

Corporate Governance

Principles Statement

In June 1998 the London Stock Exchange adopted guidelines for Corporate Governance in the form of the Combined Code, which consolidated all prior guidance on such matters. The company obtained a listing on the London Stock Exchange on 22 November 2000. In anticipation of the company's listing, the board of directors sought to strengthen its corporate governance procedures with the aim of complying as far as possible with the provisions of the Combined Code. A summary of how the provisions of that code have been applied together with a compliance statement is provided below.

Board of Directors

As at 30 September 2001, the Board comprised seven Non-Executive directors, including the Chairman, and five Executive directors, as set out on page 20 of this report.

The roles of Chairman (Stelios Haji-Ioannou) and Chief Executive (Ray Webster) are separated and clearly defined. Tony Illsley is the Senior Non-Executive director. The company regards Colin Day, Tony Illsley, John Quelch and Diederik Karsten as independent Non-Executive directors.

The Board meets regularly, with 12 meetings being held during the year ended 30 September 2001. All members of the Board are supplied in advance with appropriate information covering matters which are to be considered.

All directors have access to the Company Secretary.

Directors may be appointed by the company by ordinary resolution or by the Board. A director appointed by the Board holds office only until the next Annual General Meeting ('AGM'). At each AGM one-third of the directors will retire by rotation and be eligible for re-election. The directors to retire will be those who wish to retire and those who have been longest in office since their last appointment or reappointment.

Non-Executive directors are appointed for three year terms, after which time they may offer themselves for re-election. Executive directors are not appointed for specific terms, however, in practice each director will normally serve a term no longer than three years due to the required retirement by rotation of one third of the Board at each AGM.

Remuneration Committee

The Remuneration Committee comprises three Non-Executive directors, of whom two are independent. The Remuneration Committee is chaired by Tony Illsley. Its other members are Colin Day and Nick Hartley. This Committee, which meets at least twice per year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the executive directors.

The board has discussed the composition of the Remuneration Committee and are satisfied that the directors who are members of this Committee are those who are best able to contribute to the Committee's objectives.

Corporate Governance *(continued)*

Audit Committee

The Audit Committee members are Colin Day (chairman), Tony Illsley and Amir Eilon. This committee meets at least twice per year and has responsibility for, amongst other things, planning and reviewing easyJet's annual and other reports and accounts and the involvement of the group's auditor in that process, focussing particularly on compliance with legal requirements and accounting standards. Additionally, the Committee is responsible for compliance with the requirements of the London Stock Exchange and the UK Listing Authority and seeking to ensure that an effective system of internal financial controls is maintained. The ultimate responsibility for reviewing and approving the annual and other accounts remains with the Board.

Nominations committee

The Nominations Committee members are Stelios Haji-Ioannou (chairman) plus any two of Amir Eilon, Nick Hartley, Colin Day and Tony Illsley. This committee is responsible for nominating candidates to fill Board positions and for making recommendations on Board composition and balance.

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

The AGM gives all shareholders the opportunity to communicate directly with the Board. There is also regular communication with institutional investors, fund managers and analysts on key business issues. The group also recently appointed an investor relations manager.

It is the company's policy that the following procedures should be adhered to with respect to AGM's:

- All proxy votes are counted;
- Separate resolutions are proposed for each separate issue;
- The Chairman of the Audit, Remuneration and Nomination Committees are made available for any questions at the meetings; and
- It is the company's intention that notice of the forthcoming AGM and related papers will be sent to shareholders at least 20 working days before that meeting.

Statement of compliance

As an unlisted company up until 22 November 2000, easyJet did not fall within the scope of the Listing Rules Authority and, therefore, the Combined Code appended to those rules. Nevertheless, the Directors sought to apply certain principles of the Combined Code before listing, and sought to conduct easyJet's affairs in order to fully comply with the provisions set out in Section 1 of the Combined Code by 30 September 2001.

However, the company did not comply with the following Code Provisions during some part of the year. With the exception of (b), all were complied with by the year end.

- (a) A senior Non-Executive director was not nominated until 8 May 2001.
- (b) The Remuneration Committee has not comprised at least three independent non-executive directors, because the board has satisfied itself that the directors who are members of this Committee are those who are best able to contribute to its objectives.

Corporate Governance (continued)

- (c) There was no formal schedule of matters reserved for the Board's attention until 11 July 2001.
- (d) For the AGM held during the year under review, notice of that meeting and the related papers were sent to shareholders 20 days, rather than 20 working days, prior to the date of the meeting. It is the company's intention to send such documents at least 20 working days prior to the forthcoming AGM.
- (e) Prior to Admission to the Official List of the UK Listing Authority, the group granted share options without performance criteria attached to them. The majority of these options remain outstanding. The group does not intend to grant further share options to employees without attaching performance conditions to their exercise.

Internal Control

The overall responsibility for easyJet's systems of internal control and for reviewing its effectiveness rests with the directors of the company. The responsibility for establishing and operating detailed control procedures lies with the Chief Executive. However, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and by their nature can only provide reasonable but not absolute assurance against material misstatement or loss.

Guidance for directors, 'Internal Control: Guidance for Directors on the Combined Code' was published in September 1999, in the form of the Turnbull Guidance. The company complied with the guidance throughout the year ended 30 September 2001. A formal on-going process has been established to identify, evaluate and manage significant risks faced by the company and this process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts and this has been regularly reviewed by the Board during the period.

An ongoing process for the effective management of risk has been defined by the company directors and has been adopted as follows:

- On going assurance and risk management is provided through the various monitoring reviews and reporting mechanisms embedded into the business operations. Key monitoring reviews include those conducted continuously by the Quality Group, in weekly meetings, including Commercial Operations, Marketing and Finance, and in monthly Executive Committee Meetings, where individual department and overall business performance is reviewed. Control weaknesses or failings are considered by the Board if they arise;
- Management consider significant business risks in formal monthly meetings;
- An annual risk and control identification process, together with control effectiveness testing, is conducted. This process was enhanced during the second half of the year by implementing control identification and effectiveness testing processes. Workshops and interviews are conducted with directors and managers from all areas of the business. The key risks to significant business objectives are identified and scored for probability and impact. The key controls to manage these risks to the desired level are identified. The controls, which mitigate or minimise the high level risks, are tested to ensure that they are in operation. The results of this testing are reported to the Board who consider whether these high level risks are effectively controlled;
- Action plans are set to address any control weaknesses or gaps in controls identified; and
- A database of all risks has been created forming a key risk register for the company.

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

Corporate Governance (continued)

- Reports from management. Reporting is structured to ensure that key issues are escalated through the management team and ultimately to the Board as appropriate;
- Discussions with senior personnel throughout the company;
- Consideration by the directors of reports from external consultants on control effectiveness; and
- Consideration by the audit committee of any reports from external auditors.

Internal audit

The company does not have an internal audit function. This is presently considered appropriate given the size of the company and the close involvement of executive directors and senior management on a day to day operational basis. The Board has considered the need for such a function and will continue to review the need for one from time to time.

Going Concern

The Directors are satisfied, after due consideration, that the group has sufficient financial resources to continue in operation for the foreseeable future. On this basis, they continue to adopt the going concern principle in preparing the financial statements.

Directors' report

The Directors present the audited consolidated financial statements for easyJet plc for the year ended 30 September 2001.

Principal activity

The principal activity of easyJet plc ("the company") and its subsidiary companies ("the group") is the provision of a "low-cost – good value" airline service.

Business review

easyJet plc operates one of Europe's leading low-fare scheduled passenger airline businesses. It provides high frequency services on short-haul and medium-haul point-to-point routes within Europe from its four bases at London Luton, Liverpool, Amsterdam and Geneva.

easyJet offers a simple, "no frills" service aimed at both the leisure and business travel markets. Fares are, on average, significantly below those offered by traditional full service, or "multi-product", airlines.

During the year ended 30 September 2001, easyJet flew 7.1 million passengers (an increase of 26.4 per cent on the previous year) and generated profit before exceptional items and tax of £43.9 million on revenue of £356.9 million.

Profit before tax was £40.1 million, with profit after tax of £37.9 million. The Directors do not recommend the payment of a dividend.

As at 30 September 2001 easyJet operated on thirty-five routes, serving sixteen cities, and had a fleet of 26 Boeing B737 aircraft. easyJet flew 57,513 sectors during the year, an increase of 23.0 per cent over the prior year. The average load factor over the financial year was 83.0 per cent, 2.2 percentage points higher than the 2000 financial year. Year-on-year, the average fare rose 5.8 per cent to £48.28.

easyJet has entered into a purchase agreement with Boeing for 32 new "next generation" 737-700 aircraft. The first seven of these aircraft were delivered during the financial year and all were financed by sale-and-lease-back. Ten aircraft are due for delivery during the 2002 financial year and the remainder are due over the period up to May 2004.

Additional information on a review of the development of the business during the financial year, the position at the end of the financial year and likely future developments are given in the Chairman's Statement, Chief Executive's review and the Operational and Financial Review.

Safety and security

easyJet's commitment to safety is the top priority of the company and management. easyJet is committed to safe operations, which is manifested in its safety training procedures, its investment in the latest aircraft equipment and its adoption of a confidential safety issue reporting system.

Customer Service

easyJet seeks to provide its customers with a safe, low-cost, good value and reliable service.

easyJet operates an entirely ticketless sales and check-in service. This service is, easyJet believes, less burdensome for customers. In addition, the service reduces the costs associated with ticket processing, including personnel costs, and simplifies administration and control. In addition, there is no seat assignment policy. Instead, passengers are "rewarded" for checking in early because boarding is generally sequenced according to check-in order. Thus, "early-check-in" customers generally get a better chance of their choice of seat. Seats are not offered on a standby basis, as easyJet believes standby arrangements unacceptably complicate aircraft boarding and turnaround.

In-flight service costs are kept to a minimum. Food and drinks are served on board and are paid by the passenger. The in-flight catering is provided by third party suppliers.

Directors' report (continued)

People and culture

easyJet's employees have defined a statement of the organisation's values – the "orange culture". The Directors believe that the company's stated "orange" values, including being "up for it", "passionate" and "sharp", help to motivate employees to be productive and to implement easyJet's strategies.

The management of the group is entrusted to an executive team with extensive commercial, operational and financial experience. In keeping with the "orange culture" the Directors encourage employees to contribute to the management of the business and allow employees to have access to a significant amount of information stored on the company's electronic document system.

As a concrete demonstration of the value generated by staff, almost all staff employed at the date of easyJet's flotation received either a gift of shares or an option over shares.

The group is an equal opportunity employer which actively encourages the training and development of all its employees on an ongoing basis.

It is the group's policy to give full and fair consideration to applications for employment from disabled individuals, having regard to their particular aptitudes and abilities, and to provide such individuals with equal training, development, and opportunities for promotion.

easyJet is committed to generating an awareness among its employees of the group's performance, development and progress, and to providing employees with information on matters of concern to them. It achieves this through regular communication meetings, employee newsletters, and management briefings. Also, communication meetings are used as a platform from which employee representatives can be consulted in order that the views of the employees can be taken into consideration in management decisions which are likely to affect their interests.

The company continues to encourage the involvement of employees in the company's performance through the use of employee share option and related schemes.

Internet sales

easyJet sells the majority of its seats via its own website. easyJet believes its prominent use of the slogan "the web's favourite airline" and the painting of the website address on each of easyJet's aircraft encourages customers to use this low-cost sales channel.

In the year to 30 September 2001, 86.5 per cent of initial bookings were made via the internet. In September 2001 this figure was 91.0 per cent, which the Directors believe to be one of the highest percentages for an airline, hence the slogan "the web's favourite airline".

Directors and directors' interests

The directors who held office during the year were as follows:

Non-executive:

S Haji-Ioannou

A Eilon

N Hartley

A Illsley

C Day

D Karsten

(appointed 8 May 2001)

J Quelch

(appointed 14 November 2000)

Executive

R Webster

C Walton

M Cooper

V Hahn-Petersen

K McMann

Directors' report (continued)

The following directors held a direct interest in the share capital of the company:

	30 September 2001	1 October 2000
V Hahn-Petersen	15,558	-
N Hartley	6,732	-

The Chairman, Stelios Haji-Ioannou, together with certain of his family members, has an indirect interest in easyJet Holdings Limited, the ultimate parent company of easyJet plc, amounting to 98.9 per cent (61.7 million ordinary shares) of that company's share capital. Ray Webster and Nick Hartley also have an interest in that parent undertaking amounting to approximately 1 per cent (650,000 ordinary shares) and less than 1 per cent (38,362 ordinary shares), respectively, of that company's share capital.

In addition, executive directors are deemed to be interested in the shares held by the easyJet UK Employee Share Ownership Trust and the easyJet Overseas Employee Share Ownership Trust (the "Trusts"). At 30 September 2001, ordinary shares held in the Trusts were as follows:

		Ordinary shares
Total held by UK Trust of which:	Allocated	60,500
	Unallocated	72,169
Total held by Overseas Trust of which:	Allocated	2,200
	Unallocated	60,100

Details of share options and share gifts granted to the directors of the company are disclosed in note 17 to the financial statements.

Policy and practice on payment of creditors

The group and the company do not follow a universal code which deals specifically with payments to suppliers but, where appropriate, their practice is to:

- agree the terms of payment at the start of business with the supplier;
- ensure that those suppliers are made aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

At 30 September 2001, the number of creditor days outstanding for the group was 18 days (2000: 16 days), and the company, nil days (2000: nil days).

Political and charitable contributions

During the year, the group made charitable contributions totalling £4,505 (2000: £13,962). In addition, the group regularly gives free flights to selected charities. There is minimal incremental cost to the group associated with these gifts. There were no contributions made for political purposes.

Initial Public Offering

On 22 November 2000, easyJet plc listed on the London Stock Exchange. A global offering of 72,450,000 new ordinary shares was offered at a price of 310 pence per share. The offering raised £210.4 million, net of fees and expenses.

Directors' report (continued)

Post balance sheet events

The following events have occurred since 30 September 2001:

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

Substantial interests

The company has been notified of the following disclosable interests of 3 per cent or more in its ordinary shares:

	Number of shares	Percentage
easyJet Holdings Limited	186,577,020	71.64
Wellington Management Company LLP	10,354,377	3.98

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor to the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

C Walton

Director

easyLand
London Luton Airport
Luton
Bedfordshire LU2 9LS

28 October 2001

Directors

Stelios Haji-Ioannou (Chairman)

Stelios founded easyJet UK in 1995. Prior to that, he founded and ran Stelmar Tankers, a shipping company which he controls but whose management he has delegated to Stelmar executives. In 1998, he established the easy group of companies, with the objective of exploiting the “easy” brand for ventures other than easyJet. Such ventures launched thus far include easyInternetCafé, a chain of internet cafes, and easyRentacar, a budget car rental business.

Ray Webster (Chief Executive)

Prior to joining easyJet in March 1996, Ray had 27 years of experience in the airline industry at Air New Zealand. In his career with Air New Zealand he held various positions within the engineering business unit, formed their cargo business unit and had responsibility for marketing, sales and operations within the Americas market. His last role at Air New Zealand was as General Manager of Strategic Planning, where he was responsible for the identification, evaluation and implementation of corporate development options, including the concept development, planning and implementation of a start up “value based” (low-cost) airline serving short-haul routes within the Australasian market.

Chris Walton (Finance Director)

Prior to joining easyJet in 1999, Chris had 13 years of experience in the airline industry working in finance and commercial capacities for Qantas Airways, Air New Zealand and Australian Airlines. Chris’ experience includes financial planning, shareholder value management, financial reporting and control, monitoring of business area performance, investment and economic analysis. At various times, his roles in these companies have included (inter alia) responsibility for commercial matters, strategic planning and the negotiation of strategic alliances.

Vilhelm Hahn-Petersen (Operations Director)

Prior to joining easyJet in September 1999, Vilhelm was employed by FLS Industries for 11 years. For 9 of those years, he was employed by FLS Aerospace Limited, a UK subsidiary of FLS Industries, involved in the maintenance, repair and overhaul of commercial jets and their accessories, serving the European airline market. Vilhelm held a number of business development and operational management positions leading to his appointment in 1996 as Chief Executive of FLS Aerospace Limited.

Mike Cooper (Commercial Director)

Prior to joining easyJet in May 2000, Mike was employed by ICI and Thomson Travel Group. Mike spent nine years with ICI Paints in a number of roles, including marketing manager (Dulux) and other positions in marketing, sales and strategic planning. Mike joined Thomson Travel in 1996 where he was Head of Strategic Planning, before being promoted in 1997 to Managing Director of Portland Direct, the direct holding company within the Thomson Travel Group. In 1999, he became E-Commerce Director and was heavily involved in Thomson Travel’s e-commerce strategy and online content.

Keith McMann (Airports Director)

Prior to joining easyJet in May 2000, Keith was employed by BAA plc for four years where he was Head of Operations at World Duty Free and most recently Retail Director at Scottish Airports which included involvement in airport design and development. Previously Keith managed airport activities for Allders International and spent seven years with Thorn EMI’s retail division in a variety of planning and operations roles. Earlier career roles include positions at British Airways and public-sector management consultancy.

Directors (continued)

Colin Day (Independent Non-executive Director)

Colin joined easyJet in September 2000 and is currently chief financial officer for Reckitt Benckiser Plc, the world's largest household cleaning products company. Before that Colin was group finance director of Aegis Plc, Europe's leading media buying and planning company. Prior to joining Aegis, Colin spent six years in a number of divisional finance director positions with ABB, latterly as group finance director of ABB Instrumentation. Much of his earlier career was spent in various finance positions with De La Rue Group. Colin is also a non-executive director of Bell Group Plc, a security systems company which floated last year and was previously a non-executive director of Vero Group.

Amir Eilon (Non-executive Director)

Amir spent the major part of his career working for investment banks specialising in particular in global capital markets. Before joining easyJet in March 1999, Amir was at Credit Suisse First Boston where he had joint responsibility for Western Europe within its international group. Prior to that, Amir was at Barclays de Zoette Wedd for eight years where he was head of global capital markets. Amir is also a non-executive director of easyGroup, easyRentacar and easyInternetCafé.

Nick Hartley (Non-executive Director)

Nick acted as a consultant to Stelios Haji-Ioannou on the business strategy for easyJet prior to its incorporation. Prior to that, he worked as a consultant on business strategy for Stelmar Tankers and subsequently became a director of that company. Prior to 1992, he worked at BP for 35 years, where his posts included Managing Director of BP Southern Africa and Managing Director of BP Shipping. He is also a non-executive director of easyGroup and easyInternetCafé.

Tony Illsley (Independent Senior Non-executive Director)

Prior to joining easyJet in September 2000, Tony worked at Telewest Communications plc where he was Chief Executive prior to the merger with Flextech plc. Prior to his appointment at Telewest he was president and chief executive of Walkers Snack Foods, the UK division of Frito Lay, PepsiCo's foods subsidiary, having been promoted in 1995 from the position of president of Pepsi-Cola Asia Pacific. Before this, Tony spent four and a half years as Pepsi-Cola's President in Japan. From 1984 to 1988 he held various positions in the group's European soft drinks operations culminating in responsibility for the then 7-UP European Division. Before joining PepsiCo, Tony worked for five years at Colgate Palmolive in the United Kingdom, holding various senior marketing roles.

Diederik Karsten (Independent Non-executive Director)

Diederik joined easyJet in May 2001 and, since February 2000, has also been chief executive officer of KPN Mobile N.V. Previously he was Director of the business unit Mobile Telephony and director of The Mobile Net, parts of KPN Telecom. Prior to joining KPN in 1996, Diederik held various management and marketing positions at Pepsi Co, including vice president sales and marketing Snacks Ventures Europe and sales and marketing director Pepsi Cola, Germany. Before that, Diederik held various marketing positions at Procter & Gamble.

John Quelch (Independent Non-executive Director)

John joined easyJet in November 2000, at which time he was Dean of the London Business School and a Professor of London University. Subsequently, he accepted the position of Senior Associate Dean, International Development and Lincoln Filene Professor of Business Administration at Harvard Business School. John serves as a non-executive director of both WPP Group Plc and Blue Circle Industries Limited. He was a founding non-executive director of Reebok International Limited. As an academic, author and consultant, John is very active in business and specialises in, among other topics, international marketing, human resource management and general business management in both emerging and developing countries.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG Audit Plc

PO Box 695
8 Salisbury Square
London

Report of the independent auditor to the members of easyJet plc

We have audited the financial statements on pages 25 to 57.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 23, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We reviewed whether the statement on pages 13 to 16 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report on whether it does or not. We are not required to consider whether the Board's statements on internal controls cover all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risks and other control procedures.

We read the other information contained in the Annual Report, including the corporate governance statements, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 October 2001

Consolidated profit and loss account

for the year ended 30 September

	Notes	2001 £000	2000 £000
Revenue	1,2	356,859	263,694
Cost of sales		(265,648)	(191,291)
Gross profit		91,211	72,403
Distribution and marketing expenses		(31,692)	(25,868)
Administrative expenses (including exceptional administrative expenses of £3,777,000; 2000: £nil)	3	(21,396)	(17,875)
Operating profit			
Operating profit before exceptional administrative expenses		41,900	28,660
Exceptional administrative expenses	3	(3,777)	-
Operating profit		38,123	28,660
Interest receivable		10,205	1,687
Interest payable	5	(8,195)	(8,244)
Profit on ordinary activities before taxation	3	40,133	22,103
Tax on profit on ordinary activities	6	(2,226)	-
Retained profit for the financial year		37,907	22,103
		Pence	Pence
Earnings per share			
Basic	7	15.2	11.9
Diluted	7	14.4	11.9

All activities relate to continuing operations.

Consolidated balance sheet

as at 30 September

	<i>Note</i>	2001		2000	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8		2,995		3,163
Tangible assets	9		206,433		202,159
Investments	10		7,159		-
			<hr/>		<hr/>
			216,587		205,322
Current assets					
Debtors	11	47,106		40,959	
Cash at bank and in hand		244,435		14,088	
		<hr/>		<hr/>	
		291,541		55,047	
Creditors: amounts falling due within one year	12	(113,428)		(84,483)	
		<hr/>		<hr/>	
Net current assets/(liabilities)			178,113		(29,436)
			<hr/>		<hr/>
Total assets less current liabilities			394,700		175,886
Creditors: amounts falling due after more than one year	13		(76,289)		(108,315)
Provisions for liabilities and charges	14		(1,920)		(1,854)
			<hr/>		<hr/>
Net assets			316,491		65,717
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	15		65,108		46,647
Share premium account	16		196,638		-
Profit and loss account	16		54,745		19,070
			<hr/>		<hr/>
Shareholders' funds – equity			316,491		65,717
			<hr/> <hr/>		<hr/> <hr/>

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

R Webster
Director

C Walton
Director

Cash flow information

for the year ended 30 September

Reconciliation of operating profit to net cash flows from operating activities

	2001 £000	2000 £000
Operating profit	38,123	28,660
Goodwill amortisation	168	164
Depreciation of tangible fixed assets	18,457	15,937
Provision for impairment of fixed assets	-	1,134
Loss/(profit) on sale of assets	236	(65)
Cost of employee share gifts and bonus	967	-
Increase in debtors	(6,146)	(11,541)
Increase in creditors and provisions	31,571	26,280
	<hr/>	<hr/>
	83,376	60,569
	<hr/> <hr/>	<hr/> <hr/>

Consolidated cash flow statement

		2001 £000	2000 £000
Cash flow from operating activities		83,376	60,569
Returns on investments and servicing of finance	20	1,737	(7,937)
Taxation		-	(541)
Capital expenditure and financial investment	20	(29,027)	(36,339)
Acquisitions and disposals	20	-	-
		<hr/>	<hr/>
Cash inflow before management of liquid resources and financing		56,086	15,752
Management of liquid resources		(15,000)	-
Financing	20	174,261	(31,509)
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		215,347	(15,757)
		<hr/> <hr/>	<hr/> <hr/>

Financing cash flow in 2001 includes £210.4 million (net of issuing costs) for the issue of new shares following the company obtaining a Listing on the London Stock Exchange during the year. Total cash inflow from the issue of shares during the year was £212.2 million (net of issuing costs).

Cash flow information (continued)

Reconciliation of net cash flow to movements in net funds

	<i>Notes</i>	2001 £000	2000 £000
Increase/(decrease) in cash in the year		215,347	(15,757)
Cash flow from the decrease in debt	20	37,893	31,537
Cash outflow for increase in liquid resources		15,000	-
		<hr/>	<hr/>
Change in net debt resulting from cash flows		268,240	15,870
Exchange difference on loans		(1,081)	(14,495)
		<hr/>	<hr/>
Decrease in net debt for the year		267,159	1,285
Net debt at the start of the year		(106,005)	(107,290)
		<hr/>	<hr/>
Net funds/(debt) at the end of the year		161,154	(106,005)
		<hr/> <hr/>	<hr/> <hr/>

Net funds/(debt) at the end of the year comprises:

	2001 £000	2000 £000
Cash at bank and in hand	244,435	14,088
Bank and shareholder loans	(83,281)	(120,093)
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	161,154	(106,005)
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