	**23**	30
Decrease in other non-current assets	**22**	33
Decrease in derivative financial instruments	**(2)**	(2)
Decrease in non-current deferred income	**(15)**	(6)
Cash generated from operations	**895**	793

9. Reconciliation of net cash flow to movement in net cash

	1 October 2014 £ million	**Exchange differences £ million**	**Net cash flow £ million**	**30 September 2015 £ million**
Cash and cash equivalents	424	33	193	**650**
Money market deposits	561	5	(277)	**289**
	985	38	(84)	**939**
Bank loans	(377)	(19)	80	**(316)**
Finance lease obligations	(186)	(13)	11	**(188)**
	(563)	(32)	91	**(504)**
Net cash	422	6	7	**435**

10. Related party transactions

The Company licenses the easyJet brand from easyGroup Limited ('easyGroup'), a wholly owned subsidiary of easyGroup Holdings Limited, an entity in which easyJet's founder, Sir Stelios Haji-Ioannou, holds a beneficial controlling interest. The Haji-Ioannou family concert party shareholding (being easyGroup Holdings Limited and Polys Holding Limited) holds, in total, 33.73% of the issued share capital of easyJet plc as at 30 September 2015.

Under the Amended Brand Licence signed in October 2010 and approved by the shareholders of easyJet plc in December 2010, an annual royalty of 0.25% of total revenue is payable by easyJet to easyGroup for a minimum term of 10 years. The full term of agreement is 50 years.

easyJet and easyGroup established a fund to meet the annual costs of protecting the 'easy' (and related marks) and the 'easyJet' brands. easyJet contributes up to £1 million per annum to this fund and easyGroup contributes up to £100,000 per annum. Beyond the first £1.1 million of costs, easyJet can commit up to an aggregate £5.5 million annually to meet brand protection costs, with easyGroup continuing to meet its share of costs on a 10:1 ratio. easyJet must meet 100% of any brand protection costs it wishes to incur above this limit.

A separate agreement was entered with Sir Stelios ('the Comfort Letter'), dated 9 October 2010, under which, in return for certain non-compete obligations, easyJet made payment of a fee of £300,000, adjusted annually per the UK Retail Price index, each year for five years (or until the expiry of the longest subsisting restriction, whichever is later). All of the obligations in the Comfort Letter have now expired and no further payments will be made under it.

The amounts included in the income statement for these items were as follows:

	2015 £ million	2014 £ million
Annual royalty	**11.7**	11.3
Brand protection (legal fees paid through easyGroup to third parties)	**0.9**	1.0
Comfort Letter agreement with Sir Stelios Haji-Ioannou	**0.3**	0.3
	12.9	12.6

At 30 September 2015, £1.0 million (2014: £0.8 million) of the above aggregate amount was included in trade and other payables.