Jet2 Support Services (Spain) Limited

Report and Accounts

For the year ended 31 March 2021

Registered No. 10438181

JET2 SUPPORT SERVICES (SPAIN) LIMITED

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JET2 SUPPORT SERVICES (SPAIN) LIMITED

DIRECTORS AND OTHER INFORMATION

DIRECTORS

Philip Meeson	Executive Chairman
Stephen Heapy	Chief Executive Officer
Gary Brown	Chief Financial Officer
Ian Day	Legal Director

SECRETARY AND REGISTERED OFFICE

Ian Day
Low Fare Finder House
Leeds Bradford Airport
Leeds
LS19 7TU

AUDITOR

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

BANKER

La Caixa
Avenida del Atlántico
30730 San Javier
Murcia
Spain

SOLICITOR

López-Ibor Abogados
López de Hoyos 35, 3º
28002 Madrid

JET2 SUPPORT SERVICES (SPAIN) LIMITED

DIRECTORS' REPORT

The Directors present their Report and Accounts for the year ended 31 March 2021.

This Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and no Strategic Report has been presented in line with the provisions of Section 414B of the Companies Act 2006.

REVIEW OF THE BUSINESS

The principal activity of Jet2 Support Services (Spain) Limited (the "Company") is the provision of leisure travel support services.

The Company is a wholly owned subsidiary of the Group headed by ***Jet2 plc*** ("the Group").

RESULTS AND DIVIDENDS

The results for the year ended 31 March 2021 are set out in the Profit and Loss Account on page 12 and show a profit after taxation of £22,000 (2020: £661,000). No dividend was paid in the year (2020: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

All transactions are entered into with other subsidiaries of the Company's ultimate parent, ***Jet2 plc***. The principal risks and uncertainties of ***Jet2 plc***, and the wider group, are disclosed in the ***Jet2 plc*** Annual Report and Accounts 2021 on pages 27 to 37.

DIRECTORS AND THEIR INTERESTS

The details of Directors who held office during the year and after the year end are those listed on page 2.

None of the Directors who held office at the year end had any interest in the ordinary share capital of the Company. Philip Meeson, Stephen Heapy, Gary Brown were also Directors of the ultimate parent undertaking, ***Jet2 plc***, during the year. Their interests in the share capital of ***Jet2 plc*** are disclosed in the accounts of that company.

GOING CONCERN STATEMENT

The Company provides leisure travel support services exclusively to ***Jet2holidays*** customers who fly on ***Jet2.com*** flights and, accordingly, its financial performance is inextricably linked with the performance of the rest of the Group.

The Directors have prepared financial forecasts for the Company, comprising profit before and after taxation, balance sheets and cash flows through to 31 March 2024.

DIRECTORS' REPORT (continued)

GOING CONCERN STATEMENT (continued)

For the purpose of assessing the appropriateness of the preparation of the Company's accounts on a going concern basis, two financial forecast scenarios have been prepared:

- A base case which assumes flying restarts in July 2021 with a gradual ramp up of flying operations for the Summer 21 season, initially running at reduced average load factors; and

- Due to the continuing uncertainty of how Government imposed travel restrictions will evolve, a downside scenario was modelled to assess the liquidity position of the Group in an extended "no fly" period through to 1 April 2022, followed by a rapid ramp up to a full flying programme in Summer 2022 thereafter.

The forecasts consider the current cash position and an assessment of the principal areas of risk and uncertainty as detailed on page 3, paying particular attention to the impact of Covid-19.

In addition to forecasting the cost base of the Group, both scenarios incorporated full use of the UK Government's Coronavirus Job Retention Scheme up until its current conclusion on 30 September 2021 and assume that the Group's £200m Covid Corporate Financing Facility ("CCFF") is repaid on maturity in March 2022.

The Directors have also considered the liquidity actions taken by the Group since 31 March 2021 being the signing of a new unsecured £150.0m term loan maturing in September 2023 and the issuance of a convertible bond of £387.4m maturing in June 2026; and the availability of banking facilities and their associated revised covenant measurements.

The Directors concluded that given the combination of a closing Group cash balance of £1,379.0m at 31 March 2021, together with the additional actions taken to increase liquidity since the year end and the forecast monthly cash utilisation, that under both the base and downside scenarios, the Group, and therefore the Company, would have sufficient liquidity throughout a period of 12 months from the date of approval of the financial statements. In addition, the Group is forecast to meet its revised banking covenants at 30 September 2021 and 31 March 2022 under both scenarios.

As a result, the Directors have a reasonable expectation that the Group as a whole, and therefore the Company, has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2021.

The Directors' responsibility for preparing the financial statements is explained on pages 5 to 6 and the reporting responsibilities of the Auditor are set out in their report on page 11.

DIRECTORS' REPORT (continued)

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the date of approval of this Directors' Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AUDITOR

In accordance with section 487 of the Companies Act 2006, the Auditor is deemed to be re-appointed and KPMG LLP will therefore continue in office.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Company's profit or loss of for that period. In preparing each of the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board

Gary Brown
Chief Financial Officer
Jet2 Support Services (Spain) Limited
Registered No 10438181

20 August 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JET2 SUPPORT SERVICES (SPAIN) LIMITED

Opinion

We have audited the financial statements of Jet2 Support Services (Spain) Limited ("the Company") for the year ended 31 March 2021 which comprise the Profit and Loss account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and

- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JET2 SUPPORT SERVICES (SPAIN) LIMITED (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;

- Reading Board minutes;

- Considering remuneration incentive schemes and performance targets for senior management; and

- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in the position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit, we do not believe there to be a fraud risk related to revenue recognition because there is little incentive and due to the high volume low value nature of sales, the scale of any fraud would have to be so significant to result in material misstatements that the risk is considered remote.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted to unusual accounts, those posted after the books close date and those posted without a description.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JET2 SUPPORT SERVICES (SPAIN) LIMITED (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: package holiday, health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JET2 SUPPORT SERVICES (SPAIN) LIMITED (continued)

Directors' Report

The Directors are responsible for the Directors' Report. Our opinion on the financial statements does not cover the report and we do not express an audit opinion thereon.

Our responsibility is to read the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Directors' Report;
- in our opinion the information given in the report for the financial year is consistent with the financial statements; and
- in our opinion the report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5 to 6, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JET2 SUPPORT SERVICES (SPAIN) LIMITED (continued)

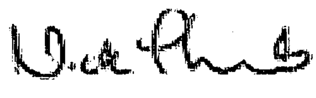
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

20 August 2021

JET2 SUPPORT SERVICES (SPAIN) LIMITED

PROFIT AND LOSS ACCOUNT AND STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2021

	Note	**2021 £000**	2020 £000
REVENUE	4	**3,142**	14,252
Net operating expenses	5	**(3,142)**	(13,323)
OPERATING PROFIT		**-**	929
Net finance income / (expense)	6	**40**	(3)
PROFIT BEFORE TAXATION		**40**	926
Taxation	8	**(18)**	(265)
PROFIT FOR THE FINANCIAL YEAR		**22**	661

The notes on pages 15 to 25 form an integral part of these financial statements.

The results for the current year all relate to continuing activities. There is no difference between the profit before taxation and the retained profit for the year stated above and their historical cost equivalents.

There are no items of comprehensive income other than the profit for the year of £22,000 (2020: £661,000).

JET2 SUPPORT SERVICES (SPAIN) LIMITED

BALANCE SHEET
at 31 March 2021

	Note	2021 £000	2020 £000
FIXED ASSETS			
Property, plant and equipment	9	**203**	315
Right-of-use assets	10	**23**	32
Deferred taxation	14	**5**	-
		231	347
CURRENT ASSETS			
Debtors	11	**5,341**	7,391
Cash and cash equivalents		**1,971**	6,001
		7,312	13,392
CREDITORS: amounts falling due within one year	12	**(6,123)**	(12,328)
NET CURRENT ASSETS		**1,189**	1,064
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,420**	1,411
CREDITORS: *amounts falling due after more than one year*			
Lease liabilities	13	**(14)**	(23)
Deferred taxation	14	**-**	(4)
NET ASSETS		**1,406**	1,384
SHAREHOLDER'S EQUITY			
Called up share capital	15	**-**	-
Profit and loss account		**1,406**	1,384
TOTAL SHAREHOLDER'S EQUITY		**1,406**	1,384

The accounts were approved by the Board of Directors at a meeting held on 20 August 2021 and were signed on its behalf by:

Gary Brown
Chief Financial Officer

Jet2 Support Services (Spain) Limited
Registered No 10438181

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Share capital	Profit and loss account	Total shareholder's equity
	£000	£000	£000
Balance at 31 March 2019	**-**	**723**	**723**
Total comprehensive income	-	661	**661**
Balance at 31 March 2020	**-**	**1,384**	**1,384**
Total comprehensive income	-	22	**22**
Balance at 31 March 2021	**-**	**1,406**	**1,406**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Jet2 Support Services (Spain) Limited is a company incorporated in England & Wales and the financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 *Application of Financial Reporting Requirements* issued by the Financial Reporting Council and adopted FRS 101 *Reduced Disclosure Framework* accordingly.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, property, plant and equipment and right-of-use assets;
- transactions with other Group companies;
- capital management;
- the effects of new but not yet effective International Financial Reporting Standards ("IFRS");
- a statement of financial position as at the beginning of the preceding period when applying an accounting policy retrospectively or making a retrospective restatement; and
- compensation of key management personnel.

As the consolidated financial statements of its ultimate Parent Company, ***Jet2 plc***, include the equivalent disclosures, the Company has also taken the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 2 – *Share-based Payment* in respect of Group-settled share-based payments; and
- Certain disclosures required by IFRS 13 – *Fair Value Measurement* and the disclosures required by IFRS 7 – *Financial Instruments: Disclosures.*

The financial statements of the Company are presented in pounds sterling which is the Company's functional currency. All values are rounded to the nearest thousand £, except where indicated otherwise.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in relation to future financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES

Going concern

The Company provides leisure travel support services exclusively to ***Jet2holidays*** customers who fly on ***Jet2.com*** flights and, accordingly, its financial performance is inextricably linked with the performance of the rest of the Group.

The Directors have prepared financial forecasts for the Company, comprising profit before and after taxation, balance sheets and cash flows through to 31 March 2024.

For the purpose of assessing the appropriateness of the preparation of the Company's accounts on a going concern basis, two financial forecast scenarios have been prepared:

- A base case which assumes flying restarts in July 2021 with a gradual ramp up of flying operations for the Summer 21 season, initially running at reduced average load factors; and

- Due to the continuing uncertainty of how Government imposed travel restrictions will evolve, a downside scenario was modelled to assess the liquidity position of the Group in an extended "no fly" period through to 1 April 2022, followed by a rapid ramp up to a full flying programme in Summer 2022 thereafter.

The forecasts consider the current cash position, the availability of banking facilities and an assessment of the principal areas of risk and uncertainty as detailed on page 3, paying particular attention to the impact of Covid-19.

In addition to forecasting the cost base of the Group, both scenarios incorporated full use of the UK Government's Coronavirus Job Retention Scheme up until its current conclusion on 30 September 2021 and assume that the Group's £200m Covid Corporate Financing Facility ("CCFF") is repaid on maturity in March 2022.

The Directors have also considered the liquidity actions taken by the Group since 31 March 2021 being the signing of a new unsecured £150.0m term loan maturing in September 2023 and the issuance of a convertible bond of £387.4m maturing in June 2026; plus the availability of banking facilities and their associated revised covenant measurements.

The Directors concluded that given the combination of a closing Group cash balance of £1,379.0m at 31 March 2021, together with the additional actions taken to increase liquidity since the year end and the forecast monthly cash utilisation, that under both the base and downside scenarios, the Group, and therefore the Company, would have sufficient liquidity throughout a period of 12 months from the date of approval of the financial statements. In addition, the Group is forecast to meet its revised banking covenants at 30 September 2021 and 31 March 2022 under both scenarios.

As a result, the Directors have a reasonable expectation that the Group as a whole, and therefore the Company, has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date, and differences arising are recognised in the Profit and Loss Account in the period in which they arise. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are held at the exchange rate at the date of the transaction.

Taxation

Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation is recognised in the Profit and Loss Account or the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case the taxation is recognised in equity. Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxation payable in respect of previous years.

Deferred taxation is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the asset can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

Property, plant & equipment (including Right-of-use assets)

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is calculated to write the cost of property, plant and equipment down to each asset's estimated residual value using the straight-line method over its estimated useful economic life, or the estimated useful economic life as follows:

Plant, vehicles and equipment	3 - 7 years

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of their useful life or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

Financial instruments

Financial instruments are recognised initially at fair value, normally the transaction price.

The Company classifies its financial assets as measured at amortised cost or fair value through profit and loss. Assets categorised as fair value through profit and loss as at 31 March 2021 are, by concession, deferred via the Statement of Other Comprehensive Income since the movements relate to the effective portion of the cashflow hedge.

The classification of each financial asset is based on whether the business model of the Company is to hold assets to collect contractual cash flows or to benefit from changes in the fair value of assets.

Financial liabilities are classified as measured at amortised cost or fair value through profit and loss.

Trade and other receivables and payables

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost based on the applicable effective interest rate.

Trade payables, and contract payables, are recognised at fair value and subsequently measured at amortised cost based on the applicable interest rate.

Credit risk

Expected credit losses are recognised as a loss allowance, effectively an impairment of the value of the financial asset. The carrying value presented in the financial statements are net of loss allowances.

The Company has two types of financial asset that are subject to the credit loss model: trade receivables and cash and cash equivalents.

2. ACCOUNTING POLICIES (continued)

Credit risk (continued)

The Company makes an assessment to determine whether financial assets are impaired. Credit-impaired receivables would include overdue receivables six months or more past the due date, or receivables where the counterparty's solvency indicates that the Company has no reasonable expectation of recovery. In the latter case, the receivables are written off; in the former case, the expected cash flows are discounted and the difference between the discounted expected cash flows and the face value of the receivable is recognised as a loss allowance, in the form of a provision against doubtful debts.

The Company calculates expected credit losses for its trade receivables using the simplified approach permitted by IFRS 9 – *Financial Instruments*, applicable where the transaction contains no significant financing element. Under the simplified approach, expected lifetime credit losses are recognised.

The Company's policy is to place funds with deposit takers with a long-term credit-rating no lower than A-/A3 and a short-term credit rating no lower than A-2, F2, P2. In the event of the credit ratings for the deposit taker being inconsistent between agencies, the lowest credit rating is taken in making this assessment. Where a rating outlook is negative, the rating is deemed to be one notch lower. As a result, expected credit losses on cash and money market deposits are considered low. However, where a deposit taker is considered to be at risk of default, the expected future cash flows are discounted and the difference from the expected cash inflows recognised as a loss allowance.

Leased Assets

The Company considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Company has the right to direct the use of the identified asset throughout the period of use.

2. ACCOUNTING POLICIES (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

As permitted, the Company has elected not to apply the requirements of IFRS 16 for either short-term leases or leases of low-value assets. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents includes short-term deposits maturing within three months of placement.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Such estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is changed and in future periods if applicable.

Key sources of estimation uncertainty

The Directors have assessed that there are no key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. REVENUE

Revenue arises from the provision of leisure travel services to group undertakings and from commission earned on excursions provided to the customers of group undertakings. Revenue is recognised in the period in which services are provided and the performance obligations are satisfied.

5. NET OPERATING EXPENSES

	2021 £000	2020 £000
Staff costs (Note 7)	**2,788**	12,516
Depreciation of property, plant and equipment (Note 9)	**112**	113
Depreciation of right-of-use assets (Note 10)	**9**	9
Other operating charges	**233**	685
	3,142	13,323

6. NET FINANCE (INCOME) / EXPENSE

	2021 £000	2020 £000
Interest payable	**4**	30
Foreign exchange gains	**(44)**	(27)
	(40)	3

7. STAFF COSTS

	2021 £000	2020 £000
Wages and salaries	**1,780**	9,797
Social security costs	**1,008**	2,719
	2,788	12,516

	2021 No.	2020 No.
Average number of employees during the year including Directors:		
Operations	**222**	378
Administration	**39**	41
	261	419

During the year Philip Meeson, Stephen Heapy and Gary Brown were paid by the Company's ultimate Parent Company ***Jet2 plc***. Details of their remuneration are disclosed in the accounts of that company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. TAXATION

	2021 £000	2020 £000
Current taxation:		
UK corporation taxation based upon the profits or losses for the year		
- current year	**28**	248
- prior year	**(1)**	19
	27	267
Deferred taxation:		
Origination and reversal of timing differences:		
- current year	**(14)**	(11)
- prior year	**5**	9
	(9)	(2)
Total taxation charge for the year	**18**	265

The Finance Bill published on 11 March 2021 detailed a proposed increase in the rate of corporation tax from 19% to 25% from 1 April 2023. As this legislation was not substantively enacted at 31 March 2021, the Company has provided for deferred tax at 19% (2020: 19%).

The current taxation assessed for the year was higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Profit before taxation	**40**	926
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**8**	176
Corporation tax rates differences	**6**	59
Difference between current and deferred tax rates	**-**	2
Changes in estimates relating to prior years	**4**	28
Total taxation charge for the year	**18**	265

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. PROPERTY, PLANT AND EQUIPMENT

	Plant, vehicles and equipment £000
Cost:	
As at 31 March 2020	476
Additions	-
At 31 March 2021	**476**
Depreciation:	
As at 31 March 2020	(161)
Charge for the year	(112)
At 31 March 2021	**(273)**
Net book value at 31 March 2021	**203**
Net book value at 31 March 2020	315

10. RIGHT-OF-USE ASSETS

	Plant, vehicles and equipment £000
Cost:	
As at 31 March 2020	42
Additions	-
At 31 March 2021	**42**
Depreciation:	
As at 31 March 2020	(10)
Charge for the year	(9)
At 31 March 2021	**(19)**
Net book value at 31 March 2021	**23**
Net book value at 31 March 2020	32

11. DEBTORS

	2021 £000	2020 £000
Other debtors and prepayments	-	8
VAT recoverable	2	12
Amounts due from Group undertakings	5,339	7,371
	5,341	7,391

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. CREDITORS

	2021 £000	2020 £000
Corporation tax	28	71
Lease liabilities	8	9
Other creditors and accruals	202	2,047
Amounts due to Group undertakings	5,885	10,201
	6,123	12,328

13. LEASE LIABILITIES

Lease liabilities are repayable as follows:

	2021 £000	2020 £000
Within one year	8	9
Between one and two years	8	8
Between two and five years	6	15
Over five years	-	-
	22	32

14. DEFERRED TAXATION

Deferred taxation arising from:

	Total £000
Opening at 1 April 2020	(4)
Credit to profit and loss account	
- Current year	9
- Prior year	-
Closing at 31 March 2021	5

	2021 £000	2020 £000
Deferred taxation asset / (liability) breakdown:		
Short-term timing differences	-	4
Accelerated capital gains / (allowances)	5	(8)
	5	(4)

There are no unrecognised deferred taxation balances at 31 March 2021 (2020: £nil).

The Finance Bill published on 11 March 2021 detailed a proposed increase in the rate of corporation tax from 19% to 25% from 1 April 2023. As this was not substantively enacted at 31 March 2021, the Company has provided at rates based on tax legislation in force at the financial year end. The Company estimates that this proposed rate change would increase its deferred taxation asset by £1,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. SHARE CAPITAL

	2021 £000	2020 £000
Allotted, called up and fully paid		
1 ordinary share of £1 each	-	-

16. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption granted by paragraph 8(k) of FRS 101, not to disclose transactions and balances with other ***Jet2 plc*** entities that are wholly owned by a member of the Group.

17. ULTIMATE PARENT UNDERTAKING

The parent of the smallest and largest group of undertakings for which consolidated accounts are drawn up, and of which the Company is a member, is ***Jet2 plc***. ***Jet2 plc*** is registered in England and Wales and copies of its accounts can be obtained from Low Fare Finder House, Leeds Bradford Airport, Leeds, West Yorkshire, LS19 7TU.

18. POST BALANCE SHEET EVENTS

On 31 May 2021, ***Jet2 plc*** signed a new unsecured £150.0m term loan maturing in September 2023, as further liquidity to enhance its balance sheet capability and flexibility.

In addition, on 3 June 2021, ***Jet2 plc*** announced the successful issuance of £387.4m of senior unsecured Convertible Bonds due in 2026, carrying a coupon of 1.625% per annum. The bonds will be convertible into new and/or existing ordinary shares of ***Jet2 plc*** if the initial conversion price set at £18.06, representing a premium of 40% above the reference share price of £12.90, is exceeded prior to June 2026.

The proceeds of the bond issuance will be used to strengthen the Group's liquidity further and position both the Group as a whole, and the Company, for a strong recovery as lockdown restrictions are lifted.