Jet2 plc

Annual Report

For the year ended 31 March 2021

Registered no. 01295221

Jet2 plc ("the Group") is the home of:

- ***Jet2holidays*** **–** the UK's leading operator of ATOL protected package holidays to destinations across the Mediterranean, Canary Islands and European Leisure Cities; and

- ***Jet2.com*** **–** our award-winning leisure airline.

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STRATEGIC REPORT

OUR CHAIRMAN'S STATEMENT

When the financial year began, very few people could have foreseen the prolonged impact of the Covid-19 pandemic. Having delivered record financial results for the financial year ended 31 March 2020 and with strong advance booking momentum ahead of Summer 2020, plus a healthy 'Own Cash' (excluding advance customer deposits) position, our UK Leisure Travel Business – which encompasses ***Jet2holidays***, our acclaimed ATOL licensed package holidays operator and ***Jet2.com***, our award-winning airline – was well placed to deliver another year of strong performance.

However, in what has proven to be a period of unparalleled operational and financial challenges, the pandemic has had an unprecedented impact on ***Jet2 plc*** and the Leisure Travel industry as a whole.

Extensive restrictions on international travel imposed by the UK Government, meant our aircraft fleet was fully grounded for approximately 29 weeks of the financial year and operated with a significantly reduced programme when flying was permitted. Consequently, ***Jet2.com*** flew a total of 1.32m single sector passengers, a decrease of 91% (2020: 14.62m). ***Jet2holidays*** package holiday customers represented 58% (2020: 52%) of the overall mix of flown passengers at 0.37m customers (2020: 3.77m), a decrease of 90%. The passenger volume reduction contributed directly to a decrease in revenue of 89% to £395.4m (2020: £3,584.7m) and consequently a **loss before FX revaluation and taxation from continuing operations** of £373.8m† (2020: pre-exceptional profit before FX revaluation and taxation from continuing operations of £264.2m†).

After accounting for net FX revaluation gains of £3.9m and profits of £28.6m from two months' trading and the subsequent sale of **Fowler Welch**, our non-core Distribution & Logistics business, total **loss before taxation including discontinued operations was £341.3m**† (2020: pre-exceptional profit before taxation of £261.6m†).

Basic earnings per share from total operations decreased to (151.2p) (2020: 77.9p). In consideration of the ongoing impact of Covid-19, the Board does not recommend the payment of a final dividend (2020: 0.0p per share), resulting in a total dividend for the year of 0.0p per share (2020: 3.0p).

Strategy

"We take people on holiday!"

Jet2holidays is the UK's largest package holiday operator to many Mediterranean and Canary Islands leisure destinations and ***Jet2.com*** is the UK's 3rd largest airline by number of passengers flown. Our *"Customer First"* strategy has remained consistent and is what has driven ***Jet2***'s continuing success. The delivery of great service is at the core of ***Jet2holidays*** and ***Jet2.com*** brand values as we recognise that, whether taking end-to-end ***Real Package Holidays from Jet2holidays®***, or a holiday flight with ***Jet2.com***, the delivery of an attractive and memorable holiday experience engenders loyalty and repeat bookings.

† Further information on the calculation of this measure can be found in Note 5.

On 11 November 2020, we were very pleased to announce our tenth UK operating base at Bristol Airport, from which we successfully commenced flying operations on 2 July 2021, with the required aircraft and crews primarily sourced from our existing fleet and colleagues. This means that holidaymakers in the South West can now look forward to something they have not experienced before - our award-winning customer service and their ***Real Package Holidays from Jet2holidays®***.

The combined power of our proposition, product and people is what will fuel our ongoing success, as we constantly seek to improve our Customers' holiday choice, experience and enjoyment, giving us the greatest opportunity to retain and attract new customers – the key to continuing profitable growth!

Our long-term ambition therefore remains – **To become the UK's Leading and Best Leisure Travel Business.**

2021 Key Performance Highlights

Liquidity

At 1 April 2020, the Group had a strong and carefully managed balance sheet with an 'Own Cash' balance of £520.4m and a total cash balance of £1,387.5m.

As a result of the impact of Covid-19, our 'Own Cash' balance and its careful preservation became a top priority. The Board adapted quickly to the challenges by taking considered but decisive actions to minimise losses and reduce cash burn. We reduced operating costs and discretionary spending and cancelled or deferred future additional aircraft deliveries.

In addition, ***Jet2 plc***'s strong financial foundations and previously positive long-term operational and financial performance, has enabled rapid access to £1.6bn of additional funding since the outset of Covid-19.

This liquidity has been raised from a diversified range of funding sources including: the utilisation of our £65m Revolving Credit Facility; the drawing down of the Bank of England's Covid Corporate Financing Facility ("CCFF") of £199m; the financing of unencumbered owned mid-life aircraft for £102m; the sale of **Fowler Welch**, our non-core Distribution & Logistics business, for gross proceeds of £99m; plus two oversubscribed equity placings raising gross proceeds of £594m, for which we are grateful to our Shareholders for their support.

Post the financial year end on 31 May 2021, ***Jet2 plc*** signed a new unsecured £150m term loan maturing in September 2023 with its supportive Banking group. In addition, on 3 June 2021, the Company announced the successful issuance of £387m of senior unsecured Convertible Bonds due in 2026 carrying a coupon of 1.625%, the offering for which was heavily oversubscribed. The proceeds of the issuance of the bonds will be used to strengthen ***Jet2 plc***'s liquidity further and position the Company for a strong recovery as lockdown restrictions are lifted, through fleet growth and fleet renewal opportunities.

Customers

We relish the trust our Customers place in us to give them a fantastic holiday experience and, notwithstanding the pandemic, our *"Customer First"* strategy has remained consistent. We have taken great pride in refunding our Customers promptly when their holidays or flights have unfortunately had to be cancelled, although many have opted to reschedule their bookings. **The Group have processed over £1.4bn in refunds since the pandemic began,** with our now virtual contact centre, ably supported by our social media and customer service teams, working tirelessly in this regard. We were duly recognised by both the UK Civil Aviation Authority, as the only UK airline to have been consistently processing cash refunds quickly, and *Which?* who said that, *"Jet2 processed refunds without quibble when requested by customers"*.

More recently, *Which?* assessed the flexible booking policies of more than 80 holiday companies to see how well they look after their customers if lockdowns or quarantine restrictions affect their plans and described us as 'rated highly'. Additionally, they list ***Jet2holidays*** as the highest-rated *Which?* Recommended Provider, which is why we continue to be awarded that prestigious accolade.

We know that there is enormous pent-up demand for our holiday flights and ATOL protected package holidays and that customers want nothing more than to get away on one of the most important family experiences of the year. We also know that in times of uncertainty **customers look to operators they can trust and who offer them the best value for money**.

As a result of our unwavering focus to do what is right for our Customers, we are confident that once normality returns, they will be even more determined to enjoy the wonderful experience of a well-deserved Jet2 holiday. We remain completely committed to doing our very best to ensure that when the time comes, each of our customers ***"has a lovely holiday"*** that can be both eagerly anticipated and fondly remembered, supported by our core principles of being family friendly, offering value for money and giving a truly VIP customer service.

Colleagues

Our Leisure Travel business has its foundations firmly rooted in providing truly memorable holiday experiences for our Customers. Whether in the UK or Overseas, our colleagues' ability to excel in their roles whilst continuously displaying our Company's ***'Take Me There'*** values (***Be Present; Create Memories; Take Responsibility;*** and ***Work As One Team***), is of paramount importance. This *"Customer First"* approach has enabled us to attain many awards over the years which recognise our outstanding customer service. And, whilst the past year has seen a very different focus for our colleagues due to the unexpected and prolonged impact of Covid-19, we will always consider them our most valuable asset.

Though many colleagues have regrettably not been actively required to work this year, many others have worked tirelessly throughout these difficult times. We are very proud of the way in which our Contact Centre and Customer Service teams have dealt with the huge number of cancellations forced upon the business and also how quickly and positively our support offices colleagues transitioned to a home working model - the efficiency and engagement levels have been extremely positive.

For Summer 2020, we had planned for growth which was underpinned by strong advance bookings. Unfortunately, as a result of Covid-19, things did not continue as planned and consequently, we had to take some very difficult decisions as we right sized for a significantly impaired Summer 2020 flying programme and a cautious approach to flying for Summer 2021. Sadly, this meant it was necessary to make 546 valued colleagues redundant from across our business.

The Board's aim throughout the pandemic has been to support our colleagues as fully as possible, ensuring that we communicate with them regularly and reassure them appropriately, protecting as many jobs as possible whilst understanding the anxieties and concerns faced by them. Though we have been hugely appreciative of the UK Government's Coronavirus Job Retention Scheme ("CJRS"), the Board also implemented a generous bespoke salary plan which saw the Company "top up" the CJRS funding to provide further financial support for our loyal colleagues to enable them to cope through these difficult times.

I would therefore like to take this opportunity to sincerely thank all our colleagues for continuing to ***Work As One Team*** and being dedicated to our business and our Customers throughout these unprecedented times.

And, despite the ongoing immediate challenges, I am confident that once normality returns we will have colleagues who are engaged and committed to carry on delivering the outstanding *"Customer First"* service that means so much to our Customers, and which has contributed immeasurably to our long-term success.

The Board

The Board recognises that it is responsible for the long-term success of the Group and is accountable to shareholders for its proper management. The Board's composition is regularly reviewed to ensure that it maintains the appropriate balance of skill set, background and experience, to enable it to oversee the execution of the Group's strategy.

As a result, and following a rigorous search process, we were delighted to welcome Robin Terrell to the Board on 14 April 2020 as an independent non-executive director. Robin brings extensive experience in leading online and retail businesses and has very relevant financial knowledge given his qualification as a chartered accountant and his recent position as Chair of the Audit Committee of William Hill plc.

Additionally, following the sale of our Distribution & Logistics business, in September 2020, the Company changed its name to ***Jet2 plc***, reflecting the continued focus on its longer-term strategy of growing its leisure travel business. We were delighted to announce the appointment of Stephen Heapy (Chief Executive Officer of ***Jet2.com*** and ***Jet2holidays***) to Chief Executive Officer of ***Jet2 plc***. We are also very fortunate to be extremely well supported by our Group Chief Financial Officer, Gary Brown. I remain the Executive Chairman.

Culture and Stakeholders

The Board and senior management team remain focused on generating long-term shareholder value by making decisions that ensure the foundations of the business remain strong and sustainable in an ever-changing marketplace.

We recognise the importance of strong relationships with our many stakeholders in helping to realise our growth plans. For example, for many years we have held an annual supplier conference where we have focused on how we, and our supplier partners, can work together effectively to build mutually beneficial long-term relationships. This cooperative spirit enabled us to have positive discussions to reduce monthly outgoings or restructure contracts during the early stages of the pandemic.

Despite the pandemic, we recognise that paying our suppliers, including of course our hotel partners, on time and in full is vital for their financial well-being. Under the 'Duty to report on payment practices and performance' legislation, the average time taken to pay supplier invoices during the year was 34.0 days (2020: 25.3 days). We continue to take pride in supporting all our suppliers through our industry leading payment record.

We engage with our shareholders and institutional investors regularly including at results presentations, individual investor meetings and at the Annual General Meeting. We were pleased to gain overwhelming support and participation for both our equity placings, and the engagement with shareholders that we undertook meant that we could explain the Board's position and answer any questions they had. These equity fund raisings have played a vital role in ensuring we remain a successful and sustainable company in the future.

The Executive Directors and certain senior managers within the organisation regularly engage with senior members of the UK Government and regulatory bodies. Contact this past year has very much focused on the extensive travel restrictions imposed as a result of the pandemic and trying to ensure that restrictions are proportionate and risk-based. Additionally, the Chief Executive Officer engages with governments and business and tourism bodies in all our destination countries, at both a national and regional level.

Finally, we continue to place particular emphasis on our corporate culture to help achieve our goals, as epitomised by our ***'Take Me There'*** brand values. We were delighted that the rules of the CJRS allowed us to continue providing ***'Take Me There'*** training even whilst colleagues were not required to work, which enabled us to keep these values and the passion for our brand alive - the active fulfilment of these values has been essential to our accomplishments to date and will remain integral to our future success.

Sustainability

The Group takes its environmental obligations seriously. ***Jet2 plc*** endeavours to operate in the most efficient and environmentally responsible way possible, minimising both emissions and carbon intensity (emissions per unit of product delivered). We believe that efficient operations also help to minimise our environmental impact on noise and air quality pollutants.

It is our intention to launch our Sustainability Strategy in September this year and we are putting in place stretching but pragmatic targets which will have meaningful positive impacts, starting the journey towards our Net Zero 2050 pledge and ensuring our Customers can enjoy ***Real Package Holidays from Jet2holidays®*** or scheduled holiday flights with ***Jet2.com*** that are increasingly more environmentally sustainable.

Outlook

Though the continuing successful rollout of vaccines in the UK and the momentum in Europe are encouraging, the first three months of the new financial year have seen little change in the significant challenges facing the Leisure Travel industry. The Government's Global Travel Task Force report in early April was disappointing as it lacked depth and detail, whilst the subsequent 'traffic light system' only served to confuse rather than clarify for consumers.

However, the recent announcements of an expanded 'green watch list' and the relaxing of restrictions for those who are double vaccinated to be able to travel to amber list destinations without having to quarantine on return, were a welcome step in the right direction, demonstrating that the UK Government is committed to reopening international travel.

That said, Group performance for the financial year ending 31 March 2022 is very much dependent on the level of flying permitted for the remainder of Summer 21 and performance in the second half of the financial year, periods for which we still have limited visibility. Unsurprisingly given the continuing short-term uncertainty, customers are booking significantly closer to departure for Summer 21; and, although bookings to date for Winter 21/22 are satisfactory, they have slowed more recently given the ongoing speculation around international travel.

Bookings for Summer 22, for which package holiday bookings are displaying a materially higher mix of the total, are encouraging and with the vaccination progress being made, we are optimistic that Summer 22 will be a considerable improvement on both Summer 20 and Summer 21.

We believe opportunities for financially strong, resilient and trusted operators will only increase as restrictions are lifted. Given the significant actions we have taken to carefully protect our cash balance and to improve our available liquidity and with our Own Cash balance as at 4 July 2021 of £1,460m, we are well placed to respond swiftly as the remaining UK Government travel restrictions are finally relaxed and customer confidence recovers.

We are confident that once normality returns, our Customers will be determined to enjoy the wonderful experience of a well-deserved Jet2 holiday and that ***Jet2.com*** and ***Jet2holidays*** will continue to have a thriving future, taking millions of UK holidaymakers annually, to the Mediterranean, the Canary Islands and to European Leisure Cities and that ***Jet2 plc*** will emerge from this crisis an even stronger company.

Philip Meeson
Executive Chairman
26 July 2021

BUSINESS & FINANCIAL REVIEW

The Group's financial performance for the year ended 31 March 2021 is reported in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Summary Income Statement	**2021 £m**	2020 £m	*Change*
Revenue	**395.4**	3,584.7	*(89%)*
Net operating expenses	**(731.5)**	(3,291.7)	*78%*
Exceptional item - hedge ineffectiveness	**-**	(108.4)	*100%*
Operating (loss) / profit	**(336.1)**	184.6	*(282%)*
Net financing expense (excluding Net FX revaluation gains / (losses))	**(38.5)**	(29.5)	*(31%)*
Profit on disposal of property, plant and equipment	**0.8**	0.7	*14%*
(Loss) / profit before FX revaluation and taxation	**(373.8)**	155.8	*(340%)*
Net FX revaluation gains / (losses)	**3.9**	(8.1)	*148%*
(Loss) / profit before taxation from continuing operations	**(369.9)**	147.7	*(350%)*
Profit before taxation from discontinued operating activities	**2.1**	5.5	*(62%)*
Profit on disposal of discontinued operations	**26.5**	-	*100%*
(Loss) / profit before taxation	**(341.3)**	153.2	*(323%)*
Net financing expense (including Net FX revaluation gains / (losses))	**34.6**	37.6	*8%*
Depreciation	**163.7**	204.5	*20%*
Exceptional item - hedge ineffectiveness	**-**	108.4	*100%*
Pre-exceptional EBITDA from continuing operations*	**(171.6)**	498.2	*(134%)*

** Pre-exceptional EBITDA is included as an alternative performance measure in order to aid users in understanding the underlying operating performance of the Group.* Further information can be found in Note 5.

Customer Demand & Revenue

The extensive restrictions imposed on international travel by the UK Government in response to Covid-19 have had a devastating effect on air travel generally, with no flying operations for large parts of the financial year resulting in the Group's financial performance being severely impacted.

After grounding our aircraft fleet in mid-March 2020, we were pleased to be able to resume operations on 15 July 2020 after travel restrictions were lifted for an approved list of countries, enabling us to provide as many of our Customers as possible with their well-deserved and eagerly anticipated ***Real Package Holidays™***.

The rapid reimposition of travel restrictions for Mainland Spain, the Canary Islands and the Balearics in late July, saw us successfully re-focus our flying programme to Eastern Mediterranean destinations, supported by our quick to market, flexible operating model. And, despite the many subsequent changes in UK Government guidance, ***Jet2.com*** continued to demonstrate its operational flexibility, constantly amending its flying programme to concentrate on those destinations which generated a positive financial contribution. We retain that flexibility to react quickly as travel restrictions ease over the coming months.

As we entered the Winter 20 season in November, the flying operation was impaired by further UK lockdowns and, subsequently, from 28 December 2020 to the end of the financial year, no flying was conducted as the UK as a whole entered a third national lockdown and the UK Government deemed international travel illegal.

These extensive and prolonged restrictions meant that ***Jet2.com*** flew a total of 1.32m (2020: 14.62m) single sector passengers during the financial year, a decrease of 91%. Customers choosing our end-to-end package holiday products decreased by 90% to 0.37m (2020: 3.77m), with package holiday customers representing 58% of overall flown passengers (2020: 52%). The uncertainty created by the numerous changes in travel restrictions resulted in an average load factor of 66.0% compared to the prior year of 92.2%.

Average flight-only ticket yield per passenger sector at £95.24 (2020: £85.59) was 11% higher than the prior year, primarily due to the increased mix of Eastern Mediterranean destinations. Conversely, the average price of a ***Jet2holidays*** package holiday decreased by 2% to £676 (2020: £687), reflecting the many special offers received from hoteliers and passed onto our Customers in pricing.

Non-Ticket Retail Revenue per passenger sector grew by 17% to £29.10 (2020: £24.91) as a result of the mix of longer flights to the Eastern Mediterranean, increased take-up of extra leg room and advanced seat assignment, plus the provision of our successful in-flight retail service, a product which our customers have come to expect and enjoy.

As a result, overall Group Revenue decreased by 89% to £395.4m (2020: £3,584.7m).

Net Operating Expenses

At the start of the pandemic the business undertook considered but swift action, putting mitigation measures in place to remove cost and reduce associated cash burn, which included: approximately 80% of our UK colleagues initially being put on temporary leave of absence ('furloughed') which made full use of the grants available under the UK Government's Coronavirus Job Retention Scheme ("CJRS"), with similar schemes also in place for many of our overseas colleagues; the cancellation or deferral of future additional aircraft deliveries; deferral of non-critical capital expenditure; and the freezing of recruitment and discretionary spending. In addition, we also had positive discussions with many suppliers to reduce our monthly outgoings. Despite the CJRS totalling £97.9m in the year, our monthly salary bill remained a substantial proportion of our overall costs and therefore, we asked all colleagues (including, of course, Directors) to take an ongoing pay cut. Additionally, performance related bonuses earned for the financial year ended 31 March 2020, plus the Discretionary Colleague Profit Share Scheme, were not paid.

Though lower levels of flying activity resulted in reduced operational variable costs, certain fixed costs were carried at lower than normal productivity levels, as the business was right sized ahead of its proposed Summer 2021 flying programme.

As a result, net operating expenses reduced by 78% to £731.5m (2020: £3,291.7m).

Operating (Loss) / Profit

Overall Group operating loss for the year was £336.1m (2020: pre-exceptional operating profit of £293.0m).

Net Financing Expense

Net financing expense of £34.6m (2020: £37.6m) is stated after finance income of £2.0m (2020: £14.5m), the year-on-year decrease a result of reduced interest rates. Interest payable of £40.5m (2020: £44.0m) predominantly related to structured aircraft finance and IFRS 16 lease interest expense.

In addition, net FX revaluation gains of £3.9m (2020: £8.1m loss) resulted from the year end revaluation of foreign currency denominated monetary balances along with FX movements from the crystallisation of prior year ineffective derivatives and current year ineffective currency derivatives.

Discontinued Operations

On 31 May 2020, the Group sold its non-core Distribution & Logistics operating business, **Fowler Welch** which was previously classified as held-for-sale and as a discontinued operation having satisfied the conditions under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The related profit after taxation for the two month period from discontinued operating activities was £1.8m (2020: £4.4m for the twelve month period).

In addition, a profit of £26.5m (2020: nil) was generated on disposal of these discontinued operations, for which the Group did not incur a corporation tax charge.

Statutory Loss for the Year

As a result, the Group made **a statutory loss before taxation from continuing operations of £369.9m** (2020: pre-exceptional statutory profit before taxation of £256.1m).

Taxation

The Group recorded a tax credit of £70.4m compared to an expense of £36.1m in 2020. The Group's effective tax rate of 19% (2020: 24%) was in line with the 19% headline rate of corporation tax. 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. However, as this legislation was not substantively enacted at 31 March 2021, the Group has provided for deferred tax at 19% (2020: 19%).

Statutory Net Loss for the year and Earnings Per Share

The Group made a statutory loss after taxation from continuing operations of £299.5m and basic earnings per share decreased to (166.9p).

Other Comprehensive Income and Expense

The Group had other comprehensive income of £20.5m (2020: £44.9m expense); the change compared to the prior year is primarily due to the transfer to the Consolidated Income Statement of prior year cashflow hedge losses on out-of-the-money fuel derivatives.

Cash Flows and Financial Position

Over the last twelve months, the Group has successfully undertaken major cost reduction and cost avoidance measures, alongside maintaining a balance sheet with significant liquidity and managing cash burn to minimum levels.

The following table sets out condensed cash flow data and the Group's cash and cash equivalents:

Summary of Cash Flows	2021 £m	2020 £m	*Change*
EBITDA from continuing operations	**(171.6)**	498.2	*(134%)*
EBITDA from discontinued operating activities	**4.7**	20.9	*(78%)*
Other Income Statement adjustments	**(2.1)**	(0.4)	*(425%)*
Operating cash flows before movement in working capital	**(169.0)**	518.7	*(133%)*
Movements in working capital	**(556.7)**	(21.5)	*(2,489%)*
Payment on settlement of derivatives	**(101.6)**	-	*(100%)*
Interest and taxes	**(7.5)**	(54.1)	*86%*
Net cash (used in) / generated from operating activities	**(834.8)**	443.1	*(288%)*
Purchase of intangibles	**-**	(26.8)	*100%*
Purchase of property, plant and equipment	**(37.4)**	(211.3)	*82%*
Movement on borrowings	**286.2**	27.0	*960%*
Movement on lease liabilities	**(69.2)**	(99.7)	*31%*
Proceeds on issue of shares	**580.4**	0.1	*100%*
Proceeds from sale of discontinued operations (net of cash disposed)	**76.0**	-	*100%*
Other items	**(22.4)**	(6.5)	*(245%)*
Net (decrease) / increase in cash and money market deposits [(a)]	**(21.2)**	125.9	*(117%)*

(a) Cash flows are reported including the movement on money market deposits (cash deposits with maturity of more than three months from point of placement) to give readers an understanding of total cash generation. The Consolidated Cash Flow Statement reports net cash flow excluding these movements.

Net Cash (Used in) / Generated From Operating Activities

Operating losses from continuing operations of £336.1m (2020: £184.6m profit), primarily offset by depreciation of £166.1m (2020: £218.7m) and exceptional hedge ineffectiveness of £nil (2020: £108.4m), resulted in an operating cash outflow of £169.0m (2020: £518.7m inflow).

In addition, movements in working capital, including settlement of derivatives recorded as ineffective in the previous year, resulted in further cash outflows of £658.3m (2020: £21.5m), primarily due to the business holding lower customer cash receipts as a result of reduced forward bookings, whilst additional cash was expended to refund customers for cancelled flights or holidays. Overall, the Group absorbed £834.8m of cash in its operating activities (2020: £443.1m cash generated).

Net Cash Generated From / (Used In) Investing Activities

Total capital expenditure of £37.4m (2020: £211.3m) related to business critical expenditure including continued investment in the long-term maintenance of our existing aircraft fleet and the acquisition of an A321 flight simulator following the addition of our first Airbus aircraft to the fleet. In addition, the Group sold its non-core Distribution & Logistics business for gross cash consideration of £99.5m.

Net Cash Generated From / (Used In) Financing Activities

In response to Covid-19, the Group negotiated payment deferrals with certain of its aircraft financiers resulting in a reduction in capital repayments to £14.9m (2020: £38.0m) on aircraft loans. Additionally, financing agreements were completed on twelve unencumbered owned mid-life Boeing 737-800NG aircraft resulting in cash inflows of £102.4m (2020: £nil) whilst repayments of £69.2m (2020: £99.7m) were made on existing aircraft and property leases.

The liquidity position was further strengthened as two oversubscribed equity share placings were completed in May 2020 and February 2021 raising combined net proceeds of £580.4m. Additionally, in March 2021, ***Jet2 plc*** was re-confirmed as an eligible issuer for the UK Government's Covid Corporate Financing Facility ("CCFF") and fully drew down this funding of £198.7m (2020: £nil). This short-term facility matures in March 2022.

Other items totalling an outflow of £22.4m (2020: £6.5m) are primarily driven by the effect of foreign exchange rate changes on the Group's cash balances.

Overall, this resulted in a net cash outflow from total operations of £21.2m (2020: £125.9m inflow) and a year end gross cash position of £1,379.0m (2020: £1,387.5m). Net cash, stated after borrowings and lease liabilities decreased by 74% to £60.7m (2020: £229.1m).

At the reporting date, the Group had received payments in advance of travel from its Leisure Travel customers amounting to £317.3m (2020: £867.1m), and had increased its 'Own Cash' balance by 104% to £1,061.7m (2020: £520.4m).

There were no (2020: £nil) cash restrictions from Merchant Acquirers and £8.3m (2020: £39.8m) was placed with counterparties in the form of margin calls to cover out-of-the-money hedge instruments and as collateral in respect of adverse currency movements on aircraft loans in comparison to their underlying asset value.

Summary Statement of Financial Position	**2021**	2020	
	£m	£m	*Change*
Non-current assets [a]	**1,326.3**	1,492.7	*(11%)*
Net current assets / (liabilities) [b]	**2.5**	(138.7)	*102%*
Cash and cash equivalents	**1,379.0**	1,387.5	*(1%)*
Deferred revenue	**(322.4)**	(745.2)	*57%*
Borrowings	**(756.2)**	(485.7)	*(56%)*
Lease liabilities	**(562.1)**	(672.7)	*16%*
Deferred taxation	**(36.7)**	(78.7)	*53%*
Derivative financial instruments	**(66.2)**	(191.5)	*65%*
Net assets held for sale	**-**	66.4	*(100%)*
Total shareholders' equity	**964.2**	634.1	*52%*

(a) Stated excluding derivative financial instruments.

(b) Stated excluding cash and cash equivalents, deferred revenue, borrowings, lease liabilities and derivative financial instruments.

Total shareholders' equity increased by £330.1m (2020: £56.2m) primarily comprising the net proceeds of share placings of £580.4m offsetting a loss after taxation of £271.2m, and a favourable movement of £23.9m (2020: £48.8m adverse) in the cash flow hedging and cost of hedging reserves, largely a result of the settlement of prior year out-of-the-money jet fuel forward contracts and less volatility in commodity prices at the current year end.

Events Subsequent to 31 March 2021

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 the Company 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 ***Jet2 plc***'s liquidity further and position the Company for a strong recovery as lockdown restrictions are lifted, through fleet growth and fleet renewal opportunities.

These transactions, together, further improve the ability for ***Jet2.com*** and ***Jet2holidays*** to capitalise on any upturn opportunities as the international travel market re-opens.

We will continue to take every step necessary to preserve cash and enhance liquidity to ensure both ***Jet2.com*** and ***Jet2holidays*** are equipped to deal with this most challenging of trading environments and also best positioned for a full return to operations in a stable financial position, to the benefit of all stakeholders.

Gary Brown
Group Chief Financial Officer
26 July 2021

Leisure Travel Key Performance Indicators	**2021**	2020	*Change*
Number of routes operated during the year	**224**	355	*(37%)*
Leisure Travel sector seats available (capacity)	**2.00m**	15.85m	*(87%)*
Leisure Travel passenger sectors flown	**1.32m**	14.62m	*(91%)*
Leisure Travel load factor	**66.0%**	92.2%	*(26.2 ppts)*
Flight-only passenger sectors flown	**0.56m**	7.06m	*(92%)*
Package holiday customers	**0.37m**	3.77m	*(90%)*
Flight-only ticket yield per passenger sector (excl. taxes)	**£95.24**	£85.59	*11%*
Average package holiday price	**£676**	£687	*(2%)*
Non-ticket revenue per passenger sector	**£29.10**	£24.91	*17%*
Average hedged price of fuel (per tonne)	**$483**	$629	*(23%)*
Advance sales made as at 31 March	**£1,162.4m**	£1,679.2m	*(31%)*

See Glossary of Terms on page 150 for further details.

RISK MANAGEMENT

The successful management of existing and emerging risks is critical to the Group achieving its strategic objectives and ensuring long-term sustainable profit growth. The Board is ultimately responsible for determining the nature and extent of the principal risks and uncertainties it is willing to accept in order to achieve those strategic objectives, and this section describes its approach to them. The list is not intended to be exhaustive and is likely to evolve over time due to the dynamic nature of the leisure travel industry.

All risks have been reviewed in light of the extensive financial and operational impact of the Covid-19 pandemic on the Group, and additional mitigations have been implemented where risks have changed or extended as a result. Following the end of the transition period for the UK to exit the EU on 31 December 2020 and resolution of associated uncertainties, the Group no longer perceives Brexit as a significant risk and as such has removed Brexit from its principal risks below.

Approach to Risk

The key features of the Group's systems of internal control are:

- an organisational structure with clear segregation of duties, control and authority;
- a Risk Management forum (comprising the Leisure Travel Operational Directors), the objectives of which are: to ensure that an effective risk management process is operating throughout the Leisure Travel organisation; and to be actively involved in identifying new emerging risks, as well as updating, assessing and managing those existing risks most significant to the long-term value of the organisation;
- a robust Safety Management System, supported by a "Just" reporting culture to ensure appropriate rigour regarding safe operation of our Leisure Travel activities, including legal and regulatory compliance and health and safety;
- a Business Continuity plan enabling the use of remote working and alternate premises if required;
- clearly defined financial reporting, business planning and forecasting processes and systems;
- an Internal Audit function providing independent assurance on key processes and controls;
- an IT Security and Compliance function that monitors and addresses relevant threats to the operation of our key IT systems and infrastructure; and
- a clear set of treasury policies, overseen by the Board, that manage the Group's cash and deposits and foreign exchange, jet fuel, carbon and interest rate commitments.

Principal Risks and Uncertainties

Risk Description	Potential Consequences	Mitigating Actions
Health, Safety and Security • The health, safety and security of our customers, our colleagues and our partners is a key priority.	• Injury/loss of life • Reduction in future revenue • Operational disruption	• Alongside the impact of Covid-19, our safety and security subject matter experts have continued to monitor other external trends that may impact the safe operation of our business; these include customer expectations, providing support for our suppliers, and monitoring and adapting to changes in the regulatory environment.

<table>
<tr><th>Risk Description</th><th>Potential Consequences</th><th>Mitigating Actions</th></tr>
<tr><td>Health, Safety and Security (continued)

• Failure to prevent or deal effectively with a major safety incident, including a security related threat.

• The Covid-19 pandemic has resulted in additional scrutiny regarding the manner in which we respond to the operational threat to our business, customers and colleagues.</td><td>• Significant cost increase

• Loss of customer trust

• Damage to brand reputation

• Increased risk of infection with Covid-19</td><td>• Our airline business operates a robust Safety Management System based upon a 'Just Culture', which provides an environment where all colleagues are encouraged to report and submit safety related information in a timely manner. This enables proactive assessment and mitigation of risk associated with our Airline operation, escalated via regular internal safety action groups and steering committees.

• Compliant and effective Safety Management System oversight is provided by the appropriate use of occurrence report investigations, flight data management, safety risk management, health and safety and aviation security inspections; together with compliance & assurance audits across our operations.

• All airline safety and security matters are managed by our Safety, Compliance and Security Group, which reports directly to the Accountable Manager (the Managing Director of Jet2.com Limited) and the Safety Review Board.

• The Safety Review Board meets quarterly, monitors trends and identifies any areas of safety risk that require closer attention, including those that arise from significant business events.

• Aviation Security is subject to significant UK and International regulations. Jet2.com have an experienced, dedicated Aviation Security team who hold Government Security Clearance. The Aviation Security team ensure compliance with all applicable regulations and have established a security specific risk register to monitor and control all current and emerging threats.

The Covid-19 pandemic has led to further enhancement of Jet2's strategic, tactical and operational risk management procedures for all parts of the business, both in the UK and overseas.

• A business wide quantitative risk assessment was developed in line with the requirements of the Coronavirus Act 2020 and a range of measures and process changes were implemented to mitigate risk. These measures included all employees to work from home where possible, increased and enhanced infection control procedures and the formation of a senior leadership team to manage the business impact.

• Our risk and safety experts developed reporting to track infection and vaccine rates across the UK and in all countries that we fly to, which helped to focus decision making on the flying programme.</td></tr>
</table>

Risk Description	Potential Consequences	Mitigating Actions
Health, Safety and Security (continued)		• ***Jet2holidays'*** Risk and Safety teams have developed a risk management framework that enables a consistent approach to the assessment, monitoring and control of risk throughout the customer journey, with supplier accommodation, in-resort transfers and excursions evaluated using a range of assessment tools to mitigate risk. • The assessment of health and safety risks in the hotels and accommodation that we feature, as well as the other holiday components we package, is part of our normal package holiday business routine, and is reflected in our processes and procedures. The emphasis for accountability is placed on the supplier and ***Jet2holidays*** uses risk assessment models to identify those suppliers who need additional support to comply with our risk and safety standards. • Our control systems include a team of subject matter experts, inter-departmental focus groups and the ***Jet2holidays*** Risk and Safety Committee, chaired by the Chief Executive Officer. The Committee meets monthly and reports on emerging risks and appropriate strategies to mitigate or control those risks. • Compliance with ***Jet2holidays'*** risk and safety standards are measured in a number of ways, including physical audits, remote evidence-based verification and inspections and reviews of documentation and certification. In response to the Covid-19 pandemic, the Group adjusted its approach towards remote auditing activities to ensure our high standards are maintained despite travel restrictions. Our Safety Management System was revised to make use of technology for auditing our suppliers, with evidence based remote auditing providing assurance that suppliers were compliant to our standards and also meeting their regulatory responsibilities for Covid-19 and all other safety related matters. As the pandemic has progressed, we have continued to adapt our toolkits and provide our colleagues with updated guidance and support. • Our risk strategy includes crisis and incident management, and we have made significant investment in facilities, technology, and training to ensure we are prepared and capable of responding. Our aim is to mitigate, prepare, respond and recover and this forms the basis of our emergency response plan. Additionally, we have a fully functioning emergency response centre where we can implement a formal command structure to manage a range of events from a terrorist incident to natural catastrophes.

Risk Description	Potential Consequences	Mitigating Actions
Health, Safety and Security (continued)		• Our business transfers risk to the insurance market using a number of partnership brokers and insurance providers. We have completed a business risk analysis and procured appropriate insurance to mitigate that risk. Our insurance covers all aspects of our business including Employers Liability Insurance, Tour Operators Insurance, Terrorism cover, Cyber Insurance and Aviation Insurance. This approach ensures that we can protect the business and effectively manage any claims.
Competition The Leisure Travel business operates in competition with tour operators, online travel agents and low-cost airlines. In addition, new entrants to the market could increase this risk.	• Reduction in profitability • Reduction of market share • Impact on the availability of quality hotel room stocks • Significant cost increase in marketing or IT to retain market share	• The Leisure Travel business will continue to focus on its core principles, which are: to be family friendly; to offer value for money; and to give great customer service. • We focus on customer driven scheduling of flights on routes to popular leisure destinations in order to maximise load factor, average flight-only ticket yield (excluding taxes), non-ticket revenue and average package holiday price, whilst ensuring that our great value proposition remains attractive to customers. Our quick to market, flexible operating model has ensured we can successfully re-focus our flying programme in order to respond to changing travel restrictions. • In response to the Covid-19 outbreak and the resulting widespread travel disruption, we have taken great pride in refunding our customers' advance cash deposits promptly. Our now virtual contact centre, ably supported by our social media and customer service teams, have worked tirelessly in this regard, and we were duly recognised by the UK Civil Aviation Authority (CAA) as the only UK airline to provide cash refunds promptly without significant backlogs, setting us apart from our competitors. • We work alongside and invest in relationships with selected hoteliers, who take assurance from our financial security and history of timely invoice settlements, to secure dependable and competitive room offerings in the most attractive properties, always ensuring that we are satisfying our customers' desire for choice and quality. • The development of our digital strategy is integral to the Leisure Travel business as its capability helps to build customer loyalty, drive revenue growth and deliver greater customer satisfaction. • We continue to differentiate our Leisure Travel business through innovative product development, such as ***Jet2Villas®*** and ***Jet2CityBreaks®***, the provision of added value services such as **Indulgent Escapes®**, alongside ***Vibe by Jet2holidays®***, specifically crafted for the growing millennial market.

Risk Description	Potential Consequences	Mitigating Actions
IT development and strategy (including failure of critical technology) • The Group focuses on enhancing the customer experience by providing engaging, user friendly websites and social media interaction, to support its customer focused proposition. • The Group is reliant on a number of key IT systems and processes including, but not limited to, operational, commercial and financial, and their scalability and ongoing development is vital. • The loss of access to these systems, or the ***Jet2.com*** and ***Jet2holidays*** websites may result in significant disruption to operations and could adversely impact the Group's reputation and financial performance.	• Reduction in future revenue • Operational disruption • Significant increase in costs • Adverse media coverage • Regulatory fines/sanctions	• Investment in digital strategy is integral to the Leisure Travel business and considerable monies are committed each year to ensure that the search and booking experience is as effortless and efficient as possible, whether the customer uses a PC, tablet or mobile phone. Additionally, investment in big data, cloud architecture and data science to drive speed, productivity and better-quality intelligence on customer behaviour will ensure that the business remains nimble, leading edge and efficient in its customer acquisition strategy. • In keeping with our *"Customer First"* strategy, the Group created automated systems to provide full refunds within 14 days of our cancelling of holidays in response to the high level of refunds required during the pandemic. • The Board demonstrates continued commitment to IT investment underpinning the confidentiality, integrity and availability of Group systems and data, and to improving and enhancing its cyber security defences, matching the developing threats in this area. • Each month the Group tests failover of key systems between geographically dispersed data centres and has a 24/7 IT Operations and Incident Response team. In addition, the Group regularly performs incident response exercises with scenarios covering system loss, data loss, site loss and hostile attack. • Given Covid-19, the Group now has a significant number of home and remote working colleagues and has developed a standard set of technical controls, including virtual private network and monitoring tools, which are required to be in place to enable remote connection to its systems. All colleagues who are normally 100% office-based have been able to work from home successfully and securely throughout the pandemic with minimal changes to systems beyond increased monitoring and connection capacity. Additionally, there has been a significant increase in the use of collaboration tools. • The Group has a rigorous change management process for development releases and other IT changes requiring sign off after testing from relevant business areas and IT teams. This rigour has not stifled the agility needed to deliver the many releases required to respond to the rapidly changing flight programme, nor the enhancements to enable rebookings, issue refund vouchers and provide rapid cash refunds to customers throughout the pandemic.

Risk Description	Potential Consequences	Mitigating Actions
IT development and strategy (including failure of critical technology) (continued)		• The Group operates a comprehensive procurement process that includes IT related risk assessments for Board sign off prior to entering into new engagements.
Data Breach • A data breach involves unauthorised access to Group, customer or colleague data, or loss of access to personal data. Protecting that data and its confidentiality is a key priority for the Group.	• Reduction in future revenue • Operational disruption • Significant increase in costs • Adverse media coverage • Regulatory fines/sanctions • Third party liability/class actions • Loss of consumer or colleague trust	• The Group uses world-leading web application protection, denial of service protection and real time data breach monitoring services. • The Group carries out regular, comprehensive, internal and external vulnerability scanning and penetration testing using GCHQ-NCSC accredited third parties. It also continues to strengthen its cyber threat mitigation through a process of repeated testing, hardening, hardware refresh and education. This extends to the ongoing development and testing of a Cyber and Data Incident Response Plan, closely aligned to our Emergency Response and Business Continuity Plans. • Cyber threats and mitigations are reviewed monthly at the Group's Cyber Security steering board, which includes main Board members. This continual improvement and cadence of governance has been maintained throughout the pandemic. • The Group is preparing for external independent audit of its cyber preparedness in line with the recently introduced Cyber Assurance Framework for Aviation (CAP 1753). The rigorous approach the Group takes towards PCI compliance and adherence to the General Data Protection Regulation (GDPR), along with the controls and requirements we place upon the supply chain, stand us in good stead for these areas of compliance. • In managing the alignment to these new regulations, a Cyber Security Action Group has been established under the chairmanship of the Managing Director of ***Jet2.com*** Limited. The Chief Information Officer (CIO) has been appointed as the Cyber Accountable Manager, a prescribed role within the new regulation. • An ongoing programme of training (both online and face-to-face) and awareness raising on GDPR and escalation of any actual or suspected data breaches has been implemented throughout the Group, to ensure compliance and raise awareness of potential threats.

Risk Description	Potential Consequences	Mitigating Actions
Data Breach (continued)		• In the last twelve months, we note further use of ransomware by cyber criminals and evidence of hostile nation state cyber activity targeting critical sectors and supply chains. The Group's Cyber team monitors such events closely to ensure the Group's defences remain current. The Group shares situational information with the National Cyber Security Centre and continues to welcome that valuable sharing partnership. • The Group remains confident that it has controls, systems and processes in place appropriate to the current cyber threat landscape, but is well aware that this area needs constant attention and investment to keep pace with the ever changing tactics and techniques of the Group's cyber adversaries.
Economic conditions • Whilst we believe that UK consumers regard their summer holiday as a very important element of the annual household budget, ultimately, economic conditions may have an impact on the level of demand for the Group's leisure travel services. • The broader macro-economic climate may also impact the viability of hotel partners, some of whom the Group places monetary deposits with to secure accommodation.	• Reduction in customer demand • Reduction in future revenue • Ability to recover advance hotel deposits	• The Leisure Travel business has built a strong brand and reputation for providing ***'package holidays you can trust'™*** and the delivery of an attractive and memorable holiday experience engenders loyalty and repeat bookings. • We have taken great pride in refunding our customers promptly and the Group has processed over £1.4bn in cash refunds since the start of the pandemic, for which we were commended by both the UK Civil Aviation Authority and *Which?* • The business has a quick to market, flexible operating model, along with a varied product portfolio and supply chain that are able to provide a diversity of holiday experiences. We offer our customers a wide choice of hotels and board basis, free child places and flexible holiday durations; all vital ingredients to cater for our customers' differing budget requirements.

Risk Description	Potential Consequences	Mitigating Actions
Economic conditions (continued)		• Regular promotion of the benefits of travelling with an end-to-end ATOL protected package holiday tour operator serves to increase customer confidence and peace of mind. • Recoverability of hotel deposits and prepayments is supported by close monitoring of sales performance and the structuring of arrangements to minimise risk of exposure. In addition, financial due diligence is performed and updated by our team of Financial Risk Managers where required (on a risk basis) to enable hotel agreements to be re-assessed and de-risked where appropriate.
Liquidity and capital risk • Liquidity and capital risk is the risk that the Group will have insufficient funds to meet its financial obligations as they fall due.	• Insufficient cash to meet financial obligations as they fall due	• The Group has a well-established Board approved Liquidity Policy to guide its management of liquidity and capital risk. The policy is to maintain cash balances in an appropriately liquid form and in accordance with approved counterparty limits, whilst securing the continuity and flexibility of funding through the use of committed banking facilities and specialist aircraft finance. • Reporting of all Treasury activity, including compliance with the Liquidity Policy, is produced monthly for the Board. • Short-term cash flow risk, in relation to margin calls in respect of fuel, foreign currency and interest rate hedge positions, is minimised through diversification of counterparties together with appropriate credit support thresholds. • Regular assessment is made of the Group's banking facility covenant compliance. There were no covenant breaches in the current year as covenant waivers were granted by the Group's banking partners in recognition of the significant impact of Covid-19 and the many mitigating liquidity raising actions the Group has undertaken. • The Group has a well-established and detailed financial planning process, enabling the rapid modelling of and reporting against multiple scenarios, enabling the Group to forecast its ongoing liquidity requirements. • The Group's strong financial foundations and previously positive long-term operational and financial performance enabled rapid access to £1.6bn of additional funding since the outset of Covid-19 to ensure that it has sufficient 'Own Cash' (which excludes advance customer deposits) to both meet its ongoing obligations and to position the Group for a strong recovery as lockdown restrictions are lifted, through fleet growth and fleet renewal opportunities.

Risk Description	Potential Consequences	Mitigating Actions
Input cost volatility, including interest and carbon costs • The Leisure Travel business incurs significant operational costs which are euro and US dollar denominated and can be exposed to sudden movements in exchange rates. • The cost of fuel is also a material element of the cost base of the Leisure Travel business and the effective management of aviation fuel price volatility remains important. • The Group uses specialist aircraft finance. Some of this borrowing is subject to floating rate interest charges, which generates interest cost volatility. • Changes to carbon trading schemes including the existence and/or cost of them.	• Significant increase in costs and subsequent reduction in profitability • Closure of existing carbon trading scheme and replacement with a new UK-specific arrangement • Loss of free carbon allocations • Inability to hedge carbon consistently	• The Group has a well-established Board approved Hedging Policy to manage foreign exchange rate, interest cost and fuel price risk, using appropriate derivative financial instruments such as forward currency contracts, interest rate swaps and aviation fuel swaps, with approved counterparties. However, given the ongoing impact of Covid-19, this Policy has been refined with a more prudent approach to hedged commitments adopted. • Reporting of all Treasury activity, including compliance with the Hedging Policy, is produced monthly for the Board. • An active control process is in place between flight planning, revenue planning, finance and treasury functions, to continuously assess hedging requirements in light of fast-changing travel restrictions and to manage the impact of any over-hedging arising through the pandemic. • Regular tracking of the foreign exchange and fuel markets is undertaken, using up-to-date market intelligence. • The Group has an appropriate carbon hedging strategy, managing the risk exposure to carbon trading schemes to the extent possible, whilst continuing to review the Group's UK and EU requirements following Brexit. • The Group works closely with hedge counterparties specialising in the carbon emissions markets, gaining valuable insight into potential future scheme changes and market developments, and how the associated risks can best be managed. • Further information on hedging, the Group's key mitigation to input cost and interest cost volatility risk, and details of the Group's hedge policy, are contained within Note 25 to the consolidated financial statements.

Risk Description	Potential Consequences	Mitigating Actions
Government policy and regulatory intervention • New regulation and/or legislation imposed that may impede operations, including regulations introduced in response to the Covid-19 pandemic. • There is a continuing risk of the imposition of taxes and charges, levied by regulatory decision rather than by commercial negotiation, at levels in excess of economic cost. • New environmental legislation and reporting increases business focus on this area.	• Adverse effect on passenger demand • Significant increase in costs of existing aviation and travel taxes, charges and levies • Policies to constrain capacity growth • Noise curfews	• To enable the most efficient restart of operations when travel restrictions are lifted, the Group holds regular dialogue with the Department for Transport. This includes participation in the cross-industry Expert Steering Group, whose priority is the restart of international travel and whose outputs have included the Global Travel Taskforce Framework. The Group's Managing Director for ***Jet2.com*** is also actively involved in discussions with a cross-industry CAA group, whose aim is to plan the most sensible and safe approach to the recommencement of international travel. • The Group is also producing printed guides to assist our customers on what to do when returning home from a "Green or Amber List country" and has specific guidance on its website for the entry requirements for its destinations and also relevant Covid-19 testing. • The Group will maintain its focus on: delivering a great value package holiday product; the careful management of its route network, particularly in the light of ongoing travel restrictions; and on-time performance. • The Group engages public affairs advisers and will continue to engage with policy setters and regulators to encourage legislation that is fit for purpose and to ensure full awareness of the implications of any proposed future changes. • The Group manages capacity carefully, fully considering airport and airspace capacity issues, including night flight and noise restrictions, and actively participates in the coordination and formulation of policies via Airport Coordination Committees. • The Group employs a Sustainability Manager, who is directly accountable to the Director of Sustainability and Business Development, and tasked with fully appraising the Board of any new or developing requirements in respect of environmental legislation and impacts. This is complemented by ***Jet2***'s membership of organisations such as Airlines 4 Europe, Sustainable Aviation and ABTA, who provide regular updates on the latest regulatory changes and offer a forum for knowledge sharing. Further information on the Group's approach to sustainability can be found within the Corporate Responsibility section of this Annual Report & Accounts on pages 30 to 32.

Risk Description	Potential Consequences	Mitigating Actions
Legal / regulatory non-compliance • The leisure travel industry is heavily regulated, and the Group is required to comply with a complex regime of legislation and regulation in a variety of areas. • There is a continual need to remain well informed of any legislative and regulatory provisions or changes in the countries in which the Group operates and to adapt as required.	• Loss of operating licence • Operational disruption • Reduction in future revenue • Adverse media coverage • Regulatory fines/sanctions • Loss of consumer trust	• The Group has an in-house team of lawyers who advise on a range of legal issues and assist the Group to prepare for new regulatory developments. The team also delivers training on key areas throughout the year. • Additional external legal support and/or training is sought where required in specialist areas or non-UK jurisdictions. The Group's external lawyers are also instructed to provide updates on legal and regulatory developments which are likely to have an impact on the Group. • The Group works with trade associations for both the airline and travel industry to gather further insight into policy development and assist the Group in influencing future legislation and regulation to minimise its potential impact.
Operational disruption • The Leisure Travel business is at potential risk of disruption from the force of nature, such as extreme weather conditions and volcanic activity, and through other external factors, such as acts of terrorism and strike action.	• Adverse customer experience • Operational disruption • Aircraft damage • Increase to operational costs	• The business mitigates these risks by regularly updating a carefully planned response to be implemented by a team of experts, should there be significant disruption to our Leisure Travel activities. • Our commercial office in Leeds City Centre and our operations centre at Leeds Bradford Airport give us the ability to run our business from more than one site, which supports business continuity planning. Additionally, our smooth and secure transition to home working during the Covid-19 pandemic, for colleagues who are normally 100% office-based, has further demonstrated our adaptability during severe disruption. • The business has a dedicated emergency response facility from which our response to serious operational incidents can be managed and is also used for regular emergency management exercises. We have automated systems to support the activation of our emergency response team, enabling us to respond promptly to incidents, deploy appropriate solutions and thereby mitigate the impact on our customers and limit any potential interruption to our business.

Risk Description	Potential Consequences	Mitigating Actions
Epidemic/global pandemic • As demonstrated over the past year, the Leisure Travel business is at risk from the impact of an epidemic or pandemic. This includes our inability to operate flights and holidays already booked.	• Adverse customer experience • Inability for the business to continue to operate • Insufficient cash to meet financial obligations as they fall due	• The business has taken a proactive, *"Customer First"* approach to managing the exceptional circumstances caused by the Covid-19 pandemic. This includes early and decisive actions on our flights and holidays programmes, which have been supported by comprehensive customer communications across all touchpoints, as well as simple and clear amendment and cancellation policies. Our approach has earned us praise from various groups including customers, consumer organisations, hoteliers, media and regulatory bodies such as the UK CAA. • Operational teams have worked throughout the pandemic to minimise the impact on the customer experience and non-operational teams have been working remotely and utilised technology to remain connected and effective. • Our Contact Centre are moving to a multi-skilled agent model, enabling improved operational effectiveness when dealing with unpredictable and fluctuating contact volumes. New contact channels such as WhatsApp messaging mean we can use automation and increase productivity, whilst improving operational resilience by maintaining the ability to manage customers queries in the event that phone lines fail. • The self-service development capabilities in our "Manage my Booking" portal have reduced reliance on voice calls, whilst providing an efficient and cost-effective way for customers to fulfil changes and amendments to their bookings. • Many of our operational and customer-facing teams have undergone training to learn new ways of working, which include the use of face coverings throughout the customer journey and maintaining a safe distance where practical. Our pre-travel services colleagues provide the reassurance that customers need regarding our safety measures and any additional arrival requirements in their destination country. • With respect to any associated regulatory or Government responses, we ensure that senior Directors are actively involved with the relevant authorities. This enables us to appropriately plan, respond and prepare for returning to operations, applying all relevant safety measures that may be required. • The Group has also maintained prudent levels of total and own cash liquid funds to enable the business to continue to operate through a period of sustained disruption.

Risk Description	Potential Consequences	Mitigating Actions
Recruitment and retention of talent		
• The current and future success of the Leisure Travel business is reliant on the successful recruitment, development and retention of the right colleagues with suitable capabilities.	• Inability to deliver key strategic initiatives • Increased costs of recruitment and training • Key knowledge deficit/dilution	• The Group executes role-specific seasonal campaigns to recruit and train the resources required to deliver our operational plans. • The Group is utilising suitable technologies to ensure a seamless virtual recruitment process is available. Further information on the Group's approach to mitigating this risk can be found in the Our People section on pages 39 to 44. • The Group operates a defined leadership framework, enabling it to identify those colleagues who have the potential to develop into leadership roles and which also supports the succession planning process. • There has been increased focus on our colleagues' mental health and engagement to reflect the change in working patterns during the pandemic, including furloughing and remote working. Further detail on the support we have offered our colleagues is detailed within the Our People section. • The Group has established an Early Years and Future Talent programme incorporating apprenticeship schemes and graduate development programmes. In addition, ***Jet2.com*** continues to invest in developing its future flight crew talent through its unique and innovative Pilot Apprentice scheme. • The Group will continue to grow its Jet2 Travel Technologies operations in Pune, India, with over 90 colleagues increasing the Group's capacity to progress our many industry-leading IT innovations and business-critical development projects.

GOING CONCERN STATEMENT

The Directors have prepared financial forecasts for the Group, 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 Group'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 described in more detail on pages 15 to 27, 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 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 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 would have sufficient liquidity throughout a period of 12 months from the date of approval of the financial statements at the end of July 2021. 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 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 75 to 76 and the reporting responsibilities of the Auditor are set out in their report on page 84.

VIABILITY STATEMENT

The Directors have prepared financial forecasts for the Group, covering two scenarios as detailed in the Going Concern statement, comprising profit before and after taxation, balance sheets and cash flows through to 31 March 2024, and also considered an extended planning horizon to aid the management of its longer-term aircraft fleet objectives. A three-year period has been selected for the viability assessment which aligns with the Group's medium-term fleet and operational planning timelines.

Following on from the initial "no fly" period, the base case scenario assumes a gradual ramp up of flying operations, initially running at reduced average load factors and net ticket yields, significantly below historic levels. Despite the Group's strong competitive position, due to the uncertainties around future demand, both forecasts cautiously assume that the productive aircraft fleet operating in the year ending 31 March 2023 will be smaller than was flown in the year ended 31 March 2020, the last financial year in which the Group operated unhindered. In addition, and should customer demand be weaker than forecast, due to the mix of aircraft, the Group has the ability to further downsize the fleet if required to eliminate the fixed costs associated with those aircraft. Both forecasts assume that all banking facilities maturing during the Viability period are repaid upon maturity.

Stress-testing of the Group's forecasts is also undertaken on an ongoing basis to consider the potential impact of a combination of principal risks materialising together. However, future assessments of the Group's prospects are subject to uncertainty that increases with time and cannot be guaranteed or predicted.

The Directors have also taken account of the Group's current cash position, its strong competitive position and consistent historic operating performance, its operating cash flows, the availability of banking facilities, the principal risks and uncertainties it faces, paying particular attention to the impact of Covid-19 and, as outlined, its ability to mitigate and manage those risks. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2024.

Gary Brown
Group Chief Financial Officer
26 July 2021

CORPORATE RESPONSIBILITY

This Corporate Responsibility Report reflects the importance the Group places on developing long-lasting relationships with its customers, and enduring, effective partnerships with its suppliers, whilst acknowledging and acting upon its responsibility to the communities within which it operates and to the wider environment. The way in which the Group pursues its objective of being a good employer is set out in the section entitled "Our People".

RELATIONSHIP WITH CUSTOMERS

We take people on holiday!

Jet2 plc is the home of ***Jet2holidays*** – the UK's leading operator of ATOL protected package holidays to destinations across the Mediterranean, Canary Islands and European Leisure Cities – and ***Jet2.com***, our award-winning leisure airline.

We relish the trust our customers place in us to give them a fantastic holiday experience and, notwithstanding the pandemic, our *"Customer First"* strategy has remained consistent, as **we have taken great pride in refunding our customers promptly, the Group having processed over £1.4bn in refunds since the start of the pandemic**. Our virtual contact centre, social media and customer service teams have worked tirelessly in this regard, and we were duly recognised by the UK Civil Aviation Authority as the only UK airline to have been consistently processing cash refunds quickly.

We know that there is significant pent-up demand for our holiday flights and ATOL protected package holidays and that customers want nothing more than to get away on their much-needed holidays, as this remains one of the most important family experiences of the year. We believe that in times of uncertainty **customers look to operators they know and can trust and which offer them the best value for money**.

As a result of our unwavering focus to do what is right for the customer, we are confident that once normality returns, our Customers will be even more determined to enjoy the wonderful experience of a well-deserved Jet2 holiday. Consequently, we remain committed to doing our very best to ensure that when the time comes, each of our customers ***"has a lovely holiday"*** that can be both eagerly anticipated and fondly remembered, supported by our core principles of being family friendly, offering value for money and giving a truly VIP customer service.

The business has taken a proactive, *"Customer First"* approach to managing the exceptional circumstances caused by the Covid-19 pandemic. This included early and decisive actions on our flights and holidays programmes which have been supported by comprehensive customer communications across all touchpoints, as well as simple and clear amendment and cancellation policies. Our approach has earned us praise from various groups including customers, consumer organisations, hoteliers, media and regulatory bodies such as the UK CAA.

Our Contact Centre are moving to a multi-skilled agent model, enabling improved operational effectiveness when dealing with unpredictable and fluctuating contact volumes. New contact channels such as WhatsApp messaging mean we can use automation and increase productivity, whilst improving operational resilience by maintaining the ability to manage customers queries in the event that phone lines fail. Self-service development capabilities in "Manage my Booking" have reduced reliance on voice calls, whilst providing an efficient and cost-effective way for customers to fulfil changes and amendments to their bookings.

RELATIONSHIP WITH SUPPLIERS

Our Leisure Travel business is supported by more than 3,900 non-hotel suppliers who work with us and we seek open, constructive and effective relationships with them to help sustain the successful delivery of the Group's Leisure Travel services.

For many years, we have held an annual supplier conference where we have focused on how we and our supplier partners, work together effectively to build mutually beneficial long-term relationships. This cooperative spirit enabled us to have positive discussions to reduce monthly outgoings or restructure contracts during the early stages of the pandemic. Additionally, across the business, regular virtual supplier reviews continued remotely, with the focus on preparing for operational restart.

The Group has invested in carefully developing relationships with over 4,600 ***Jet2holidays'*** hotel partners, who take assurance from our financial security and history of timely invoice settlements, to secure a dependable and competitive room offering in the most attractive hotels. Our Chief Executive Officer spends significant time developing these relationships, hearing first-hand from key partners about their expectations and how the customer experience may be improved through the development of their hotels.

In reaction to the Covid-19 pandemic, the Group shifted its approach towards remote auditing activities to ensure our high standards are maintained in spite of travel restrictions. Our hotel partners have appreciated the frequent dialogue throughout the year, as this has allowed us to keep each other informed as well as giving the opportunity to share thoughts and ideas as to how to manage future activities in a very challenging commercial environment. It has also been an opportunity to reiterate the importance of effective risk management to the hoteliers, maintaining the highest standards of safety and hygiene at all times so that ***Jet2holidays*** can continue to offer ***"package holidays you can trust"™***.

We also recognise that paying both our hotel partners and non-hotel suppliers on time and in full is vital for their financial well-being. Under the 'Duty to report on payment practices and performance' legislation, the Group has uploaded the relevant supplier key performance indicators onto the HMRC government portal with the average time taken to pay supplier invoices during the year being 34.0 days (2020: 25.3 days). We continue to take pride in supporting all our suppliers through our industry leading payment record.

MODERN SLAVERY ACT

The Modern Slavery Act requires the Company to publish an annual slavery and human trafficking statement. The latest statement can be found on the ***Jet2 plc*** website at **www.jet2plc.com/modern-slavery-act/**. The Group has a zero-tolerance approach to slavery and human trafficking and expects its suppliers and contractors to uphold the same values. It will not conduct business knowingly with anyone engaged in slavery or human trafficking practices or knowingly permit them to be carried out in any part of its business.

HEALTH, SAFETY AND QUALITY

The responsibility for the health and safety of all colleagues and customers whilst in our care, is a key priority for the Group and is described in more detail on pages 15 to 18.

OUR COMMUNITIES

Across the Group, we endeavour to support our local communities in a variety of ways, including the provision of prizes for local fundraising activities. The Group also continues to support its chosen charity, Hope for Children at **www.hope-for-children.org**.

We have an early careers booth on our Virtual Recruitment Roadshow platform from which students in schools and colleges can learn about the benefits of applying to one of our programmes once positions are available, as well as providing tools to support them to develop their job skills.

Additionally, we have a partnership with Leeds Beckett University through the ABTA Student Representative Programme, providing support and mentoring for their Regional Student Representative.

SUSTAINABILITY

In September 2021, ***Jet2 plc*** will launch its Sustainability Strategy with the vision to become "***one of the leading brands in sustainable air travel and package holidays***". Having signed both the UK aviation ***Net Zero 2050 pledge*** in 2020 and European aviation industry equivalent earlier this year, we will be implementing our own more ambitious targets to ensure our customers can enjoy ***Real Package Holidays from Jet2holidays®*** or scheduled holiday flights with ***Jet2.com*** that are more environmentally sustainable.

Many livelihoods around the world depend on travel and tourism with the sector responsible for 1 in 10 jobs globally prior to the pandemic. Additionally, travel and tourism also create tremendous social value by increasing people's understanding of diversity and promoting inclusion. Like all other sectors, travel has an environmental footprint, with latest estimates putting aviation CO_2 emissions at 2.4% of total global emissions. Information from Our World in Data shows that sectors such as Agriculture (18%), Road transport (12%) and Iron & steel production (7%) amongst others also contribute significantly to global CO_2 emissions and aviation is therefore a small piece of the much bigger global decarbonisation jigsaw puzzle. Aviation also produces non-CO_2 emissions, through its release of particulates, water vapour and NO_x, which have a climate warming effect, though there is still a great deal of uncertainty in estimating the size of this impact. As a result, our primary focus is on reducing CO_2 emissions which in many cases will also address these non-CO_2 impacts.

Although both travel and tourism contribute to climate change, they are, and will increasingly be, adversely impacted by it. The Intergovernmental Panel on Climate Change (IPCC) special report on the impacts of 1.5 degrees of global warming, specifically noted the increased risk to coastal tourism in subtropical regions with impacts including heat extremes, storms and loss of beaches. Consequently, airlines too will increasingly suffer from delays and diversions due to extreme weather events, which means that tackling climate change is also a top priority for our business. Further details about ***Jet2's*** approach to Environmental, Social and Governance (ESG) issues will be contained in our published Sustainability Strategy.

IMPACTS

The Group takes its environmental obligations seriously with CO_2 emissions from fuel having the biggest impact. As such, ***Jet2*** endeavours to operate in the most efficient and environmentally responsible way possible, minimising both emissions and carbon intensity (emissions per unit of product delivered). In addition, efficient operation also helps to minimise our environmental impact on noise and air quality pollutants.

Jet2 monitors its energy consumption & greenhouse gas emissions (GHG) and uses grams of CO_2 (gCO_2) per passenger kilometre as a measure of its environmental intensity in line with Streamline Energy and Carbon Reporting (SECR) requirements. The previously used tonnes of CO_{2e} emissions per £ million of revenue and kWh per £ revenue are reported this year for comparison with last year only and, following the disposal of our Distribution & Logistics business, will not be reported in future years.

RESULTS

In the year ended 31 March 2021, total carbon equivalent emissions (t CO_{2e}) from the business were 315,378 tonnes (2020: 2,276,339 tonnes) with over 99% of these emissions arising from our aircraft operations. The remaining emissions sources were ground handling activities, along with our business travel, offices, aircraft hangars and engineering facilities. This equated to 796.61 t CO_{2e} per £ million revenue and 3.22 kWh/£ (2020: 635.02 t CO_{2e} per £ million revenue and 2.56 kWh/£).

All SECR emissions figures, efficiency and intensity metrics are reported in the "Summary GHG Emissions Results" below along with a direct comparison to the figures from the previous financial year. The reductions in emissions across scope 1 and 2 are attributable to the reduced activity of the business over the last financial year due to Covid-19. The scope 3 increase is due to the inclusion of our business travel activities in the current year. The reason for the difference in the variance of the intensity ratios is due to the differing scope of emissions they cover and changes to emissions conversion factors.

Summary GHG Emissions Results

	2021		2020 Restated*		*Change*
Scope	**tCO2e**	**kWh**	**tCO2e**	**kWh**	**tCO2e**
Scope 1	**314,097**	**1,268,290,447**	2,275,000	9,183,224,960	*(86%)*
Scope 2	**1,089**	**4,669,665**	1,220	4,772,251	*(11%)*
Scope 3	**192**	**408,360**	119	-	*61%*
Total	**315,378**	**1,273,368,472**	2,276,339	9,187,996,221	*(86%)*

Intensity Ratios			
gCO_2 per passenger km aircraft fuel burn only**	**89.8**	67.0	*34%*
gCO_{2e} per passenger km including all relevant scope 1, 2 & 3 emissions***	**91.5**	67.7	*35%*

* The Group has now disposed of its Distribution & Logistics segment; as a result, the figures shown for the year ended 31 March 2020 have been restated to include only activities from ***Jet2.com*** and ***Jet2holidays***.

** Metric uses EU ETS emissions factors and includes aircraft fuel burn only (please see methodology)

*** Emissions included in this are explained in methodology section.

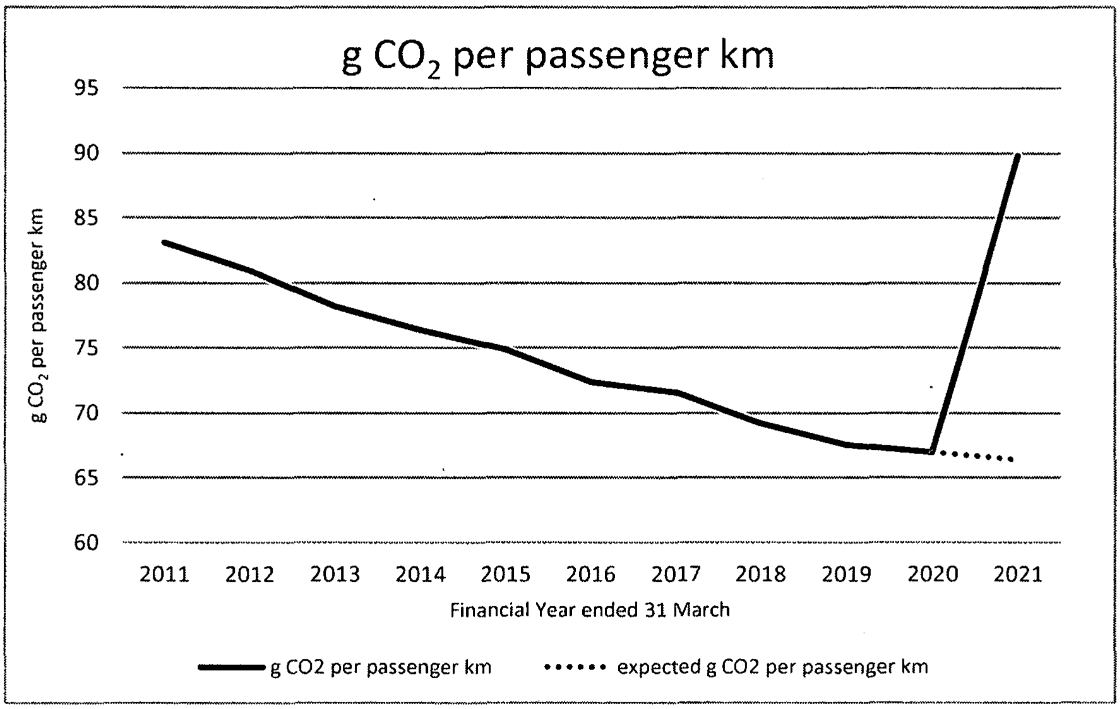
GHG emissions are categorised into three Scopes as defined below:

- Scope 1 - Direct emissions resulting from the primary combustion of fuels in organisation-controlled premises, vehicles and plant.
- Scope 2 - Indirect emissions resulting from the consumption of purchased electricity that has been generated off-site and supplied by the national grid.
- Scope 3 - Indirect emissions associated with the consequences of the activities of the organisation but controlled by an entity outside of the Group.

Prior to the pandemic, ***Jet2.com***'s CO_2 emissions per passenger kilometre of 67.0g put us amongst the most efficient airlines in the world, enabled by our "efficient flying" programme. This was illustrated by ***Jet2.com***'s ranking as 11th in the list of the world's most fuel-efficient airlines in the most recently published 2018 Atmosfair index.

However, this year has proven to be a year of unprecedented operational and financial challenges for the Group, with the flying programme substantially reduced resulting in the airline having its fleet grounded for prolonged periods and also having to refocus the flying programme at short notice to address changes in travel restrictions. Consequently, these factors have had a negative impact on efficiency and our gCO_2 per passenger kilometre increased to 89.8g. Additionally, ***Jet2***'s total GHG emissions reduced over 86% compared to the last financial year.

In the period from 2011 to 2020 ***Jet2.com*** improved efficiency by more than 19%, averaging 2.4% a year; substantially ahead of ICAO's global annual average fuel efficiency goal of 2% until 2020. The chart below shows our historical progression, increasing our efficiency year on year followed by the impact of Covid-19 in the current year compared to our expected efficiency.



The impact of Covid-19, which is outside of our control, goes against both our long-term trends and also ***Jet2.com***'s efficiency aspirations. However, our efforts, to increase efficiency across our operation since 2010/11 up until the start of the pandemic have **saved in excess of 1.8 million tonnes of CO_2**.

Jet2.com's "efficient flying" programme has contributed significantly to these improvements. This programme focuses on all aspects of the airline's operation which can influence or directly impact the efficiency of its flying activities including: single engine taxi operations; pre-conditioned air; careful fuel requirement planning; performance-based navigation approaches; reduced thrust take offs and continuous descents; and using electric ramp vehicles and fixed electrical ground power where available. These actions, combined with ongoing weight saving initiatives from lightweight seats, lighter catering carts, the removal of paper manuals and the introduction of carbon brakes have saved over 2,600 t CO_2 this financial year, the equivalent of planting 130,000 trees.

In addition, ***Jet2.com***'s investment in 34 new more fuel-efficient Boeing 737-800NG aircraft which were delivered between 2016 and 2019 saved over 12,500 t CO_2 this financial year in a like-for-like comparison against our existing fleet. Furthermore, 95% of the total fleet is fitted with fuel-saving winglets, which saved an additional 11,800 t CO_2. Combined, these measures have saved over 24,000 t CO_2, equivalent to taking approximately 13,200 cars off the road in the UK.

However, it is not only the environmental impact of our aircraft fleet that we seek to reduce. ***Jet2.com*** are also committed to working collaboratively with our partner airports and air navigation service providers to minimise environmental impacts on local communities. As a result, ***Jet2.com***'s ground handling operations, which deliver services to nearly 50% of our flights, have had significant investment in new equipment over recent years, with 42% of our ground service equipment (GSE) now electric. Additionally, within our non-electric fleet, over 70% of our aircraft tractors meet the Euro 5 / 6 standard and all ramp cars and minibuses meet the Euro 6 standard, meaning our ground vehicles produce fewer NO_x and particulate emissions. We are also installing telemetry (C-Track) on board our ground service equipment to monitor fuel use, ensuring not only that the equipment is efficient, but our processes and training are optimised for efficiency. These actions minimise not only CO_2 emissions from ground sources, but also noise and pollutants that give rise to air quality issues, thereby minimising the environmental impact on the local communities which we serve.

In addition to carbon emissions, we have focused on other environmental impacts within our operations, with ***Jet2.com***'s Inflight Retail team making good progress in reducing single use plastics, replacing with sustainable alternatives such as wooden cutlery and cardboard meal boxes. Where non-plastic alternatives are unavailable at present, we are turning to products made from a higher proportion of recycled plastics such as rPET water bottles. As part of our commitment to the circular economy, we began our in-flight recycling programme in November 2019. In-flight recycling means material which previously would have gone to landfill, such as rPET plastic products, comes back into the material supply chain, closing the loop by ensuring these materials are able to be used again. We estimate this programme will help to recycle up to 50% of on-board waste which would mean recycling up to 1.2 million knives, forks and spoons, 2.9 million wooden stirrers and 4.7 million plastic products, based on usage in the year ended 31 March 2020 .

Additionally, at our new operating base in Bristol, we have ensured that only efficient LED lighting is installed which has been optimised with localised light sensitive adjustment and occupancy sensors to automatically turn off or reduce lighting levels as necessary. Finally, we have moved to a proportion of our head office electricity (20%) being from renewable sources and plan to increase this further in the coming year.

METHODOLOGY

This assessment has been verified by a third-party (Delta-Simons Environmental Consultants Limited) carried out in general accordance to *ISO14064-1:2006 Greenhouse Gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals* and is produced in line with *UK Government Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (March 2019)* in conjunction with *UK Government GHG Conversion Factors for Company Reporting.*

Carbon conversion factors have been taken from *'DBEIS/DEFRA – UK Government Conversion Factors for Company Reporting 2020'* as most of the reporting period falls within the 2020 calendar year. This is in line with environmental reporting guidance.

GHG emissions have been assessed using the 'financial control' approach, meaning that the Group reports on emissions resulting from its operations, within its direct or indirect financial control. The assessment includes the following aspects:

- Scope 1: Aviation Fuel, Building Fuel and Ground Fleet.
- Scope 2: Electricity purchased (location-based).
- Scope 3: Employee Mileage, Employee Fuel (including Avgas) and Transmission and Distribution.

Actual data was unavailable for business rail and flights and reliable estimates could not be produced. The reporting and assurance process have concluded that these areas are not of significance to our overall carbon footprint data. 'Well to tank' emissions from jet fuel will be included in future reports.

Grams of CO_2 per passenger kilometre is a standard aviation industry fuel efficiency metric and is calculated by dividing total CO_2 production by total passenger kilometre. This metric includes all the fuel the airline uses including engine testing and training flights. The passenger kilometres and CO_2 emissions are calculated using EU ETS methodologies and emissions factors. ***Jet2.com*** also reports grams of CO_{2e} per passenger kilometre which includes all scope 1 & 2 emissions and also scope 3 emissions from business travel in rental cars and employee-owned vehicles where the company is responsible for purchasing the fuel, as required by SECR. This metric uses carbon emission conversion factors from 'DBEIS/DEFRA – UK Government Conversion Factors for Company Reporting 2020'.

SUSTAINABILITY STRATEGY OVERVIEW

Jet2 will launch its Sustainability Strategy in September 2021, which details the action we are taking on Environment, Social and Governance (ESG) issues. The key objectives and the 3 pillars of the strategy are detailed within this Annual Report, with further detail provided within the full Sustainability Strategy.

KEY OBJECTIVES

The key objectives of our sustainability strategy over the next three years are to:

1. **Align our business strategy with the environmental and sustainability impacts of the business**
   How will we do this? We will ensure that our most material sustainability issues are considered prior to any action and investments ***Jet2*** make. This will be done by ensuring effective systems are in place to measure, verify and report consistently on compliance with the targets we have set. Given the fast paced nature of the aviation sector and the significant structural changes which have and are likely to occur in the near future, it is important that we consistently review our most material environmental, social and governance impacts, ensuring that we can adapt to changes and emerging trends.

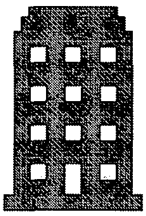
2. **Work with partners to increase positive impacts**
   How will we do this? We will strengthen our collaborative efforts with governments, hotels, airports, universities and trade associations that can help us recognise, and create the right framework for, environmentally conscientious business practices and enable continued investment in sustainable product innovation and technologies. We will also look to partner with appropriate Non-Government Organisations (NGO's) and third-party organisations involved in sustainability initiatives to achieve tangible, long-lasting, outcome focused environmental and social impacts, greater than either party could achieve on their own.

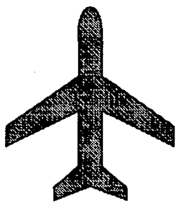
3. **Integrate sustainability into the business**

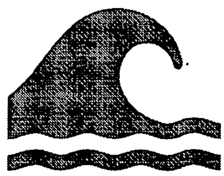
How will we do this? We will integrate sustainability into our corporate governance and risk management as well as our corporate culture through the ***'Take Me There'*** brand values. This includes:

- regularly updating the corporate risk register with sustainability issues;
- ensuring there is a feedback mechanism for internal and external stakeholders to discuss sustainability issues;
- integrating sustainability into colleague training; and
- putting in place measures to enable sustainable procurement and supply chain management.

Our sustainability strategy has 3 pillars to enable focus on achieving the key objectives:







ON THE GROUND	IN THE AIR	IN RESORT
Includes activities carried out by our ground handling operations and our support offices.	Encompasses all the activities associated with our airline.	Covers activities associated with the holiday product, specifically working with our partner hotels.

KPI Targets

Each of the pillars has targets and associated KPIs. In the "On the Ground" pillar, targets will address emissions from our offices and ground-based fleet. For the "In the Air" pillar, targets will focus on airline efficiency, Sustainable Aviation Fuels, waste and offsetting and for the "In Resort" pillar we will be setting targets around hotel sustainably labelling and certification. More detail on the targets will be included in the Sustainability Strategy to be launched in September 2021 but these will be robust, stretching and evidence-based, making sure we avoid any accusations of greenwashing. We are committing to reporting annually on the progress we are making against these targets, to ensure that we are transparent in the actions we are taking to tackle sustainability issues within our business and both our up and down stream supply chain.

OUR PEOPLE

Our Leisure Travel business has its foundations firmly rooted in providing truly memorable holiday experiences for our Customers. Whether in the UK or Overseas, our colleagues' ability to excel in their roles whilst continuously displaying our Company's ***'Take Me There'*** values, is of paramount importance. This *"Customer First"* approach has enabled us to attain many awards over the years which recognise our outstanding customer service. And, whilst the past year has seen a very different focus for our colleagues due to the unexpected and prolonged impact of Covid-19, we will always consider them our most valuable asset.

Though many colleagues have regrettably not been actively required to work this year, many others have worked tirelessly throughout these difficult times. In particular, we are very proud to have been recognised for the way in which our Contact Centre and Customer Service teams have dealt with the huge number of cancellations forced upon the business and for leading the way with our outstanding service on customer refunds.

Additionally, our support office colleagues had to quickly transition to a home working model and efficiency and engagement levels have been extremely positive. As a result, we have now made homeworking a permanent arrangement for our Contact Centre and Customer Service teams and bolstered our virtual technology capability to successfully provide all the support they need.

Given the extreme uncertainty of the past year and the toll on morale this can take, our primary focus has been on supporting our colleagues, ensuring that we communicate with them regularly and reassure them appropriately. As a result, we are confident that once normality returns, we will have colleagues who are engaged and committed to carry on delivering the outstanding *"Customer First"* service that means so much to our Customers, and which has contributed immeasurably to our long-term success.

RESTRUCTURING - PEOPLE AND PAY

For Summer 2020, we had planned for growth which was underpinned by strong advance bookings. Unfortunately, as a result of Covid-19 things did not continue as planned and consequently, we had to take some very difficult decisions as we right sized for a significantly impaired Summer 2020 flying programme and a cautious approach to flying for Summer 2021. Sadly, this meant it was necessary to make 546 valued colleagues redundant from across our business.

The Board's aim throughout the pandemic has been to support our colleagues as fully as possible, ensuring that we communicate with them regularly and reassure them appropriately, protecting as many jobs as possible whilst understanding the anxieties and concerns faced by them. Though we have been hugely appreciative of the CJRS, the Board also implemented a generous bespoke salary plan which saw the Company "top up" the CJRS funding to provide further financial support for our loyal colleagues to enable them to cope through these difficult times.

However, despite the CJRS, and the provision of the bespoke salary plan, our monthly salary bill remains a substantial proportion of our overall costs. Therefore, with huge reluctance and after much thought, we were forced to ask all colleagues to take a pay cut for the twelve-month period from 1 April 2020 until 31 March 2021.

We were incredibly grateful to gain the agreement of colleagues to these difficult proposals and also to those who have continued to work endless hours throughout the pandemic, making a wonderful contribution to the business.

RECRUITMENT AND RETENTION

Unsurprisingly, recruitment has been a lower priority than normal with the business not operating at full capacity; however, the impact of Covid-19 has provided us with some unique challenges and opportunities.

Our permanent move to home working for Contact Centre and Customer Services has been a positive step in attracting new recruits from further afield in the UK and providing a better work life balance, which is highly valued by our colleagues. As a result, we are continuing to review our working arrangements for all areas of the business and evaluating whether a hybrid home working approach is viable across other departments once lockdown restrictions are fully eased.

Whilst there have been new appointments and replacements, these have been limited to business-critical roles. Nevertheless, we immediately recognised the benefits associated with utilising the latest technology to deliver innovative recruitment solutions, including virtual assessment centres and recruitment roadshows, on-demand and live video interviews and digital assessments. The ability to deliver virtual recruitment and onboarding, adapt at speed to a complex and fast-changing environment, whilst still delivering a great experience to our candidates without sacrificing our key principle of recruiting colleagues of the highest calibre, is now a foundation of our ongoing recruitment processes. Additionally, these processes have saved both time and cost, enabling us to react quickly, whilst complying with social distancing measures and allowing us to continue to showcase our much loved and trusted brand to future colleagues.

LEARNING AND DEVELOPMENT

Putting the customer first is what has driven our success - the delivery of great service is at the core of the ***Jet2.com*** and ***Jet2holidays*** brand values, which are known internally as ***'Take Me There'***.

All new colleagues attend a one-day induction to the business, which introduces these values: ***Be Present; Create Memories; Take Responsibility;*** and ***Work As One Team***, with our Operational colleagues receiving their annual refresher of ***'Take Me There'*** training through virtual classrooms this year. Given the active fulfilment of these values has been essential to our accomplishments to date and will remain integral to our future success, we were delighted that the rules of the CJRS allowed us to continue providing ***'Take Me There'*** training even whilst colleagues were not required to work, which enabled us to keep these values and the passion for our brand alive.

We have always followed a blended learning approach which includes face-to-face training, virtual training, digital learning, knowledge sharing, the provision of 'How To' guides, and opportunities to contribute to business projects. However, the challenges that presented themselves this year have accelerated our move to a more concentrated virtual learning approach, using our Learning Management System and Virtual Classroom training via Microsoft Teams. Using this technology, we introduced more online training to complement heavily reduced classroom capacity training. And, whilst a return to the classroom is expected in time, blended learning utilising the benefits of both online and face-to-face training has proven efficient and economical and we will look to continue with elements of this approach in the future.

To support colleagues' career development, our Leadership Framework is designed to give guidance on the personal qualities and practical experiences required to excel in their current role, whilst also giving a clear view of the attributes required to progress to the next level. Despite focusing our efforts on reacting to new guidelines and requirements in line with the impacts of Covid-19, we remain committed to ensuring we retain our talented colleagues and help them to develop, progress and succeed within the business, knowing that they will be crucial to our success when we return to the skies.

Early Careers and Future Talent

Our 'Early Careers and Future Talent' programmes have been reviewed to ensure we remain future-focused and continue to attract people with the right skills to the business, offering several routes to entry, including apprenticeships and graduate programmes.

Wellbeing

In the past twelve months, with colleagues working from home, it has brought into sharp focus the very important issue of mental health awareness and support, as everyone has had to live with a huge amount of change and uncertainty, with many things out of their control.

The wellbeing of our colleagues is of the utmost importance to us and we have been keen to provide tools to help them to cope and thrive. Consequently, we were very pleased to launch our interactive **Wellbeing Hub** which has lots of tips, suggestions and ideas, together with some light-hearted resources, as well as crucial information on help and support. We have tried to cater for all aspects of mental wellbeing but appreciate that everyone copes with situations in different ways – we have therefore encouraged colleagues to provide or suggest materials and ideas that could be included on the Hub to help and support others.

We were also proud to officially launch our Wellbeing Support Programme for our pilots and cabin crew which sits within our Safety Management System. This programme, sponsored by our Senior Management team, consists of a number of established supportive elements including a comprehensive and proactive Mental Health Awareness training programme, access to mental health first aid trained colleagues, as well as the provision of training for our line managers in Mental Health First Aid and in navigating the various materials in our **Wellbeing Hub**.

We will continue to strive to ensure that we create an environment where our colleagues are happy to work, and which promotes and encourages their personal wellbeing.

Pilots

Jet2.com runs its own UK CAA approved training facility which currently houses five Full Flight Simulators together with a Fixed Based Training Device to support our bespoke in-house training. In addition, another Full Flight Simulator is located externally to support our A321 aircraft. Our training facility is exclusively dedicated to training our colleagues and we have more than 200 experienced pilots who hold additional training qualifications, supporting the growth of our skilled pilot workforce across all our aircraft types.

Safety is our number one priority and it is important that we recognise that there are many colleagues who have not flown regularly for a period of time. Therefore, training in the coming months will be focused on ensuring we maximise our internal resources and expertise in readiness for a return to operations and we are working hard on comprehensive refresher training to ensure our pilots are comfortable and confident as they return to full flying duties.

As a result of redundancies within the Pilot population, we created a Priority Resource Pool which has retained the details of all of those that sadly had to leave the business. This means that as our flying activity returns to pre-pandemic levels, we will have access to a skilled and valued Jet2 population that we are keen to welcome back.

Cabin Crew

Prior to flying, all Cabin Crew colleagues must successfully complete our intensive four-week training course that meets EASA requirements and encompasses safety, first aid, security, service and sales and also links to our **'Take Me There'** values. Our skilled Cabin Crew Performance Trainers deliver the training to all Cabin Crew and Pilot colleagues, to ensure they can provide a professional, caring, and relaxed experience to customers onboard.

Although it has been a challenging year, our ability to quickly adapt to new regulations and guidance and update training plans where necessary, has ensured our Cabin Crew teams are well equipped and ready and able to get back onboard as soon as they can.

Engineering

All ***Jet2.com*** Engineers receive Engineering Induction training, which includes ***'Take Me There'*** training. To meet regulatory requirements, a team of 11 Technical Trainers deliver recurrent, continuation, apprentice and aircraft type rated training under our UK CAA Part 147 approval to 800+ engineering colleagues. This is supplemented with technical update training across all line and base maintenance facilities every year.

Additionally, we are approved to deliver the theory and practical Aircraft Maintenance License modules to our Engineering Apprentices and other Engineering colleagues to assist in their personal development, and as an Approved Apprenticeship Learning Provider that hold City and Guilds approval, we continue to deliver an in-house 4-year Engineering Apprenticeship scheme.

Despite the challenges of the past year, we have adapted our training methods and delivered Continuation Training as well as other theory or computer-based courses. Where possible, we have been able to deliver Aircraft Simulator Sessions, First Aid practicals and other lessons in person by utilising social distancing and PPE. Additionally, each colleague returning to the workplace has completed two E-Learning Modules, along with an interactive, online based Human Factors session focusing on Mental Health and Readiness for Work.

Customer Helpers

Our in-resort Customer Helpers duty is to provide our renowned level of service to our ***Jet2holidays*** customers, whilst our Customer Helpers based at airports in the UK and Overseas are responsible for both the first and last impression of our *"Customer First"* brand. Given their importance, we continuously embed our training and ***'Take Me There'*** values to ensure they all leave a positive impression at every step of the customer journey.

Though customer service is paramount, so is safety. Consequently, all our colleagues have been trained in Covid-19 specific procedures to ensure we are operating to the highest safety standards and are compliant with government and industry guidelines.

RECOGNITION

We have an in-house recognition and reward scheme called ***'A Great Deal Friendlier'*** which underpins our ***'Take Me There'*** values. This scheme enables the nomination of individual colleagues and teams from across the business for excellent customer service, or for going the extra mile for their internal or external customers.

Additionally, we have a colleague long service recognition scheme at 5-yearly intervals, designed to recognise loyalty and commitment by the presentation of a branded pin, personalised commemorative card plus an extra 5 days annual leave in the year of the award. We have many long serving colleagues and the feedback and aspiration to attain this recognition and to build a collection of branded pins has been phenomenal, demonstrating how proud and passionate our colleagues are to be a part of our business.

COMMUNICATION

Over the past year, with the majority of colleagues not physically in the workplace and with limited or no access to their work emails, we have had to introduce different methods of ensuring that communication channels remain open.

Due to the many iterations of the CJRS scheme which have impacted our colleagues' financial status, we ensured that each colleague had personalised letters emailed to them, providing an update and explaining what it meant to each of them individually.

Additionally, at the start of lockdown we introduced a dedicated email address, ***Jet2Cares***, for colleagues to raise queries and concerns on any matters such as their salary, role, business updates or personal wellbeing. This is monitored 24/7 to ensure that any questions can be responded to promptly and has been a key communication tool, becoming a recognised and vital channel within our colleague community both in the UK and Overseas.

We have continued with our policy of keeping colleagues regularly informed on matters relating to their employment through a variety of information bulletins and newsletters covering a wide range of topics. Management teams have also made calls to individual colleagues where necessary to ensure that we update them and allay any fears or anxiety about the current uncertain situation and provide the opportunity for questions.

At all times we believe it is important that everyone **Works as One Team** and feels that they have an opportunity to provide and share feedback and suggestions. Senior management must have an appreciation of the views and thoughts of colleagues and it is crucial that colleagues understand the reasons for key decisions and, when appropriate, are consulted about planned change.

An Information and Consultation Agreement and Protocol, consisting of five separate agreements, covers every UK-based Leisure Travel colleague. The agreements set out how ***Jet2.com*** and ***Jet2holidays*** inform and consult with colleagues as well as how each group works in practice, including how representatives are elected. Colleague Representatives are actively encouraged to speak up and challenge; as a result, their views and ideas have already helped to contribute to changes that have had a positive impact.

Despite the pandemic, meetings have continued to take place on a quarterly basis with Senior Managers and Directors, with our Executive Chairman often in attendance. We have ensured that this has continued despite the Colleague Representatives not being in the workplace as it has become even more important to engage as much as possible. We have continued to have positive engagement and attendance, and, in some areas, we are supplementing these meetings with more informal and regular calls with the Colleague Representatives to encourage feedback from their business areas and to answer any questions.

The details of the quarterly meetings are used to produce communications for circulation to the relevant colleague population and the content of the more informal forums are shared with colleagues via the Colleague Representatives. The five groups are:

- Let's Jet2 It! - covering central and non-operational colleagues;
- Pilots Liaison and Operations Group (PLOG) – covering our pilot colleagues;
- Engineering Maintenance Communication Group (EMCG) – covering our engineering colleagues;
- Operations Communications Group (OCG) – covering our operations and ground operations colleagues; and
- Cabin Crew Voice - covering our cabin crew colleagues.

These groups have been an invaluable forum for the business and our colleagues, as we have been able to communicate and explain the many changes we have had to make and also listen to the highs and lows of lockdown that have been experienced, enabling us to react appropriately to further support and engage our teams.

EQUALITY AND DIVERSITY

We employ a diverse workforce in the UK and Overseas and we are committed to promoting diversity and ensuring the equality of opportunity for all within the workplace, regardless of age, disability, gender reassignment, marriage or civil partnership status, pregnancy and maternity, race (including colour, nationality and ethnic or national origin), religion or belief, sex or sexual orientation.

We are also committed to ensuring that our procedures and selection processes in respect of recruitment, terms and conditions of employment, access to training and promotion and the terms upon which we offer access to facilities and services, are free from discrimination.

SECTION 172 STATEMENT

Section 172(1)(a) to (f) of the Companies Act 2006 ("s.172") requires a director of a company to act in the way which he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in so doing, to have regard (amongst other matters) to the following factors:

(a) the likely consequences of any decision in the long term;
(b) the interests of the company's employees;
(c) the need to foster the company's business relationships with customers, suppliers and others;
(d) the impact of the company's operations on the community and the environment;
(e) the desirability of the company maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly as between members of the company.

The Directors consider, both individually and collectively, that they have taken these factors into account when exercising their duty to promote the success of the Group during the year.

The Board, led by myself, ensures that its processes consider key stakeholders and that there is sufficient time, information and understanding to properly assess their interests when making decisions and considering their long-term implications. Appropriate stakeholder engagement is achieved through various means: direct interaction by Board members; receiving reports from management who engage with stakeholders; and addressing specific stakeholder interests in papers which are presented to the Board.

Supported by the Company Secretary, I monitor the adequacy of the training received by all new and existing Directors on their duties, including those under s.172. The Board recognises that stakeholder groups will not remain static and can be affected by changes in strategy, legislation or business requirements and therefore these are regularly reviewed, along with the engagement mechanisms, to ensure they remain appropriate.

Detail on how the Board has had regard to the matters set out in s.172 and has engaged with key stakeholders during the year is set out below.

The consequences of decisions in the long term

The leisure travel industry is dynamic and fast-moving, and the Board needs to remain agile in order to respond to opportunities or emerging issues as they present themselves. The Covid-19 pandemic has been a particularly challenging period given the severe impact on the Group's trading and this has required ever more resilience, agility and judgement from the Board to ensure that the best interests of all stakeholders are served.

The Directors fulfil their duties through a governance framework that delegates day-to-day decision-making to management of the Group, which reflects the highly regulated environment in which the Group operates. Nevertheless, the Board is mindful that many decisions will have a long-term impact, and that a number of its contractual commitments will remain with the Group for many years to come. With the Group having been founded by myself in 1983, the Board is able to draw on my wealth of experience and awareness of the impact of decisions in the longer term, to assist in high quality and consistent outcomes.

The interests of the Group's colleagues

Given the extreme uncertainty of the past year and the toll on morale this can take, the primary focus has been on supporting our colleagues, ensuring that we communicate with them regularly and reassure them appropriately. With the majority of colleagues not physically in the workplace, we have had to introduce different methods of ensuring that communication channels remain open.

We have continued with our policy of keeping colleagues regularly informed on matters relating to the business, through a variety of information bulletins and newsletters covering a wide range of topics. In addition, there has been regular communication from representatives of the Board and line management level, which has been critical to reassure, provide the opportunity for questions and also to engender continued engagement from colleagues.

Additionally, at the start of lockdown we introduced a dedicated email address, ***Jet2Cares***, for colleagues to raise queries and concerns on any matters such as their salary, role, business updates or personal wellbeing. This is monitored 24/7 to ensure that any questions can be responded to promptly and has been a key communication tool, becoming a recognised and vital channel within our colleague community both in the UK and Overseas.

Further detail on how the Board engages with colleagues to create an environment where they are happy to work and which best supports their wellbeing, is set out in the Colleague Engagement section of the Corporate Governance statement on page 51 and also in the Our People section which can be found on pages 39 to 44 of this Annual Report.

The interests of customers

We know that taking a holiday is one of the most important family experiences of the year. We therefore do our very best to ensure that each of our customers ***"has a lovely holiday"*** that can be both eagerly anticipated and fondly remembered, supported by our core principles of being family friendly, offering value for money and giving great customer service.

Given the unprecedented disruption to travel arrangements caused by the Covid-19 pandemic, we have demonstrated just how important our customers are to us, by treating them with respect in promptly refunding over £1.4bn of their advance deposit payments for holidays and/or flights which they have sadly not been able to enjoy. This refund performance has set us apart from our competitors, and (amongst others) has been recognised by the UK Civil Aviation Authority, who in July 2020 found that ***Jet2.com*** was the only UK airline to have been consistently processing cash refunds quickly. Further information on our customer service proposition can be found on page 30 of this Annual Report.

The interests of suppliers

Further detail on how the Board engages with suppliers can be found in the Corporate Responsibility section on page 31 of this Annual Report.

The interests of shareholders

Further detail on how the Board engages with shareholders can be found in the Corporate Governance statement on page 50 of this Annual Report.

The impact on the community and the environment

Further detail on how the Board engages with the community and considers the impact of the Group's operations on the environment can be found in the Corporate Responsibility and Sustainability sections on pages 30 to 38 of this Annual Report.

High standards of business conduct

The Board recognises the importance of corporate governance, and a description of how the Group has complied with the UK Corporate Governance Code 2018 can be found on pages 48 to 57 of this Annual Report.

The Board believes that modern slavery and human trafficking are significant global issues presenting a challenge for businesses worldwide and has committed to continually reviewing its practices to combat both. The Board has a zero-tolerance approach to modern slavery and is committed to ensuring that its group companies act ethically and with integrity in their business dealings and also expects its suppliers and contractors to uphold the same values. It will not conduct business knowingly with anyone engaged in slavery or human trafficking practices or knowingly permit them to be carried out in any part of its business. Further details on the Group's Modern Slavery Statement can be found in the Corporate Responsibility section on page 31 of this Annual Report.

The Group manages its tax affairs responsibly and seeks to build constructive relationships with all tax authorities. During the year, the Board re-reviewed and approved the Group's Tax Policy, with the Group Chief Financial Officer providing regular updates to the Board on tax matters generally. The Group continues to have a low risk tax status with HMRC. Additionally, during the period of the pandemic, the Group's CJRS claims were audited by HMRC and were found to be accurate, with no amendments required.

The Board expects all of its colleagues to observe the high standards contained within the Group's policies in relation to bribery and corruption, data protection, equality, diversity and inclusion, IT security, fraud and whistleblowing, each of which is reinforced through appropriate training.

Acting fairly between members of the Company

The Company has only one class of share in issue and as such shareholders benefit from the same rights as set out in the Company's Articles of Association. The Board recognises its legal and regulatory duties and does not take decisions or actions, such as selectively disclosing confidential or inside information, that would provide any shareholder with an unfair advantage. Detail of the engagement with shareholders is included in the Corporate Governance statement which can be found on page 50 of this Annual Report.

Philip Meeson
Executive Chairman
26 July 2021

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

Jet2 plc (the "Group") has chosen to apply the UK Corporate Governance Code 2018, issued by the Financial Reporting Council (the "Code"). A copy of the Code can be found at:

https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf

An explanation of how the Group has complied with the Code is set out below and also in the Audit Committee Report on pages 60 to 65 and the Remuneration Committee Report on pages 66 to 73.

BOARD LEADERSHIP AND COMPANY PURPOSE

The Role of the Board

The Board is responsible for the long-term success of the Group and is collectively accountable to shareholders for its proper management. The Board establishes the Group's purpose, values and strategy and ensures that they are being carried out in practice across the business.

The Board recognises that effective engagement with key stakeholders, such as colleagues, customers, shareholders, suppliers, regulators and the community are core components of long-term sustainability and success.

The Board has a formal schedule of matters specifically reserved to it for decision, including:

- reviewing and approving the Group's overall objectives, strategy and direction;
- determining, maintaining and overseeing a framework of prudent and effective controls, audit processes and risk management policies, to ensure the Group operates effectively and sustainably in the long term;
- approval of the financial statements, as well as revenue and capital budgets and plans; and
- approval of material decisions, agreements and non-recurring projects.

Day-to-day management responsibility rests with the Operational Directors.

Culture

The Board assesses and monitors the Group's culture through regular interaction with management and other colleagues to ensure that its policies, practices and behaviours are aligned with the Group's purpose, values and strategy. Throughout the Covid-19 pandemic, this interaction has proven to be more important than ever, given the unprecedented business interruption experienced by the Group and the consequent need to place many colleagues on temporary leave of absence (furlough).

The delivery of great service is at the core of the ***Jet2.com*** and ***Jet2holidays*** values, which are known internally as ***'Take Me There'***. All ***Jet2.com*** and ***Jet2holidays*** colleagues take part in a one-day induction to the business, which introduces these values: **Be Present**; **Create Memories**; **Take Responsibility**; and **Work As One Team**. Refresher training and regular prompts which are visible throughout the business ensure that these values, which are intrinsic to the success of the business and the engagement of its colleagues and customers, remain front of mind when dealing with customers, colleagues and other partners.

The Group's performance during the Covid-19 pandemic has embodied these principles, ensuring that colleagues, customers and partners are treated with respect, recognising that their experiences will be remembered long after the immediate impact of the pandemic has receded. The Board recognised at an early stage that excellent customer service was a feature which could set the Group apart from its competitors, and therefore made significant efforts to ensure that, despite colleagues (including those in the Contact Centre) being required to work from home, customers were able to be refunded promptly. To support this, further investment was made in the Group's IT functionality to improve the speed with which refunds could be processed, supplemented by the reassignment of operational colleagues to the Contact Centre.

Resources and Effective Controls

The Board is supported by the Audit and Remuneration Committees, each of which has access, at the cost of the Group, to the resources, information and advice that it deems necessary to enable it to discharge its duties. Although not in compliance with the Code, for the reasons set out in the "New Appointments" section of this statement, there is no separate Nomination Committee.

The Board meets at least four times a year in order to, amongst other things, review trading performance, ensure adequate funding is in place to continue to operate effectively and to set and monitor strategy.

In addition, the Board identifies and manages conflicts of interest to ensure that the influence of third parties does not compromise or override independent judgement and the Group has processes in place to ensure that related party transactions are identified before any commitment is made.

If the Directors have concerns about the operation of the Board or management of the Group that cannot be resolved, their concerns would be recorded in the Board minutes.

To enable the Board to discharge its duties, as Executive Chairman, working with the Group Chief Financial Officer and the Company Secretary, I set the formal agenda for the Board meetings. Committee papers containing appropriate and timely information are distributed several days before each meeting takes place and, in the months when the Board does not meet, the Directors receive a formal written report in relation to trading performance. Additional meetings are called if and when required.

The number of full Board and committee meetings scheduled, held and attended by each Director during the year was as follows:

	Board meetings	Ad hoc Board meetings†	Remuneration Committee meetings	Audit Committee meetings
Philip Meeson	6/6	4/4	4/4	-
Gary Brown	6/6	4/4	-	3/3*
Stephen Heapy	6/6	4/4	-	3/3**
Mark Laurence	6/6	4/4	4/4	3/3
Richard Green	6/6	4/4	-	3/3
Robin Terrell	6/6	4/4	4/4	3/3

* *by invitation.*

** *Stephen Heapy resigned from the Audit Committee following the completion of the audit for the year ended 31 March 2020 and now attends meetings by invitation only.*

† *Additional Board meetings took place during the year in connection with transactions undertaken, including the two equity placings, the CCFF and the sale of Fowler Welch.*

Shareholder Engagement

The Business & Financial Review on pages 9 to 14 includes a detailed review of the Group's business and future developments. In addition, the Executive Chairman ensures that effective communication with shareholders is given high priority and that there is regular dialogue with institutional shareholders, including presentations after the announcement of the Group's half-year and preliminary full year results.

During the past twelve months there has been significant engagement with the Group's largest shareholders as a result of two equity placing transactions which were undertaken in May 2020 and February 2021. These transactions were undertaken to provide incremental liquidity in the face of the unprecedented disruption brought on the Group's business by the Covid-19 pandemic. The Board recognised the dilutive effect of the transactions and therefore made every effort to ensure that shareholders were fully aware of the reasons for this course of action. In addition, for the second equity placing, the Board placed a proportion of shares by way of retail offer via Primary Bid to ensure that existing smaller investors also had the opportunity to participate.

Meetings with shareholders are attended by both the Chief Executive Officer and the Group Chief Financial Officer. In addition, both the Executive and Non-Executive Directors have the opportunity to meet with other shareholders at the Annual General Meeting and on further occasions during the year as required.

The Board customarily uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation, and the Executive Chairman ensures that the Chairs of the Audit and Remuneration Committees are present to answer questions. This year, due to the Covid-19 restrictions, the Annual General Meeting took place as a closed meeting, though questions from shareholders were invited which could then be dealt with directly. In the coming year, it is expected (subject to any restrictions applicable in connection with the Covid-19 pandemic) that the usual Annual General Meeting proceedings will resume, with a question and answer session following the conclusion of the formal business of the meeting hosted by the Executive Chairman, which provides a valuable opportunity to hear from members of the Board about developments within the Group, and to receive their views on issues which are of most interest to the shareholders present.

Details of resolutions to be proposed at the Annual General Meeting are included in the Notice of Annual General Meeting and related papers, which are sent to shareholders in advance of the meeting in accordance with the Group's Articles of Association. All votes received for general meetings are properly recorded and counted and details of proxy appointments and voting instructions are provided at the meeting. Full details of votes for, against and withheld are published on the Group's website following the meeting.

If a resolution receives 20% or more of votes cast against, the Board will consult with shareholders to understand the reason behind the result.

The Group's website (**www.jet2plc.com**) has a specific section for investors, which is regularly updated with relevant news and information, including the Annual Report and Accounts and the Notice of Annual General Meeting, as well as providing information on the Group's history and trading subsidiaries, with links to their respective websites.

Colleague Engagement

The Board recognises that it is important to engage with colleagues to ensure that the Group is fostering an environment that they are happy to work in, supports their personal wellbeing and enables them to understand the rationale for key decisions. The Group does not currently use the workforce engagement methods prescribed by the Code, but instead operates an Information and Consultation Agreement and Protocol, consisting of five separate agreements as detailed on page 44 which cover every UK-based colleague and set out how ***Jet2.com*** and ***Jet2holidays*** will inform and consult with them.

Despite the pandemic, working group meetings have continued to take place on a quarterly basis with Senior Managers and Directors, with our Executive Chairman often in attendance. We have ensured that this has continued despite the Colleague Representatives not being in the workplace as it has become even more important to engage as much as possible. We have continued to have positive engagement and attendance, and, in some areas, we are supplementing these meetings with more informal and regular calls with the Colleague Representatives to encourage feedback from their business areas and to answer any questions. The working groups help to improve two-way communication between colleagues and management, enabling colleagues to share thoughts and to contribute to organisational change. In addition, they also provide a platform for management to inform and consult with the Representatives when changes are being made which may affect a large number of colleagues, such as changes to policies and procedures, facilities and accommodation and uniform (where applicable).

Additionally, the Group keeps colleagues regularly informed on matters relating to their employment through a variety of weekly and monthly information bulletins and newsletters covering a broad range of topics. Although the Covid-19 pandemic has prevented face to face presentations, in the last year these have been supplemented by online presentations by the Senior Management Team, which include an opportunity for colleagues to raise questions direct with the Chief Executive Officer, Group Chief Financial Officer and other directors.

A mailbox entitled 'Ask Steve' allows colleagues at any level of the organisation to write directly to the Chief Executive Officer of ***Jet2 plc*** regarding any matter or concern they may have, providing a direct method of communication with a key member of the Board and enabling issues raised to be added to the Board agenda for discussion as required.

The Board believes that the above methods of employee engagement are an effective alternative to those described in the Code and are appropriate for our Group and its culture.

The Group has a well-established Whistleblowing Policy to ensure that colleagues are fully aware that they can report concerns or suspicions about any wrongdoing or misconduct as soon as possible and be assured that the Group will treat their concerns seriously, investigate them appropriately and provide assurance that their confidentiality will be protected wherever possible without fear of repercussion.

DIVISION OF RESPONSIBILITIES

The Executive Chairman

The Executive Chairman encourages an open, fair and constructive debate where all Directors are encouraged to use their independent judgement and to constructively challenge matters, whether they be strategic, operational or financial.

The Executive Chairman, with the support of the Company Secretary, is responsible for the Director induction process and ensuring that the Directors receive appropriate training as necessary.

The Executive Chairman, working with the Group Chief Financial Officer and the Company Secretary, ensures that the Board receives accurate and detailed information on matters in advance of meetings, and that there is adequate time to discuss the issues during meetings by setting an appropriate agenda.

Division of Responsibilities between Executive Chairman and Chief Executive Officer

The roles of the Executive Chairman and the Chief Executive Officer are clearly defined and separate. In line with the Code, executive responsibility for the day-to-day running of the Group sits with the Chief Executive Officer, Stephen Heapy. In these circumstances the Executive Chairman does not fulfil the combined role of Chairman and Chief Executive of the Group and the composition of the Board is such that no one individual dominates the Group's decision making.

Board Composition

The Board comprises:

- Philip Meeson, who performs the role of Executive Chairman of the Group and has responsibility for the leadership of the Board and for its effectiveness in directing the Group;
- Stephen Heapy, Chief Executive Officer;
- Gary Brown, the Group Chief Financial Officer;
- Mark Laurence, an independent Non-Executive Director;
- Robin Terrell, an independent Non-Executive Director (appointed on 14 April 2020); and
- Richard Green, a Non-Executive Director.

Mark Laurence is Chair of the Remuneration Committee and a member of the Audit Committee and has now served for more than nine years from the date of his first election to the Board. Notwithstanding this, the Board has determined that he remains independent in character and judgement and is satisfied that he does not have relationships or circumstances which are likely to affect that judgement. He continues to provide valuable challenge as a non-executive director and brings a breadth of financial experience to the Board.

Following a rigorous search process using external independent search consultants, Robin Terrell was appointed to the Board on 14 April 2020 as an independent non-executive director and is Chair of the Audit Committee and a member of the Remuneration Committee. Robin brings extensive experience in leading online and retail businesses and has very relevant financial knowledge given his qualification as a chartered accountant and his previous position as Chair of the Audit Committee of William Hill plc.

Richard Green was appointed to the Board on 6 September 2018 as a non-executive director and is a member of the Audit Committee. Prior to his appointment, Richard worked as a consultant for ***Jet2.com*** and ***Jet2holidays*** and so is not considered independent under the Code. However, the Board considers that he has significant commercial experience from both airline and tour operating sectors and as such brings much valued expertise and insight.

Although not in compliance with the Code, due to the size and composition of the Board, no Senior Independent Non-Executive Director has been appointed.

Overall, the Board is satisfied that both its Executive and Non-Executive Directors have an effective and appropriate balance of skills, experience and calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Group.

The biographies of the Directors appear on pages 58 and 59 of this Annual Report.

Non-Executive Directors

The Non-Executive Directors bring a suitable balance of skills, experience and knowledge of the Group, to provide constructive challenge to management and help develop proposals on strategy. In addition, their independence of character and integrity prevents any individual or small group from dominating the decision making of the Board as a whole. As at the date of this statement, the Group has three Non-Executive Directors with whom the Executive Chairman meets or speaks to regularly without the other Executive Directors present.

All Non-Executive Directors are required to devote sufficient time to their role as a member of the Board in order to discharge their responsibilities effectively and this is kept under continuous review. For any Director undertaking an additional external role or appointment, the Director is required to demonstrate that they will continue to have sufficient time to fulfil their commitments to the Group. Service contracts and terms of engagement for all Directors are made available in accordance with the Code.

Information and Support

All Directors have access to the advice and services of the Company Secretary, Ian Day, who is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

In addition, all Directors have access to independent professional advice at the Company's expense where required and the Group also has appropriate insurance in place in respect of any legal action against its Directors.

COMPOSITION, SUCCESSION AND EVALUATION

New Appointments

Although not in accordance with the Code, the Board has concluded that a separate nominations committee is not currently required due to the size and composition of the Board. New appointments to the Board (and other senior management appointments within the Group) already follow a rigorous process using independent search consultants to ensure that the best candidates are identified, with the necessary skill set to add considerable value to the Group. Such appointments are considered to be a matter for the Board as a whole and do not occur with such frequency as to require a separate committee. Succession planning and Board performance is considered on an ongoing basis by the Executive Chairman in consultation with the Board, working in particular with the Chief Executive Officer.

The Executive Chairman considers succession planning on an ongoing basis in consultation with the Board, working in particular with the Chief Executive Officer.

As the founder of the Group, the Executive Chairman has served on the Board for more than nine years from the date of election and owns 22.05%[1] of the issued share capital of the Group. Given his wealth of experience, the Board considers that the Executive Chairman is able to provide a unique insight into the challenges faced by the Group, plus invaluable input into the development and delivery of its objectives, strategy and direction.

[1] As at 30 June 2021

The Board is committed to promoting diversity and ensuring equality of opportunity for all within the Group, regardless of age, disability, gender reassignment, marriage or civil partnership status, pregnancy and maternity, race (including colour, nationality, and ethnic or national origin), religion or belief, sex or sexual orientation and its policy on new appointments is based on merit.

Re-election to the Board

Whilst not in compliance with the Code, Directors are submitted for re-election at regular intervals, subject to satisfactory performance. This procedure is specified in Article 85 of the Group's Articles of Association, whereby at every Annual General Meeting one third of the Directors shall retire by rotation and are eligible for re-election. Newly appointed Directors are subject to re-election at the first Annual General Meeting after their appointment.

Evaluation

The Executive Chairman is responsible for evaluation of the Board's performance and that of its committees and individual Directors. This evaluation is made on an ongoing basis using feedback from the Group as a whole, supplemented by regular discussions with the Directors in question.

AUDIT, RISK AND INTERNAL CONTROL

Financial and Business reporting

A statement of the Directors' responsibilities in respect of the Annual Report and financial statements is set out on pages 75 to 76 of this Annual Report. A statement on going concern is given within Note 2 to the consolidated financial statements on pages 90 and 91.

Audit Committee and Auditors

The Board has an established Audit Committee which during the year comprised of two independent Non-Executive Directors and one Non-Executive Director. In line with the Code, Stephen Heapy resigned from the Audit Committee following the completion of the audit for the year ended 31 March 2020 and now attends meetings by invitation only.

The Audit Committee is chaired by Robin Terrell, an independent Non-Executive Director, and meets no less than three times per year, reporting back to the Board on key issues discussed at each meeting. The Board is satisfied that the Chair of the Audit Committee has recent and relevant financial experience, being a qualified Chartered Accountant and having held the position of Chair of the Audit Committee of William Hill plc from March 2019 to April 2021, and that the Committee continues to be effective in fulfilling the primary functions described below.

The Executive Directors, the Group Legal Director and Company Secretary, the Group Financial Controller and Head of Treasury, as well as the external and internal auditors are invited to attend meetings. The Committee's primary function is to assist the Board in:

1. Fulfilling its responsibilities to protect the interests of shareholders by ensuring the integrity and clarity of the financial statements and of any formal announcements relating to the Group's financial performance;
2. Carefully considering key judgements and estimates applied in the preparation of the consolidated financial statements;
3. Overseeing the scope of internal audit work for the year and reviewing the effectiveness of the Internal Audit function;
4. Reviewing and monitoring the adequacy and effectiveness of internal control and risk management policies;
5. Considering the appointment of the external auditor, their scope of work and their remuneration, including reviewing their independence and objectivity, and agreeing the extent of non-audit work undertaken;
6. Reviewing the findings of the audit with the external auditors, including the effectiveness of the audit process and a discussion of any major accounting or judgemental issues which arose during the audit; and
7. Providing advice on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

The Audit Committee Chair also engages with both the external and internal auditors, without the Executive Directors or members of the Finance team present.

Whilst KPMG LLP ("KPMG") have been the Group's auditor since the year ended 31 March 2005, the Audit Committee and the Board continue to believe this is in the best interests of shareholders as KPMG have developed an extensive knowledge of the Group. However, in order to ensure good governance, the Committee has determined that it is appropriate for an audit tender process to be conducted commencing no later than September 2023. The Committee will continue to keep the exact timings of the audit tender under review given the current Covid-19 pandemic.

The fee paid to KPMG for the statutory audit of the Group and Company financial statements and the audit of Group subsidiaries pursuant to legislation was £0.5m. A breakdown of fees paid to KPMG during the financial year is set out in Note 8. Resolutions to reappoint KPMG as auditor and to authorise the Directors to agree their remuneration will be put to shareholders at the AGM.

A detailed Audit Committee Report is set out on pages 60 to 65.

The Independent Auditor's Report can be found on pages 77 to 84.

Risk Management and Internal Control

The Board of Directors is responsible for the Group's system of internal control and for reviewing its effectiveness. Any such system is designed to manage, rather than eliminate the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board of Directors has carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, liquidity or solvency, which can be found on pages 15 to 27 of the Annual Report.

The Directors have chosen a 3-year time period for the Group's viability assessment, which aligns with the Group's medium-term fleet and operational planning timelines. The Viability Statement can be found on page 29 of the Strategic Report.

The risk management process and the system of internal control necessary to manage risks are assessed and monitored by the Audit Committee.

The Board maintains processes for identifying, evaluating and managing the risks faced by the Group which take account of the recommendations set out in the Financial Reporting Council's *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting*.

To ensure compliance with laws and regulations, and to promote effective and efficient operations, the Board has established an organisational structure with clear operating procedures, lines of responsibility and delegated authority.

Comprehensive guidance on financial and non-financial matters for all managers and employees is given in the Group Management Manual, within which there are clear procedures for:

- approval of invoices before authorisation for their payment;
- capital investment, with detailed appraisal, authorisation and post-investment review; and
- financial reporting, within a comprehensive financial planning, budgeting, reporting and accounting framework.

The Group has an independent Internal Audit department, which provides independent assurance by performing full and regular monitoring of the Group's procedures, promoting robustness of controls, highlighting departures from procedures and suggesting relevant key performance indicators for future monitoring. Other areas of risk assessment and monitoring which may normally be carried out by an Internal Audit department are, in the main, covered by the Board either as a whole or within the various meetings highlighted.

Group Risk Management is the responsibility of the Group's Operational Directors, who meet regularly with Internal Audit to review and monitor the Group Risk Register and to discuss existing and emerging risk. The Directors report their findings to the Audit Committee.

REMUNERATION

The Level and Components of Remuneration

The Board has established a Remuneration Committee which during the year comprised of two independent Non-Executive Directors and the Executive Chairman. The Group's Remuneration Committee was chaired by Mark Laurence.

Although not in line with the Code, the Executive Chairman is a member of this Committee due to him being the founder of the Group, plus the insight that he brings into the engagement and reward of the top talent within the business. The Executive Chairman does not receive a bonus or share award and abstains from any discussion about his own remuneration at these meetings, so the Board does not consider that his membership compromises the effectiveness of the Committee's work.

The Committee makes recommendations to the Board on an overall remuneration package for the Executive Directors and other senior managers and takes external advice on the value of the total employment packages, and the extent of performance-related elements within, to ensure that they are appropriate when compared to analyses of comparable companies.

Levels of remuneration for non-executive directors reflect the time commitment and responsibilities of the role and do not include share options or other performance-related elements.

Procedure

The Remuneration Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Group's framework of executive remuneration and its cost. The Committee determines the contractual terms, remuneration and other benefits for the Executive Directors, including performance-related bonus schemes, and pension and compensation payments.

Further details are set out in the Remuneration Committee Report on pages 66 to 73.

Remuneration Outcomes

Remuneration outcomes are aligned with strategic priorities and the long-term success of the Group. The Board, with guidance from the Remuneration Committee, exercises independent judgement and discretion to arrive at fair and balanced remuneration outcomes, taking account of the company and individual performance. When setting senior executive pay, the Board considers both external pay relativity and wider workforce remuneration and conditions.

BOARD APPROVAL OF THE STATEMENT OF CORPORATE GOVERNANCE

This Corporate Governance Statement is approved by the Board and signed on its behalf by:

Philip Meeson
Executive Chairman
26 July 2021

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Philip Meeson *Executive Chairman*

Appointed: On the purchase of Channel Express Group in April 1983.

Experience: In April 1983, Philip's private company purchased the Channel Express Group which, at that time, distributed flowers grown in the Channel Islands to wholesale markets throughout the UK, and freight from the UK into the Channel Islands. From that original business, he has developed the Group into a leading UK leisure travel provider. Having decided that the Company needed wider access to funding in order to accelerate its growth, Channel Express Group plc was floated on the USM in 1988. In 1991, it changed its name to Dart Group plc and moved to a full listing on the London Stock Exchange before moving to AIM in 2005. In September 2020, the Company changed its name to ***Jet2 plc***, reflecting the focus on its longer-term strategy of growing its Leisure Travel business.

For information on the history of ***Jet2 plc***, please visit the following page of the Group's website: **www.jet2plc.com/Jet2-Group-history/**

Committees: Remuneration

Stephen Heapy *Executive Director and Chief Executive Officer*

Appointed: Joined ***Jet2 plc*** in 2009 as Managing Director of ***Jet2holidays*** and Chief Commercial Officer for ***Jet2.com*** and is now the Chief Executive Officer of ***Jet2 plc***. Stephen was appointed to the Board as an Executive Director in June 2013.

Experience: Stephen has extensive experience in the travel industry, having held roles with My Travel plc, Thomas Cook and Libra Holidays. Stephen is a fellow of the Institute for Travel and Tourism, a Chartered Company Secretary and is a member of the Institute for Turnaround. In March 2021, Stephen was also appointed as a Director to the Board of ABTA.

Committees: None. Stephen Heapy resigned from the Audit Committee following the completion of the audit for the year ended 31 March 2020 and now attends meetings by invitation only.

Gary Brown *Executive Director and Group Chief Financial Officer*

Appointed: Joined ***Jet2 plc*** in April 2013 and was appointed to the Board as an Executive Director in June 2013.

Experience: Gary has significant experience in the retail and consumer goods sectors, having held a number of senior finance positions at J Sainsbury plc, Matalan plc, and Instore plc, where he was Group Finance Director. Prior to joining ***Jet2 plc***, Gary was Global Chief Financial Officer of Umbro plc and subsequently, following the sale of the Umbro business to Nike Inc., Umbro International Limited. Gary is a fellow of the Institute of Chartered Accountants of England and Wales.

Committees: None

NON-EXECUTIVE DIRECTORS

Mark Laurence *Independent Non-Executive Director*

Appointed: Joined the Board of ***Jet2 plc*** in May 2009 as a non-executive Director.

Experience: Mark began his career as a transport sector investment analyst with stockbrokers Kitcat and Aitken, before moving to WI Carr and Merrill Lynch (formerly Smith New Court plc) where the team was ranked No.1 in the 1995 Extel Financial Survey of UK Investment Analysts. Latterly at Merrill Lynch he was a member of the highly ranked UK Equity Strategy team. In 1997, he joined Collins Stewart plc and helped develop the group leading up to its MBO and IPO in 2000. Since 2001, Mark has pursued a career in fund management helping to found Fundsmith in 2010. Mark was recognised at the 2014 Grant Thornton Quoted Company Awards as Non-Executive Director of the Year.

Committees: Audit; Remuneration (Chair)

Robin Terrell *Independent Non-Executive Director*

Appointed: Joined the Board of ***Jet2 plc*** on 14 April 2020 as an independent Non-Executive Director.

Experience: Robin has extensive experience in leading online and retail businesses including Amazon, John Lewis Direct, House of Fraser and Tesco. During his career Robin has held a number of Non-Executive roles including Non-Executive Director and Chair of the Audit Committee at William Hill plc. He is currently Non-Executive Chair of Wetsuit Outlet, Non-Executive Director and Chair of the Audit Committee at New Look and Non-Executive director at Åhléns AB. Robin qualified as a Chartered Accountant with Coopers & Lybrand.

Committees: Audit (Chair); Remuneration

Richard Green *Non-Executive Director*

Appointed: Joined the Board of ***Jet2 plc*** on 6 September 2018 as a Non-Executive Director, having provided consultancy services and advice to the Directors of ***Jet2.com*** and ***Jet2holidays*** on commercial strategy projects since 2010.

Experience: Richard has extensive commercial experience in the travel industry gained from working in both the Airline and Tour Operating sectors. During his career Richard has held a number of significant positions, initially working in senior management roles within First Choice Holidays and Thomas Cook, and then as Managing Director/CEO of Direct Holidays plc, My Travel Group and Globespan plc. Richard is also a Director of Brooklyn Travel Holdings Limited and a number of its subsidiary undertakings.

Committees: Audit

AUDIT COMMITTEE REPORT

I am pleased to present the Audit Committee's report for the year ended 31 March 2021.

COMMITTEE COMPOSITION & MEETINGS

In addition to myself the Audit Committee comprises:

- Mark Laurence, ***Jet2 plc*** Independent Non-Executive Director; and
- Richard Green, ***Jet2 plc*** Non-Executive Director

I joined the Audit Committee on 14 April 2020 and took up the role of Chair on 18 July 2020 at which point Stephen Heapy was able to resign from the Committee. Further details of the Committee members, and their respective experience can be found on pages 58 and 59 of the Annual Report and Accounts.

The Committee met formally three times in the year. Although not members of the Audit Committee, the Chief Executive Officer, the Group Chief Financial Officer, the Group Legal Director and Company Secretary, the Group Financial Controller and Head of Treasury, the Head of Internal Audit and Business Continuity and representatives of KPMG LLP ("KPMG"), our external auditor, were also invited and were in attendance. Attendance at Committee meetings during the year can be found on page 49. I also met informally with both KPMG and Internal Audit without executive management present at regular intervals throughout the year.

COMMITTEE KEY RESPONSIBILITIES

The Committee's primary function is to assist the Board in the following areas:

1. Fulfilling its responsibilities to protect the interests of shareholders by ensuring the integrity and clarity of the financial statements and of any formal announcements relating to the Group's financial performance;
2. Carefully considering key judgements and estimates applied in the preparation of the consolidated financial statements;
3. Overseeing the scope of internal audit work for the year and reviewing the effectiveness of the Internal Audit function;
4. Reviewing and monitoring the adequacy and effectiveness of internal control and risk management policies;
5. Considering the appointment of the external auditor, their scope of work and their remuneration, including reviewing their independence and objectivity, and agreeing the extent of non-audit work undertaken;
6. Reviewing the findings of the audit with the external auditors, including the effectiveness of the audit process and a discussion of any major accounting or judgemental issues which arose during the audit; and
7. Providing advice on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

COMMITTEE KEY AREAS OF FOCUS

- Reviewing and approving the Annual Report and Accounts to 31 March 2020 and half-year results to 30 September 2020 including a review of the going concern basis on which the Annual Report is prepared.
- Considering reports from the external auditor and identifying any accounting or judgemental issues requiring attention, such as accounting for large volumes of customer refunds.
- Considering and reviewing the findings of and the Group's responses to a Financial Reporting Council ("FRC") review of the Annual Report and Accounts to 31 March 2020.
- Reviewing and considering reports from the work conducted by the Internal Audit function.
- Reviewing and approving the Group's key processes, tax and treasury strategies.
- Considering and reviewing the principal risks affecting the Group.
- Considering and reviewing the overall IT environment and controls.
- Overseeing the appointment of and relationship with the external auditor, including an assessment of their independence and a review of the provision of non-audit services.

EXTERNAL AUDIT

KPMG were first appointed by ***Jet2 plc*** on 24 March 2005 to audit the financial statements for the period ended 31 March 2005 and subsequent financial periods. A tender in respect of the external audit has not been sought since, though there are no contractual obligations restricting the Group's choice of external auditor.

The auditor appointment is subject to ongoing monitoring and the Committee revisited their review of KPMG's effectiveness as part of the 2020 year end process. The Committee considered several factors when determining the effectiveness of the external auditor, including: the overall quality and scope of the audit; the audit partner and team; communication and engagement with the Audit Committee, both formal and informal, and how issues were reported, followed up and resolved; the independence of KPMG and whether an appropriate level of challenge and scepticism existed in their work; and the findings of the FRC's Audit Quality Inspection on KPMG issued in July 2020.

The Committee also sought the views of key members of the finance team and senior management on the audit process and the quality and experience of the audit partner. Their feedback confirmed that KPMG had continued to perform well during 2020 and had provided an appropriate level of challenge to management.

Based on the review and feedback received, the Committee was of the view that it was not appropriate to make changes to the external auditor for the year ended 31 March 2021.

The Committee is also satisfied with the performance of the external auditor and with the policies and procedures in place to maintain their objectivity and independence. KPMG possesses the skills and experience required to fulfil its duties effectively and efficiently and the audit for the year ended 31 March 2021 was effective. The Committee has therefore recommended to the Board the reappointment of KPMG at the forthcoming AGM.

Given the length of time KPMG have been appointed as the Group's auditor and in order to ensure good governance, the Committee has determined that it is appropriate for an audit tender process to be conducted commencing no later than September 2023. This will allow time for a thorough process to be carried out and, if required, a smooth handover of audit responsibilities. The Committee will continue to keep the exact timings of the audit tender under review given the current Covid-19 pandemic.

The fee paid to KPMG for the statutory audit of the Group and Company financial statements and the audit of Group subsidiaries pursuant to legislation was £0.5m. Non-audit services were provided where the Group considered that KPMG were best placed to perform the work. Non-audit fees for the year were £0.1m, covering advice relating to the Tour Operators' Margin Scheme ("TOMS"), other indirect tax advice and tax advice in advance of the sale of our Distribution & Logistics business, **Fowler Welch**. A breakdown of fees paid to KPMG during the financial year is set out in Note 8 of the Annual Report & Accounts. With effect from 15 December 2020 KPMG no longer provide any non-audit services to the Group. Resolutions to reappoint KPMG as auditor and to authorise the Directors to agree their remuneration will be put to shareholders at the Annual General Meeting.

The Group also receives advice as needed from Deloitte LLP and PwC LLP on taxation issues and Herbert Smith Freehills LLP on legal issues relating to corporate matters.

SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE

A brief summary of the significant issues identified are discussed below. New areas of focus include the potential impairment of aircraft assets in light of the extensive travel restrictions brought on by the pandemic and the recoverability of hotel supplier advances, an economic consequence of the pandemic on third party hoteliers.

Following the UK's exit from the European Union during the year, Brexit risk was removed from the list of issues considered by the Committee along with IFRS 16 following the initial transition in the previous financial year. Aircraft maintenance provisions and derivatives were no longer considered significant risks due to there being a much lower scope for the quantum of an error to be material to the financial statements. Finally, going concern was no longer considered as a significant issue given the Group's healthy cash balance as at 31 March 2021 and the actions taken by the business to generate substantial additional liquidity following the year end.

The Committee formally reviewed and discussed each of the significant issues in relation to the full-year results, detailed below.

Aircraft depreciation

The Committee reviewed the accounting treatment in relation to aircraft depreciation and noted that this had been applied consistently and appropriately.

Impairment of aircraft assets

The Committee reviewed the impairment assessment on the Group's aircraft assets and noted that significant headroom existed between the carrying value of the Group's fleet and the lower of their value in use or market value. The forecasts used in the value in use calculations were aligned with those used in the assessment of Going Concern.

Recoverability of hotel supplier advances

To secure a dependable and competitive room offering in the most attractive hotels, the Group often places substantial deposits with its hotel partners. The recoverability of these balances is dependent on the ongoing viability of the hotels and is assessed by the Group at each period end. The Committee considered the appropriateness of the risk assessment completed by the business and the allocation of hotel partners between the varying risk levels which determine the Group's provision and is satisfied that the approach taken is appropriate.

Revenue recognition

In line with the previous year's audit, KPMG extracted customer booking data for the year and re-performed the calculation of revenue and deferred revenue based on flight departure dates, using data and analytics audit techniques. KPMG then performed transactional level revenue to cash receipt matching along with additional sampling of any unmatched items.

The Committee considered the revenue recognition policies and the monthly reconciliation procedures already performed by the business, alongside KPMG's audit conclusions and is satisfied that revenue has been appropriately recognised in the accounts.

Conclusions

In conclusion, the Audit Committee reported to the Board that it considered the Annual Report for the year ended 31 March 2021 to be fair, balanced and understandable and provides the information necessary for shareholders to assess our strategy, business model and financial position and performance.

FRC REVIEW OF FINANCIAL STATEMENTS

During the year, the Group received a letter from the FRC's Corporate Reporting Review team confirming that they had conducted a review of the Group's financial statements for the year ended 31 March 2020. In this letter, the FRC raised no questions or queries but made certain recommendations to improve the clarity of the financial statements for the reader. They also noted that the review provides no assurance that the Annual Report and Accounts are correct in all material respects, as the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The Group were pleased to receive no questions or queries; and consequently reviewed the relevant accounting standards excerpt or FRC Thematic Review to gain a full understanding of each recommendation and replied to the FRC confirming that this exercise had been completed.

GOING CONCERN

The Committee reviewed the going concern basis on which the Annual Report is prepared, the Directors having prepared financial forecasts for the Group, comprising profit before and after taxation, balance sheets and projected cash flows through to 31 March 2024.

The forecasts cover two "no fly" scenarios:

- 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 Committee also considered: the fact that the Group's banking partners agreed to waive the existing covenants at the end of March 2021; the liquidity actions taken since 31 March 2021 being the signing of a new £150.0m unsecured 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.

Following a review of these forecasts, and noting both the healthy closing cash balance of £1,379.0m at 31 March 2021, the additional actions taken to increase liquidity since the year end and the forecast monthly cash utilisation, the Committee concluded that there is a reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements and that it is appropriate for the Group to continue to adopt the going concern basis in preparing the financial statements for the financial year ended 31 March 2021.

The Going Concern Statement can be found on page 28.

VIABILITY STATEMENT

The Committee reviewed the scenarios prepared for the Going Concern and Viability review, comprising profit before and after taxation, balance sheets and cash flows through to 31 March 2024. The Committee noted that the forecasts cautiously assume that the productive aircraft fleet operating in the year ending 31 March 2023 will be smaller than that flown in the year ended 31 March 2020, the last financial year in which the Group operated unhindered. In addition, and should customer demand be weaker than forecast, due to the mix of aircraft, the Group has the ability to further downsize the fleet if required to eliminate the fixed costs associated with those aircraft.

Following a review of these forecasts alongside the principal risks and uncertainties that the Group faces and its ability to mitigate and manage those risks, the Committee have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2024.

The Viability Statement can be found on page 29.

INTERNAL AUDIT & RISK MANAGEMENT

The Group's Internal Audit team remains a key function within the business and provides independent and objective assurance over the design and operating effectiveness of the system of internal control, through a risk-based approach. The team has unrestricted access to all Group documentation, premises, functions and employees to enable it to perform its work, although this has been somewhat curtailed in the current crisis. The Head of Internal Audit and Business Continuity reports to the Committee and, administratively, to the Group Chief Financial Officer. The Committee engages directly with the Internal Audit team, who also had two separate meetings with KPMG.

Internal Audit continues to develop the Group's risk register and works with senior management and the Board to ensure that there is appropriate alignment and understanding of key risks and risk appetite.

Internal Audit also have a key role in the oversight of our Business Continuity capabilities, which in the current year included the Group's response to the Covid-19 pandemic and ensuring that key functions were able to continue to operate effectively.

FUTURE DEVELOPMENTS

The Committee has always been thankful to the Group's Finance department for their professionalism and dedication but never more so than during these challenging times and I would like to sincerely thank them on behalf of all shareholders.

Robin Terrell
Non-Executive Director, Chair of the Audit Committee
26 July 2021

REMUNERATION COMMITTEE REPORT

During the year ended 31 March 2021, the Group's Remuneration Committee (the "Committee") was chaired by myself, with Robin Terrell and Philip Meeson, Executive Chairman, the other members of the Committee.

Although not in line with the Code, the Executive Chairman is a member of this Committee due to him being the founder of the Group and the insight that this brings into the engagement and reward of the top talent within the business. The Executive Chairman does not receive any bonus or share award and abstains from any discussion about his own remuneration at these meetings, so the Board does not consider that his membership compromises the effectiveness of the Committee's work.

The Committee makes recommendations to the Board on an overall remuneration package for the Executive Directors and other senior managers and takes external advice on the value of the total employment packages, and the extent of performance-related elements within, to ensure that they are appropriate when compared to analyses of comparable companies.

The Remuneration Committee is committed to ensuring that the remuneration packages are effective in aligning the interests of the Executive Directors and senior management with those of the Company's shareholders and that they provide appropriate incentivisation to continue to deliver long-term sustainable profitability. In addition, the Remuneration Committee also considers that the Policy should be easy to understand and also straightforward and simple to implement and administer.

The Committee met formally four times in the year.

The remainder of this report comprises three sections: The Effect of Covid-19 on Executive Directors' Remuneration and Board Fees; the Executive Director Remuneration Policy; and Directors' Emoluments during the Year.

The Effect of Covid-19 on Executive Directors' Remuneration and Board Fees

As detailed in the Remuneration Committee's report last year, as a result of the impact of Covid-19 on our business, the Directors undertook a number of actions which were considered appropriate to align to the experience and perspective of our shareholders and other stakeholders, including our colleagues. The actions taken were:

- Voluntary reductions made in Executive Directors' salaries: for the full financial year from 1 April 2020 to 31 March 2021, the Executive Chairman did not take a basic salary and both the Chief Executive Officer and Group Chief Financial Officer took a 20% basic salary reduction.
- For the same period, I did not take a fee whilst the other Non-Executive Directors, Richard Green and Robin Terrell, took a 30% fee reduction.
- The payment of cash and shares under the Senior Executive Incentive Plan (SEIP) for the financial year ended 31 March 2020 was cancelled despite all profit, customer and individual metrics under the SEIP Scheme being fully achieved, which would have made the Executive Directors eligible for the maximum SEIP award of 100% of basic salary for the year.

- Due to the necessary suspension of our flying programme, many of our UK colleagues were placed on temporary leave of absence ('furloughed') in order to make full use of the grants available under the UK Government's Coronavirus Job Retention Scheme ("CJRS"), with similar schemes also in place for many of our overseas colleagues. However, despite the CJRS, the monthly salary bill remained a substantial proportion of overall costs and therefore, with huge reluctance and after much thought, all colleagues were asked to take a pay cut for the full financial year. Additionally, performance related bonuses for colleagues earned for the financial year ended 31 March 2020 plus the Discretionary Colleague Profit Share Scheme, were not paid. We thank all our colleagues for their understanding of these difficult decisions and for their continuing hard work, dedication and commitment during this time.

Regarding pay and performance for the financial year ended 31 March 2021, there are no payments being made under the SEIP, no performance related bonuses for colleagues and no payments under the Discretionary Colleague Profit Share Scheme for the second year running.

Against this background the Remuneration Committee has been challenged to consider appropriate actions which, looking to the future and the anticipated recovery in our business, will best protect our shareholders' interests by ensuring that the key leaders and senior managers in our teams are being appropriately incentivised.

Accordingly, for the year ending 31 March 2022 we are bringing forward two actions on pay which are very important for the business and which, in line with our long-standing approach on such matters, are simple, transparent and supportable. These actions are summarised below:

Restricted Stock Award July 2021

In July 2021, we made an award of "restricted stock" to our ***Jet2 plc*** Executive Directors and a wider group of our key leaders and senior managers.

We consider the award that we have made (which is described further below) to be both necessary and appropriate to ensure that the recipients have both a retention mechanism in place during these difficult times and that they have direct alignment to the experience of shareholders in this period as we seek to drive our business' recovery.

The key terms of the July 2021 restricted stock awards can be summarised as follows:

Feature	**Detail**
Award date	July 2021
Vesting date	July 2024 (3-year vesting period)
Form of award	Restricted stock: can deliver the full value of shares awarded (less the nominal value of shares: 1.25p per share).

Vesting requirements and underpin condition	Continued employment: recipients must be employed and not under notice given or received at vesting, (which cannot be less than 3 years from the date of the award) and must have worked and contributed throughout the vesting period. All vestings will be reviewed by the Remuneration Committee before being confirmed and will require appropriate personal performance in the period to vesting. This scheme is subject to a similar clawback condition to that noted in the SEIP Deferred Award scheme table below.
Share price used to calculate awards for Executive Directors of ***Jet2 plc***	Average of 12 months' share price of £9.74 for the year ended 31 March 2021; aligns to shareholders' experience in that period.

To ensure that the awards are retentive, in each case we have made them at levels which we believe the recipients will regard as meaningful. We believe this maintains our overall culture of offering packages which are effective in aligning the interests of the key leaders and senior managers in our teams with those of the Company's shareholders whilst providing appropriate incentivisation.

We also believe that the awards made do not risk over-paying and will provide good value for our shareholders by retaining our key leaders and senior managers in what we hope will be a period of recovery in our business activity.

As broader contexts:

- The 136,000 shares and the 105,000 shares awarded as restricted stock to our Chief Executive Officer and Group Chief Financial Officer in July 2021 are the first share plan awards (beyond part deferral of bonus outcomes awarded previously as deferred shares under the SEIP) which they have received since their last awards under the SEIP in July 2019.
- The total number of shares awarded as restricted stock in July 2021 represents 0.57% (just over half of 1 percent of the issued share capital) and is within our allowed "10% in 10 years" share plans dilution limit.

SEIP for the year ending 31 March 2022

We intend to operate the SEIP for the year ending 31 March 2022, applying the same mix of metrics as we have done for a number of years (Profit metric – 60% weighting; customer metric – 20% weighting; personal metric – 20% weighting).

We acknowledge that the uncertainties arising from Covid-19 will make payment of any amounts in respect of SEIP challenging for the year ending 31 March 2022, however we believe it is important to have our team focused on delivering excellent performance where it is possible to do so. In this context we see attainment of non-financial objectives which will focus on a range of tailored business and personal metrics specific to individual roles, and maintaining our market-leading customer satisfaction performance, as key measures for our business. Accordingly, if it becomes appropriate to do so, we may choose to reward performance against these metrics only.

For the year ending 31 March 2022 and ongoing, we have agreed to operate the SEIP over a maximum of 150% of basic salary for the Executive Directors of ***Jet2 plc*** (other than the Executive Chairman, who does not participate in the SEIP, or any other bonus scheme).

All amounts under SEIP for the year ending 31 March 2022 will be subject to an overall confirmation of affordability at the time of payment. If it becomes necessary to do so, we may choose to deliver a greater proportion in shares (and reduce cash outcomes correspondingly).

Executive Director Remuneration Policy

The details of individual components of the remuneration package are discussed below.

Remuneration element and purpose	Operation	Measures to assess performance / clawback application
Salary To provide the core compensation for the Executive Director's role, at a level to attract and retain executives of the required calibre.	The basic salary for each Executive Director is determined by individual performance and reference to external market data and each is reviewed annually by the Committee. The basic salary is the only element of remuneration that is pensionable.	Not applicable
Pension To provide an appropriate level of retirement provision.	Executive Directors are eligible to participate in a defined contribution pension plan. In addition, contributions may be made to a personal pension arrangement, including through salary sacrifice, and/or cash payments may be made in lieu of pension contributions. In the financial year ended 31 March 2021, the maximum pension benefit provided was equivalent to 14% of salary.	Not applicable
Benefits To provide customary benefits.	The principal benefits include one or more of the following non-cash benefits: the provision of a company car, fuel allowance, and the provision of private healthcare. The Committee has discretion to determine whether other benefits should be provided. The cost to the Group of providing these benefits may vary year-on-year, and the Group monitors this cost.	Not applicable

Remuneration element and purpose	Operation	Measures to assess performance / clawback application
SEIP **(Cash bonus with deferral element)** The Senior Executive Incentive Plan ("**SEIP**") is a performance-related cash bonus plan, with the ability for the Committee to mandate that a proportion of the bonus be deferred into a deferred share award (the "**Deferred Award**") dependent on the level of bonus achieved. The SEIP is intended to incentivise executives, reward strong performance and align remuneration to the relevant operating segment's objectives and goals, including a deferral element to provide longer term alignment to shareholders. Philip Meeson, the Executive Chairman, does not participate in the SEIP.	**SEIP cash award** In order to encourage profit performance and to reward achievement of key customer and individual metrics, bonus awards under the SEIP are determined based on performance conditions set annually. The maximum award value under the SEIP is 150% of base salary. To the extent that the award value achieved exceeds a specified deferral threshold (currently equal to 40% of the maximum award value), half of the award value in excess of the deferral threshold is granted as a Deferred Award. At maximum performance, the Deferred Award will therefore represent 30% of the total award value. Any earned cash bonus element is paid following the announcement of results for the financial year to which it relates. The payment of the cash bonus element under the SEIP is subject to the Executive Director being in employment, and not under notice, on the payment date, subject to the potential for good leaver treatment to apply as set out below.	The specific targets, and the weightings of each metric, will be set annually by the Committee. The profit-based metric will, however, normally represent at least the majority of the total bonus opportunity. Cash bonus payments are subject to clawback at the discretion of the Committee in the event of a misstatement of results within one year of payment, or the discovery of misconduct that occurred at any time prior to payment.
	SEIP Deferred Award Deferred Awards are granted over a number of shares to reflect the value of the deferred bonus element based on the higher of: the average share price over the 12 month period to the fifth dealing day following (and including) the date of announcement of results for the relevant financial year; and a scheme minimum share price. Deferred Awards take the form of a right to receive shares, at a price payable equal to the nominal value per share. Deferred Awards are subject to a vesting period of three years from the date of grant. On vesting, a dividend equivalent payment will be made on vested shares. The Committee also has discretion to determine that Deferred Awards may be paid in cash.	Deferred Awards are subject to clawback at the discretion of the Committee in the event of a misstatement of results within one year of grant, or the discovery of misconduct that occurred at any time prior to vesting.

Remuneration element and purpose	Operation	Measures to assess performance / clawback application
	SEIP Deferred Award (continued) Vesting is not subject to further performance conditions, given that Deferred Awards represent the deferral of previously earned annual bonus. However, the vesting of a Deferred Award under the SEIP is subject to the Executive Director being in employment and not under notice on the vesting date, subject to the potential for good leaver treatment. Good leaver reasons include the Executive Director's death, injury, disability, redundancy, retirement or in connection with a business or company disposal. In these cases, the Deferred Award shall vest (either on the normal vesting date or immediately as determined by the Committee) subject, unless the Committee determines otherwise, to prorating for time. In addition, the Committee retains discretion to permit the payment of cash awards and/or vesting of Deferred Awards in other circumstances.	

Non-Executive Director Remuneration

Non-Executive Director fees are determined by the Executive Chairman and the Group Chief Financial Officer, having taken advice where necessary on appropriate fee levels. The Non-Executive Directors are not involved in any discussions or decisions about their own remuneration and do not participate in any bonus or share based incentive plans.

Service contracts and terms governing loss of office

Philip Meeson's service contract, dated 20 May 2003, contains a rolling notice period of six months. Gary Brown and Stephen Heapy's service contracts, dated 29 April 2013 and 17 June 2013 respectively, contain a twelve-month rolling notice period for notice given by the Company and a nine-month rolling notice period for notice given by the individual.

Each of the Non-Executive Directors has a formal letter of engagement containing a three-month rolling notice period for notice given by either party.

There are no predetermined special provisions for Executive or Non-Executive Directors with regard to compensation in the event of loss of office. The Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

Stephen Heapy and Richard Green will retire from the Board at the Annual General Meeting on 2 September 2021 and, being eligible, will offer themselves for re-election.

Directors' emoluments during the year

	Basic salary and fees	Benefits (1)	Pension (2)	SEIP Cash Award (3)	SEIP Deferred Award (3)	**Total 2021**	Total 2020
	£000	£000	£000	£000	£000	**£000**	£000
Executive Directors:							
Philip Meeson	-	13	-	-	-	**13**	462
Stephen Heapy	597	22	71	-	-	**690**	835
Gary Brown	462	1	63	-	-	**526**	639
Non-Executive Directors:							
Mark Laurence	-	-	-	-	-	-	50
Richard Green (4)	41	-	-	-	-	**41**	52
Robin Terrell	54	-	-	-	-	**54**	-
Total	**1,154**	**36**	**134**	-	-	**1,324**	2,038

Notes:

1. The remuneration package of each Executive Director includes one or more of the following non-cash benefits: the provision of a company car; fuel allowance; and private healthcare.
2. Included within Stephen Heapy's "Basic salary and fees" is £18k, which relates to the sacrifice of salary into the Group's pension scheme.
3. There have been no cash or Deferred Awards in relation to the financial performance for the period ended 31 March 2021.
4. In addition to the remuneration above, Richard Green received £67,000 (2020: £83,000) in respect of consultancy services for the Group.

Interest in options and Deferred Awards

The interests of the Directors who served during the year in options and Deferred Awards over shares were as follows:

Director	Share scheme / Award Plan	Exercise / award Price	At 31 March 2020 *No.*	Granted during the year *No.*	Exercised during the year *No.*	Lapsed in the year *No.*	**At 31 March 2021** ***No.***
Stephen Heapy	SEIP Deferred Award	1.25p	64,293	-	(25,610) [3]	-	**38,683** [1]
Gary Brown	SEIP Deferred Award	1.25p	60,396	-	(24,024) [3]	-	**36,372** [2]

1. Vesting as follows: 20,421 on 18 July 2021 and 18,262 on 17 July 2022.
2. Vesting as follows: 19,156 on 18 July 2021 and 17,216 on 17 July 2022.
3. These Deferred Awards totalling 49,634 shares were exercised on 20 July 2020, on which date the closing mid-market price of a share was £7.20, resulting in total pre-tax gains of £0.4m. For the year ended 31 March 2020, Deferred Awards totalling 32,170 shares were exercised on 29 July 2019, on which date the closing mid-market price of a share was £7.78, resulting in total pre-tax gains of £0.2m.

The share-based payment charge to the Consolidated Income Statement in respect of the above share options and Deferred Awards, was £195,000 (2020: £281,000). This charge was in respect of share options and Deferred Awards granted but not yet vested at the year end.

The closing mid-market price of the Company's shares on 31 March 2021 was £12.68 per 1.25 pence ordinary share. The highest and lowest closing mid-market prices during the year were £15.03 and £4.52, respectively.

Director shareholdings

The Directors who held office at 31 March 2021 had the following interests in the ordinary shares of the Company at that date:

Director	**31 March 2021**	31 March 2020
Philip Meeson	**47,305,000**	48,040,000
Stephen Heapy	**250,611**	231,462
Gary Brown	**80,676**	63,372
Mark Laurence	**300,000**	200,000
Robin Terrell	**5,204**	-
Richard Green	**3,000**	-

The Philip Meeson 2020 Settlement, a UK resident settlement, of which Philip Meeson is a trustee but not a beneficiary holds 5,500,000 ordinary shares in the Company following the sale of 500,000 ordinary shares during the financial year. No other directors have a non-beneficial interest in the shares of the Company. None of the Directors have any direct or indirect interest in any contract or arrangement subsisting at the date of these accounts that is significant in relation to the business of the Group or the individual and that is not otherwise disclosed.

Advisers

When required, Herbert Smith Freehills LLP provides legal and regulatory advice to the Company on executive incentive arrangements and the operation of share plans.

During the year FIT Remuneration Consultants LLP ("FIT") also provided the Committee with external remuneration advice. The Remuneration Committee is satisfied that the advice received was objective and independent.

FIT is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure that objective and independent advice is given to remuneration committees.

The Remuneration Committee Report is approved by the Board and signed on its behalf by

Mark Laurence
Non-Executive Director, Chair of the Remuneration Committee
26 July 2021

DIRECTORS' REPORT

This Directors' Report includes the information required to be included under the Companies Act or, where provided elsewhere, an appropriate cross-reference is given as follows:

- Strategic Report: pages 3 to 47;
- Risk Management: pages 15 to 27;
- Corporate Governance Statement approved by the Board: pages 48 to 57;
- Details of current Directors and Directors who served through the year: pages 58 and 59; and
- Directors' remuneration: page 72.

Results and dividends

The results for the year are set out in the Consolidated Income Statement and show a loss after taxation of £271.2m (2020: £203.8m pre-exceptional profit after taxation). No interim dividends have been paid during the year (2020: 3.0p per share).

In consideration of the ongoing impact of Covid-19, the Board does not recommend the payment of a final dividend (2020: 0.0p per share), meaning a total dividend for the year of 0.0p per share (2020: 3.0p).

Post-balance sheet events

Following the year end, the Board took further action to secure additional financing in response to the continuing impact of the Covid-19 pandemic, signing a new £150.0m unsecured term loan facility and issuing a convertible bond, raising gross proceeds of £387.4m. Further details of these actions are disclosed within the Business & Financial Review on page 14.

Issued share capital

Issued share capital increased by 65,651,820 (2020: 148,055) 1.25 pence ordinary shares ("Ordinary Shares") which included two share placings of 29,781,894 Ordinary Shares at 576.5 pence per share in May 2020 and 35,166,654 Ordinary Shares at 1,180 pence per share in February 2021 and a retail share issuance of 593,561 Ordinary Shares at 1,180 pence per share in February 2021.

Holders of share options / Deferred Awards exercised their rights as granted on the following dates, which resulted in the issue of 109,711 Ordinary Shares:

Grant Date	Option / award price	No. of options / awards exercised	Scheme
05-Aug-10	67.00p	7,500	Approved
23-Dec-10	94.50p	3,750	Approved
21-Jul-17	1.25p	98,461	SEIP
Total		109,711	

Details of the increases in issued share capital are given in Note 26 to the consolidated financial statements.

Material holdings

Apart from the interest of Philip Meeson in the share capital of the Company, the Directors are aware that the following entities were interested, directly or indirectly, in 3% or more of the issued share capital of the Company as at 30 June 2021:

Jupiter Asset Management	5.75%
Silver Point Capital	4.61%
Aberdeen Standard Investments	3.98%
Artisan Partners	3.69%
Gobi Investment Partners	3.61%
BlackRock	3.09%
Fidelity Management & Research	3.01%

Annual General Meeting

The Annual General Meeting will be held at 9:30am on 2 September 2021 at Buchanan Communications, 107 Cheapside, London, EC2V 6DN. It is expected (subject to any restrictions applicable in connection with the Covid-19 pandemic) that the usual Annual General Meeting proceedings will resume with a question and answer session following the conclusion of the formal business of the meeting hosted by the Executive Chairman. The Notice of AGM is available at **www.jet2plc.com/agm** and contains full details of the resolutions to be proposed and the Directors consider that these are in the best interests of the Group and shareholders as a whole.

Disclosure of information to Auditor

Each of the persons who are Directors at the date of approval of this Annual 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.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare the Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the Parent 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 Group and Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent 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;
- for the Group financial statements, state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent 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 Group or the Parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent 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 Group and to prevent and detect fraud and other irregularities.

The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors' Report is approved by the Board and signed on its behalf by

Philip Meeson
Executive Chairman
26 July 2021

Gary Brown
Group Chief Financial Officer
26 July 2021

KPMG

Independent auditor's report

to the members of Jet2 plc

1. Our opinion is unmodified

We have audited the financial statements of ***Jet2 plc*** ("the Company") for the year ended 31 March 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, Company Balance Sheet, Company Statement of Changes in Equity and the related notes, including the accounting policies in note 2 to both the Group and parent Company financial statements.

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2021 and of the Group's loss for the year then ended;

— the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;

— the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and

— the financial statements 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 Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview	
Materiality: Group financial statements as a whole	£8.0m (2020:£12.0m) 2.2% (2020: 4.7%) of Group loss before tax (2020: Group profit before hedge ineffectiveness and taxation)
Coverage	100.0% (2020:96.0%) of Group loss/profit before tax

Key audit matters		**vs 2020**
Recurring risks	Aircraft depreciation (Group and parent Company)	◄►
	Revenue recognition	◄►
	Going concern (Group and parent Company)	◄►
Event driven	**New:** Impairment of aircraft assets (Group and parent Company)	
	New: Recoverability of hotel supplier advances	

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Owned aircraft depreciation (Group and parent Company) **Group:** (£101.1m; 2020: £119.2m) **parent Company:** (£45.7m; 2020: £39.3m) *Refer to page 62 (Audit Committee Report), page 95 (accounting policy) and page 111 (financial disclosures).*	**Subjective estimate:** For the purposes of estimating depreciation an owned aircraft is first separated into several major components, such as the airframe, the undercarriage and the engines. Depreciation rates are estimated and vary according to the aircraft component type and incorporate assumptions over the useful economic life and residual value of the aircraft. The effect of these matters is that, as part of our risk assessment, we determined that aircraft depreciation is subject to a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 3) disclose the sensitivity estimated by the Group.	Our procedures included: —**Benchmarking assumptions:** We challenged the appropriateness of useful economic lives and residual values by comparing against manufacturer's specification, technical guidance, published estimates of other airlines and the Group's own experience of recorded profit or loss on past aircraft disposals; —**Benchmarking assumptions:** We evaluated assumptions with regard to market conditions impacting the fleet against independent industry information in order to assess the impact on aircraft useful lives and residual values; and —**Assessing transparency:** We assessed whether the Group's and parent Company's disclosures detailing the assumptions and sources of estimation uncertainty concerning useful lives and residual values are adequately disclosed. We performed the tests above rather than seeking to rely on any of the Group's and parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.
Impairment of aircraft assets (Group and parent Company) **Group:** (£1,208.6m; 2020: £1,361.2m) **parent Company:** (£764.2m; 2020: £820.1m) Refer to page 62 (Audit Committee Report), page 101 (accounting policy) and page 112 (financial disclosures).	**Forecast-based assessment:** The assessment of whether aircraft assets are impaired involves a number of subjective judgements by the Directors, many of which are forward-looking. These judgements include key revenue and cost assumptions underpinning the strategic three-year plan and onward forecasts including the date upon which the flying programme is expected to recommence, aircraft economic lives and discount rates. As a result of these matters, for audit planning purposes, we determined that the valuation of aircraft assets is subject to a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we concluded that reasonably possible changes to the value in use of aircraft assets would not be expected to result in material impairment. The financial statements (note 3) disclose the relevant judgements and estimates involved in assessing aircraft assets for impairment.	Our procedures included: —**Benchmarking assumptions:** We compared the Group's assumptions to externally derived data in relation to key inputs; —**Sensitivity analysis:** We performed sensitivity analysis over the value in use assessment by replacing key assumptions with alternative scenarios in order to ascertain the extent of change in those assumptions that either individually or collectively would be required for the aircraft assets to be impaired; —**Assessing transparency:** We assessed whether the Group's disclosures detailing the assumptions and sources of estimation uncertainty are adequately disclosed; and —**Historical comparisons:** Considered the Group's historical forecasting accuracy by assessing actual performance against budget, along with reforecasts during the year ended 31 March 2021 when the Group was significantly impacted by the Covid-19 pandemic. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

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	The risk	Our response
Recoverability of hotel supplier advances **Group:** (£85.4m; 2020: £190.9m) *Refer to page 63 (Audit Committee Report), page 96(accounting policy) and page 113 (financial disclosures).*	**Subjective estimate:** The Group has historically placed substantial deposits with its hotel partners in order to secure hotel rooms for future periods. The recoverability of these balances is dependent on ongoing viability of these hotel partners and is assessed by the Group at period end. In the current financial period, the risk that these advances are irrecoverable is deemed increased as a result of the significant impact of the Covid-19 pandemic on the European travel industry. In making their assessment of value in use, the Directors determined a risk category for each individual balance and subsequently, a write-down percentage to be applied to each category. The effect of this matter is that for audit planning purposes, following our risk assessment, we determine that recoverability of the balance is subject to a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that materiality. The financial statements (note 3) disclose the sensitivity estimated by the Group.	Our procedures included: —**Benchmarking assumptions:** We challenged the appropriateness of the risk rating applied to each advance payment by comparing against independent, publicly available information; —**Benchmarking assumptions:** We challenged the appropriateness of the write-down percentage applied to risk categories by comparing against independent, publicly available information, the Group's rights to rollover of existing advances into future periods and current forward bookings; —**Our sector experience:** We assessed the Directors' assumptions behind the value in use of hotel supplier advances against our own knowledge of recent hotel insolvencies and relevant industry support in countries; —**Sensitivity analysis:** We performed sensitivity analysis over the value in use assessment by replacing key assumptions with alternative scenarios in order to ascertain the extent of change in those assumptions that either individually or collectively would be required for a material change; and —**Assessing transparency:** We assessed whether the Group's disclosures detailing the assumptions and sources of estimation uncertainty are adequately disclosed. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.
Revenue recognition **Group:** (£395.4m; 2020: £3,584.7m) Refer to page 63 (Audit Committee Report), page 92 (accounting policy) and page 105 (financial disclosures).	**Processing error:** Due to the high volume nature of sales, including Covid-19 driven cancellations, and the differing timing of when cash is received, there is a risk that the booking systems and the reporting system do not appropriately process the information to recognise the respective revenue accurately in the appropriate accounting period.	Our procedures included: —**Independent re-performance:** We checked the accuracy of the Group's revenue recorded in the year by extracting raw customer booking data from the booking systems and performing an independent calculation of revenue and deferred revenue using either the flight departure dates or booking dates as per the recognition basis as determined by IFRS 15; —**Control design and operation:** We evaluated the design and implementation of automated controls related to the booking systems from which the data in our procedure was extracted in order to gain comfort that data were complete and accurate; —**Test of detail:** Using data & analytics techniques, we matched revenue recognised to flight departure data on a transactional basis to check whether revenue had not been recognised where the performance obligation had not been met; and —**Test of detail:** Using data & analytics techniques, we agreed revenue and deferred revenue to the associated receipt of cash on a transactional level, to test the data used in our independent reperformance of revenue procedure.

	The risk	Our response
Going concern (Group and parent Company) Refer to pages 15-28 (principal risks), page 29 (viability statement), page 62 (Audit Committee Report and pages 90-91(accounting policy).	**Forecast-based assessment and disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and parent Company's business model and how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and parent Company's available financial resources over this period were: —The impact of the Covid-19 pandemic grounding the Group's aircraft fleet for an extended period of time; and —The achievability of mitigating actions by the Directors should this or any other factors materialise. There are also less predictable but realistic second order impacts, such as the impact of the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed. As a result of the significant amount of focus going concern received during the financial year, it remains a key audit matter despite the reduction in the level of risk as at the assessment date.	Our procedures included: —**Funding assessment**: We assessed the committed level of funding available to the Group. We obtained documentation on the post year end convertible bond issue performed by the Group and checked that the funds from this bond issue had been received by the Group. We obtained documentation to check the existence of the £150m unsecured term loan signed by the Group post year end and checked that there were no forecast covenant breaches under the severe yet plausible downside scenario modelled by the Group; —**Historical comparisons**: We considered the Group's historical forecasting accuracy by assessing actual performance against budget, along with reforecasts during the year ended 31 March 2021 when the Group was significantly impacted by the Covid-19 pandemic; —**Sensitivity analysis**: We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively; —**Key dependency assessment**: We identified the key assumptions in the Group's forecasts around the achievement of forecast revenues and costs and checked that these were consistent with our expectation based on our industry knowledge; —**Evaluating Directors' intent**: We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise; and —**Assessing transparency**: We assessed the completeness and accuracy of the matters covered in the going concern disclosure by comparing this to the key assumptions, key sensitivities and mitigating actions considered by the Directors.

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern and impairment tests, however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

We continue to perform procedures over leases accounted for under IFRS16. However, following a reduction in the level of complexity after the initial year of transition for this accounting standard, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

We continue to perform procedures over aircraft maintenance provisions. However, following a reduction in the level of estimation uncertainty, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

We continue to perform procedures over derivative instruments. However, following a reduction in the risk of manual processing errors in the year as a result of processing improvements made by the Group, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £8.0m (2020: £12.0m), determined with reference to a benchmark of Group loss before taxation (2020: Group profit before hedge ineffectiveness and taxation) of which it represents 2.2% of Group loss before taxation (2020: 4.7% of Group profit before hedge ineffectiveness and taxation).

Materiality for the parent Company financial statements as a whole was set at £5.0m (2020: £7.0m), determined with reference to a benchmark of the parent Company total assets, of which it represents 0.3% (2020: 0.5%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

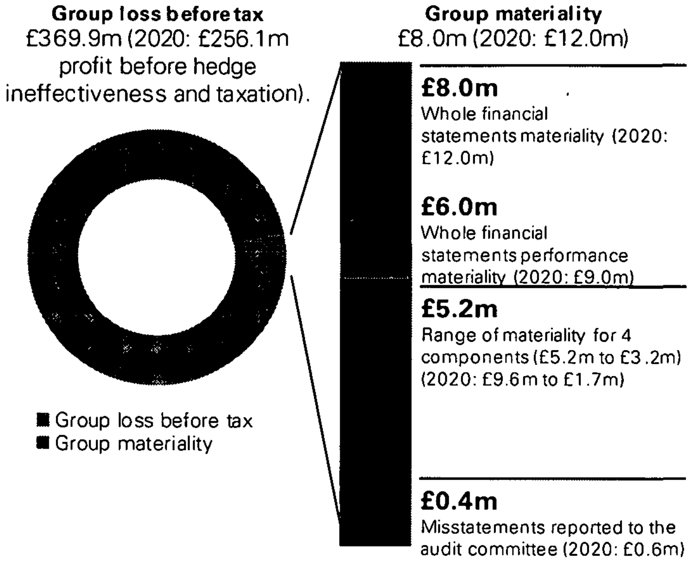
Performance materiality for the Group was set at 75.0% (2020: 75.0%) of materiality for the Group financial statements as a whole, which equates to £6.0m (2020: £9.0m) and for the parent Company was set at 75.0% (2020: 75.0%) of materiality for the parent Company financial statements as a whole, which equates to £3.8m (2020: £5.3m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4m (2020: £0.6m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 13 (2020: 13) reporting components, we subjected 4 (2020: 5) to full scope audits for Group purposes. The components within the scope of our work accounted for 100.0% (2020: 100%) of Group revenues, 100.0% (2020: 96%) of Group (loss)/profit before tax and 98.2% (2020: 96%) of Group assets.

For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on all of the components, including the audit of the parent Company, was performed by the Group team.



4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent Company or to cease their operations, and as they have concluded that the Group and the parent 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 their 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").

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

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;

— 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 Group's or parent Company's ability to continue as a going concern for the going concern period; and

— we have nothing material to add or draw attention to in relation to the Directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 2 to be acceptable.

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 Group or the parent Company will continue in operation.

5. 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 Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;

- Reading Board and Audit Committee minutes;

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

- 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 Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is 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 misstatement 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 Group-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 description.

- Assessing significant accounting estimates for bias.

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 Group'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 Group 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 Group 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 Group's license to operate. We identified the following areas as those most likely to have such an effect: package travel, aviation, health and safety, anti-bribery, data protection, employment law and certain aspects of company legislation recognising the nature of the Group'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.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

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

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement page 29 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;

— the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and

— the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. 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 absence of anything to report on these statements is not a guarantee as to the Group's and parent Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

— the Directors' statement on page 76 that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;

— the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and

— the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

7. We have nothing to report on the other 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 parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent 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.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 75-76, the Directors are responsible for: the preparation of the financial statements including 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 Group and parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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.

9. 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

26 July 2021

KPMG

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2021

	Note	**Results for the year ended 31 March 2021 £m**	Results for the year ended 31 March 2020 Pre-exceptional £m	Exceptional item – Hedge ineffectiveness £m	Results for the year ended 31 March 2020 £m
Revenue	6	**395.4**	3,584.7		3,584.7
Net operating expenses	7	**(731.5)**	(3,291.7)	(108.4)	(3,400.1)
Operating (loss) / profit	8	**(336.1)**	293.0	(108.4)	184.6
Finance income		**2.0**	14.5	-	14.5
Finance expense		**(40.5)**	(44.0)	-	(44.0)
Net FX revaluation gains / (losses)		**3.9**	(8.1)	-	(8.1)
Net financing expense	9	**(34.6)**	(37.6)	-	(37.6)
Profit on disposal of property, plant and equipment		**0.8**	0.7	-	0.7
(Loss) / profit before taxation		**(369.9)**	256.1	(108.4)	147.7
Taxation	11	**70.4**	(56.7)	20.6	(36.1)
(Loss) / profit for the year from continuing operations		**(299.5)**	199.4	(87.8)	111.6
Profit after taxation from discontinued operating activities*		**1.8**	4.4	-	4.4
Profit on disposal of discontinued operations*		**26.5**	-	-	-
Profit for the year from discontinued operations*		**28.3**			4.4
(Loss) / profit for the year *all attributable to equity shareholders of the Parent*		**(271.2)**	203.8	(87.8)	116.0
Earnings per share from continuing operations					
- basic	13	**(166.9p)**			75.0p
- diluted	13	**(166.9p)**			74.8p
Earnings per share from total operations					
- basic	13	**(151.2p)**			77.9p
- diluted	13	**(151.2p)**			77.8p

** The Group has classified its Distribution & Logistics segment as a discontinued operation as detailed in Note 31.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2021

	Note	**Year ended 31 March 2021 £m**	Year ended 31 March 2020 £m
(Loss) / profit for the year		**(271.2)**	116.0
Other comprehensive (expense) / income			
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
Fair value losses	25	**(23.6)**	(68.6)
Add back losses transferred to income statement	25	**55.0**	5.0
Cost of hedging reserve – changes in fair value	25	**(1.9)**	2.9
Related taxation (charge) / credit	11	**(5.6)**	11.9
Revaluation of foreign operations		**(3.4)**	3.9
		20.5	(44.9)
Total comprehensive (expense) / income for the year		**(250.7)**	71.1
all attributable to equity shareholders of the Parent			

Total comprehensive (expense) / income for the year arises from:		
Continuing operations	**(279.0)**	66.7
Discontinued operations*	**28.3**	4.4
Total comprehensive (expense) / income	**(250.7)**	71.1

** The Group has classified its Distribution & Logistics segment as a discontinued operation as detailed in Note 31.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2021

	Note	**2021 £m**	2020 £m
Non-current assets			
Intangible assets	*14*	**26.8**	26.8
Property, plant and equipment	*15*	**836.6**	931.8
Right-of-use assets	*16*	**462.9**	534.1
Derivative financial instruments	*25*	**9.4**	25.1
		1,335.7	1,517.8
Current assets			
Inventories	*17*	**1.0**	1.3
Trade and other receivables	*18*	**133.8**	294.1
Derivative financial instruments	*25*	**23.5**	53.9
Cash and cash equivalents	*19*	**1,379.0**	1,387.5
Assets held for sale*	*32*	**-**	128.2
		1,537.3	1,865.0
Total assets		**2,873.0**	3,382.8
Current liabilities			
Trade and other payables	*20*	**69.8**	366.4
Deferred revenue	*21*	**278.0**	736.0
Borrowings	*22*	**322.5**	104.4
Lease liabilities	*23*	**67.1**	76.2
Provisions and liabilities	*24*	**62.5**	67.7
Derivative financial instruments	*25*	**58.3**	216.5
Liabilities held for sale*	*32*	**-**	61.8
		858.2	1,629.0
Non-current liabilities			
Deferred revenue	*21*	**44.4**	9.2
Borrowings	*22*	**433.7**	381.3
Lease liabilities	*23*	**495.0**	596.5
Derivative financial instruments	*25*	**40.8**	54.0
Deferred taxation	*11*	**36.7**	78.7
		1,050.6	1,119.7
Total liabilities		**1,908.8**	2,748.7
Net assets		**964.2**	634.1
Shareholders' equity			
Share capital	*26*	**2.7**	1.9
Share premium	*26*	**19.8**	12.9
Cash flow hedging reserve	*26*	**(44.2)**	(69.6)
Cost of hedging reserve	*26*	**0.8**	2.3
Other reserves	*26*	**(0.1)**	3.3
Retained earnings	*26*	**985.2**	683.3
Total shareholders' equity		**964.2**	634.1

The accounts on pages 85 to 149 were approved by the Board of Directors at a meeting held on 26 July 2021 and were signed on its behalf by:

Gary Brown, Group Chief Financial Officer *Jet2 plc*, Registered no. 01295221

** As at the year ended 31 March 2020, the Group has classified its Distribution & Logistics segment as a discontinued operation, with its associated assets and liabilities held for sale, as detailed in Note 32.*

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	Note	2021 £m	2020 £m
(Loss) / profit from continuing operations before taxation		**(369.9)**	147.7
Profit from discontinued operations before taxation*		**28.6**	5.5
Net financing expense (including Net FX revaluation (gains) / losses)	9, 31	**34.8**	38.8
Hedge ineffectiveness		**(1.7)**	108.4
Depreciation	15, 16, 31	**166.1**	218.7
Profit on disposal of discontinued operations*	31	**(26.5)**	-
Profit on disposal of property, plant and equipment		**(0.8)**	(0.9)
Equity settled share-based payments	26	**0.4**	0.5
Operating cash flows before movements in working capital		**(169.0)**	518.7
Decrease / (increase) in inventories		**0.3**	(0.3)
Decrease / (increase) in trade and other receivables		**160.3**	(7.9)
(Decrease) / increase in trade and other payables		**(296.4)**	172.8
Decrease in deferred revenue		**(422.8)**	(194.7)
(Decrease) / increase in provisions and liabilities		**(2.0)**	8.6
Movement in assets held for sale		**3.9**	-
Payment on settlement of derivatives		**(101.6)**	-
Cash (used in) / generated from operations		**(827.3)**	497.2
Interest received		**2.0**	14.5
Interest paid – of which £21.8m (2020: £23.5m) relates to leases		**(36.7)**	(40.5)
Income taxes refunded / (paid)		**27.2**	(28.1)
Net cash (used in) / generated from operating activities		**(834.8)**	443.1
Cash flows generated from / (used in) investing activities			
Purchase of intangibles		**-**	(26.8)
Purchase of property, plant and equipment	15	**(36.2)**	(210.3)
Purchase of right-of-use assets	16	**(1.2)**	(1.0)
Proceeds from sale of discontinued operations (net of cash disposed)	31	**76.0**	-
Proceeds from sale of property, plant and equipment		**2.5**	2.5
Net decrease in money market deposits		**-**	50.0
Net cash generated from / (used in) investing activities		**41.1**	(185.6)
Cash flows generated from / (used in) financing activities			
Repayment of borrowings	27	**(14.9)**	(38.0)
New loans advanced	27	**301.1**	65.0
Payment of lease liabilities	27	**(69.2)**	(99.7)
Proceeds on issue of shares	27	**580.4**	0.1
Equity dividends paid		**-**	(15.5)
Net cash generated from / (used in) financing activities		**797.4**	(88.1)
Net increase in cash in the year		**3.7**	169.4
Cash and cash equivalents at beginning of year		**1,400.2**	1,224.3
Effect of foreign exchange rate changes	27	**(24.9)**	6.5
Cash and cash equivalents at end of year		**1,379.0**	1,400.2
Cash and cash equivalents at end of year – from continuing operations		**1,379.0**	1,387.5
Cash and cash equivalents at end of year – from discontinued operations*		**-**	12.7

** The Group has classified its Distribution & Logistics segment as a discontinued operation as detailed in Note 31.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Share capital	Share premium	Cash flow hedging reserve	Cost of hedging reserve	Other reserves	Merger reserve	Retained earnings	Total shareholders' equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2019	**1.9**	**12.8**	**(18.5)**	**-**	**(0.6)**	**-**	**582.3**	**577.9**
Total comprehensive income	-	-	(51.1)	2.3	3.9	-	116.0	**71.1**
Issue of share capital	-	0.1	-	-	-	-	-	**0.1**
Dividends paid in the year	-	-	-	-	-	-	(15.5)	**(15.5)**
Share-based payments	-	-	-	-	-	-	0.5	**0.5**
Balance at 31 March 2020	**1.9**	**12.9**	**(69.6)**	**2.3**	**3.3**	**-**	**683.3**	**634.1**
Total comprehensive expense	-	-	25.4	(1.5)	(3.4)	-	(271.2)	**(250.7)**
Issue of share capital	0.8	6.9	-	-	-	572.7	-	**580.4**
Reserves transfer						(572.7)	572.7	-
Share-based payments	-	-	-	-	-	-	0.4	**0.4**
Balance at 31 March 2021	**2.7**	**19.8**	**(44.2)**	**0.8**	**(0.1)**	**-**	**985.2**	**964.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021

1. Authorisation of financial statements and statement of compliance

The Group's financial statements for the year ended 31 March 2021 were authorised by the Board of Directors on 26 July 2021 and the Consolidated Statement of Financial Position was signed on the Board's behalf by Gary Brown, Group Chief Financial Officer. ***Jet2 plc*** is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM.

The Group's financial statements consolidate the financial statements of ***Jet2 plc*** and its subsidiaries.

2. Accounting policies

Basis of preparation

The Group's financial statements have been prepared and approved by the Directors in accordance with applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101 *Reduced Disclosure Framework*; these statements are presented on pages 134 to 149.

The financial statements of the Group and the Parent Company are presented in pounds sterling and all values are rounded to the nearest £100,000, except where indicated otherwise.

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

The financial statements have been prepared under the historical cost convention except for all derivative financial instruments, which have been measured at fair value.

Going concern

The Directors have prepared financial forecasts for the Group, 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 Group'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 described in more detail on pages 15 to 27, paying particular attention to the impact of Covid-19.

2. Accounting policies (continued)

Going concern (continued)

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 since 31 March 2021, being the agreement 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 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 would have sufficient liquidity throughout a period of 12 months from the date of approval of the financial statements at the end of July 2021. 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 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.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Assets and liabilities held for sale

A group of assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through sale rather than through continuing use, they are available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, these assets and liabilities are measured at the lower of previous carrying amount and fair value less costs to sell, with any adjustments taken to profit or loss.

In accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, this policy was effective from the start of the prior year and on 31 May 2020 the Group sold its Distribution & Logistics operating segment, **Fowler Welch**.

2. Accounting policies (continued)

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Consolidated Income Statement is restated as if the operation had been discontinued from the start of the comparative year.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated on consolidation.

Revenue

Revenue (which excludes Value Added Tax and Air Passenger Duty) arises from package holidays, passenger aircraft operations, charter aircraft operations and non-ticket retail activities.

Revenue from ticket sales for scheduled passenger flights is recognised at the date of departure. Charter aircraft income is recognised in the period in which the service is provided. A proportion of flight delay compensation payments are offset against revenue up to the full value of the ticket price. Non-ticket revenues such as hold baggage charges, extra legroom charges and in-flight retail sales are also recognised once the associated flight has departed, or holiday started. Revenue from package holidays is apportioned over the duration of the holiday.

Commission earned from car hire bookings is recognised on departure, reflecting the point when services are performed. Commission earned from travel insurance is recognised at the time of booking, as the Group acts solely as an agent of the insurance company.

Cancellation income, in respect of non-refundable amounts paid on bookings cancelled by the customer prior to the date of departure, is recognised at the time of cancellation.

Cash amounts received from customers for whom revenue has not yet been recognised are recorded in the Statement of Financial Position as deferred revenue within current liabilities, or within non-current liabilities if the Group's services are expected to be performed more than 12 months from the reporting date.

Employee benefits

Share based payments

The Company issues equity settled share based payments to certain colleagues. The fair value of these option plans is measured at the date of grant of the option using the binomial valuation model. The resulting cost, as adjusted for the expected and actual level of vesting of the options, is charged to net operating expenses over the period in which the options vest. At each reporting date, before full vesting, the cumulative expense is calculated based on the extent to which the vesting period has expired and the business's best estimate of the achievement of non-market vesting conditions, and hence the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the Consolidated Income Statement.

2. Accounting policies (continued)

Defined contribution plans

All Group pensions are provided from the proceeds of money purchase schemes. The charge to the Consolidated Income Statement represents the payments due during the year.

Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Grants that compensate the Group for expenses incurred are recognised in the Consolidated Income Statement in the relevant operating expenses line in the period in which the expenses are recognised.

Loans provided and/or guaranteed by governments that represent market rates of interest are recorded at the amount of the proceeds received and recognised within Borrowings. All existing loans are considered to be at market value.

Net financing expense

Finance expense

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use. Finance leases are described below, and all other finance expenses are recognised in the Consolidated Income Statement in the period in which they are incurred.

Finance income

Interest income is recognised in the Consolidated Income Statement in the period in which it is earned.

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 Consolidated Income Statement in the period in which they arise. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are held at the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising, if any, are recognised in Other Comprehensive Income ("OCI") and accumulated in other reserves.

Taxation

Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation is recognised in the Consolidated Income Statement or the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case the tax 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.

2. Accounting policies (continued)

Taxation (continued)

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.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the ongoing financial performance of the Group. These items are material non-recurring income or expenses, which are shown separately due to the significance of either their nature or their amount.

Earnings per share ("EPS")

Basic earnings per share is calculated by dividing the (loss) / profit attributable to the equity owners of the Parent Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing the (loss) / profit attributable to the equity owners of the Parent Company by the weighted average number of ordinary shares in issue during the year, adjusted for the effects of potentially dilutive instruments. In accordance with IAS 33 – *Earnings per Share*, the Group shows no dilutive impact in respect of its share options and Deferred Awards for the year ended 31 March 2021 as their conversion to ordinary shares would decrease the loss per share from continuing operations.

Intangible assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

As airport slots are held in perpetuity, they have an indefinite useful life provided minimum utilisation requirements are observed and are therefore not amortised. Their useful life is reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment. These intangible assets are also assessed for impairment at each year end.

2. Accounting policies (continued)

Property, plant and 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 of individual major components, as follows:

Freehold property	30 years
Short leasehold property	Over the life of the lease
Aircraft, engines and other components	2-30 years
Plant, vehicles and equipment	3-7 years

The Group 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 their lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

An element of the cost of acquired aircraft is attributed to its major components and then amortised over the period until the next maintenance event. Subsequent costs incurred which lend enhancement to future periods, such as long-term scheduled maintenance and the major overhaul of aircraft and engines, are capitalised and amortised over the expected period of benefit. The element of the cost of acquired aircraft not attributed to major components is depreciated to its expected residual value over its remaining useful life, which is assumed to end 22-30 years from original build date depending on the type of aircraft. Where aircraft are subject to specific life extension expenditure, the cost of such work is depreciated over the remaining extended life. All other maintenance costs are expensed to the Consolidated Income Statement as incurred.

Residual values are reviewed annually at the balance sheet date and compared to prevailing market rates of equivalently aged assets; if required, depreciation rates are adjusted accordingly on a prospective basis. Carrying values are reviewed for impairment if events or changes in circumstances indicate that the carrying values may not be recoverable.

The useful economic lives of all assets have been considered in light of recent changes to environmental legislation and the Group's future plans to both limit and mitigate its impact on the environment; the Group believes this has no impact on either the lives nor carrying values of its assets at this stage.

Financial instruments

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

The Group 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 are, by concession, deferred via OCI since the movements relate to the effective portion of the cash flow hedge.

The classification of each financial asset is determined by whether the business model of the Group is to hold the asset to collect contractual cash flows or to benefit from changes in the fair value of the asset.

2. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities are classified as measured at amortised cost or fair value through profit and loss. Liabilities attaching to hedging derivatives may be classified as fair value through OCI.

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.

Hotel supplier advances are initially measured at cost and are subject to an annual impairment review. They relate to advance payments to hoteliers for services to be incurred in future periods and as such are subject to the impairment rules of IAS 36 - *Impairment of Assets*. Further details of these impairment considerations are disclosed in Note 3. Trade payables, and contract payables, are recognised at fair value and subsequently measured at amortised cost based on the applicable interest rate.

Interest bearing loans and borrowings

All loans and borrowings are initially recorded at fair value less any directly-attributable transaction costs. The loans and borrowings are, where applicable, subsequently measured at amortised cost.

Derivative financial instruments and hedging

The Group uses foreign currency forward contracts and interest rate and aviation fuel swaps to hedge its exposure to foreign exchange rates, interest rates and aviation fuel price volatility. The Group also uses forward EU Allowance contracts and forward Certified Emissions Reduction contracts to hedge exposure to Carbon Emissions Allowance price volatility. Such derivative financial instruments are stated at fair value and are measured at fair value through OCI.

Where a derivative financial instrument is designated as a hedge of a highly probable forecast transaction, the effective portion of the gain or loss on the hedging instrument from the inception of the hedging relationship is recognised directly in the cash flow hedging reserve within equity and in OCI. Any ineffective portion is recognised within the Consolidated Income Statement.

For the effective portion of hedging instruments, amounts reported in OCI are reclassified to the Consolidated Income Statement in the same period in which the hedged transaction affects profit and loss.

Changes in the value of foreign currency forward contracts arising as a result of foreign currency basis spread are held separately when designating the swap as a hedging instrument. These do not form part of the designated hedging instrument and are instead recognised through OCI, held in a separate cost of hedging reserve, and are subsequently amortised over the life of the associated forward contracts.

2. Accounting policies (continued)

Financial instruments (continued)

Credit risk

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

The Group has two types of financial asset that are subject to the credit loss model: trade receivables and cash and cash equivalents. Derivative assets are not subject to the credit loss model, although credit risk is considered when assessing whether those assets are impaired.

The Group makes an assessment to determine whether financial assets are impaired. Credit-impaired receivables would include receivables six months or more past the due date, or receivables where the counterparty's solvency indicates that the Group 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 Group calculates expected credit losses for its trade receivables using the simplified approach permitted by IFRS 9, applicable where the transaction contains no significant financing element. Under the simplified approach, expected lifetime credit losses are recognised in the period.

The Group'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. 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.

Inventories

Inventories are accounted for on a FIFO basis and stated at the lower of cost and net realisable value. Net realisable value is the estimated resale value.

Cash and cash equivalents

Cash and cash equivalents include short-term deposits maturing within three months of placement and restricted cash, if any, paid over to various counterparties as collateral against relevant exposures. For the purposes of the Consolidated Statement of Cash Flows, bank overdrafts which are repayable on demand, and form an integral part of the Group's cash management activities, are included as a component of cash and cash equivalents.

Restricted cash comprises cash deposits which have restrictions governing their use and is classified as a current or non-current asset based on the estimated remaining length of the restriction. The Group's restricted cash comprises of margin calls and collateral in respect of adverse currency movements on aircraft loans in comparison to their underlying asset value.

2. **Accounting policies** (continued)

Leased aircraft maintenance provisions

Provision is made for the estimated future costs of maintenance events over and above those which can be recovered from the lessor as a consequence of the Group's obligation to maintain leased aircraft in accordance with the aircraft manufacturer's published maintenance programmes during the lease term, and to ensure that aircraft are returned to the lessor in accordance with its contractual requirements.

Leased assets

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

Measurement and recognition of leases as a lessee

At lease commencement date, the Group 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 Group, an estimate of any costs to restore the asset to the condition required by its lessor at the end of its lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

When determining the lease term, the Group includes periods covered by an option to extend the lease where they are reasonably certain it will be exercised and periods covered by an option to terminate the lease where they are reasonably certain this option will not be exercised.

At the commencement date, the Group 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 alternatively, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. In-substance fixed payments are inclusive of any contractual maintenance obligations which are not dependent on use of the asset.

2. **Accounting policies** (continued)

Leased assets (continued)

Maintenance payments which vary based on usage of the underlying asset are not included within the measurement of the initial lease liability; these are instead recognised in the Consolidated Income Statement in line with their usage. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments.

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.

Lease payments are presented in the Consolidated Statement of Cash Flows as follows:

- short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented within cash flows from operating activities. The Group's variable lease payments relate to payments to aircraft lessors in respect of flying activity on contracted aircraft components, which include Engines, LLPs and APUs. See Note 8 for amounts incurred in the year. The Group will continue to be exposed to these variable lease payments across the life of the lease dependent on flying activity;
- payments for the interest element of lease liabilities are included in 'Interest paid' within cash flows from operating activities; and
- payments for the principal element of lease liabilities are presented within cash flows from financing activities.

For each sale and leaseback transaction, the Group considers whether the sale satisfies the requirements of IFRS 15 – *Revenue from Contracts with Customers* to be accounted for as a sale of the asset. Where the Group deems a sale has taken place, the Group measures its right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Group. Where the Group deems a sale has not occurred, the Group continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds.

As permitted, the Group has elected not to apply the requirements of IFRS 16 for either short-term leases or leases of low-value assets. Low-value leases are immaterial to the Group in both the current and prior year. 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.

Right-of-use assets have been included in property, plant and equipment and lease liabilities have been included within their own category in the Statement of Financial Position.

The Group has applied the practical expedient under Covid-19 Related Rent Concessions – Amendment to IFRS 16 Leases, to account for all rent concessions agreed with lessors as a result of Covid-19. Concessions took the form of delayed payments for leased aircraft and property. The impact of deferring rental payments on the interest expense in the Consolidated Income Statement was not material.

3. Accounting estimates and judgements

In the application of the Group'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. For each sensitivity considered below, the Group has demonstrated a reasonably possible outcome to aid the users of the financial statements in understanding the impact of the estimate or judgement.

Critical judgements in applying accounting policies

The following is considered by the Directors to be the key source of judgement at the end of the reporting period that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Hedge ineffectiveness

The Group operates a clear set of treasury policies approved by the Board. The aim of our well-established hedging policy has been to reduce short-term volatility in earnings by managing foreign exchange rate and aviation fuel price risk using appropriate derivative financial instruments, such as forward currency contracts and aviation fuel swaps with approved counterparties. The ongoing UK Government restrictions on Leisure Travel has meant both the flying and holiday programmes expected to be operated in the first half of the financial year ending 31 March 2022 are lower than that on which the hedging programme for aviation fuel and foreign currency was originally based. Therefore, for the year ended 31 March 2021, the Group deemed a proportion of its derivative financial instruments to be ineffective for hedge accounting purposes, based on management's expectation at year end of a base case scenario of no flying until July 2021.

This led to a charge of £12.6m (2020: £108.4m) for hedge ineffectiveness impacting the Consolidated Income Statement in the year. If the Group had forecast to recommence its flying programme on 1 September 2021, this would have resulted in an increase in the loss before taxation for the year ended 31 March 2021 of £12.9m.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the end of the reporting period that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Recoverability of hotel supplier advances

In order to secure a dependable and competitive room offering in the most attractive hotels, the Group often places substantial deposits with its hotel partners. The recoverability of these balances is dependent on the ongoing viability of these hotel partners and is assessed by the Group at each period end. A risk assessment is made based on a review of each significant hotel partner's financial stability with varying % provisions applied to different risk levels. If the Group was to increase its % provision applied by 5ppts across all specific risk categories not already fully provided, this would have resulted in a decrease in the hotel supplier advances shown in Note 18 of £1.5m (2020: £2.0m).

3. Accounting estimates and judgements (continued)

Residual values and depreciation of property, plant and equipment and right-of-use assets

Estimations have been made in respect of the useful economic lives and residual values of aircraft included in property, plant and equipment and right-of-use assets, which determine the amount of depreciation charged in the Consolidated Income Statement. These estimated residual values are reviewed annually at the balance sheet date and compared to prevailing market residual values of equivalent aged assets. If the estimated residual values of the Group's aircraft were all increased by $0.5m, this would have resulted in a reduction in the depreciation charge for the year ended 31 March 2021 of £4.9m (2020: £4.1m).

If the estimated useful economic lives of the Group's aircraft were all reduced by one year, this would have resulted in an increase in the depreciation charge for the year ended 31 March 2021 of £7.3m (2020: £5.4m). Further details on the net book value of the Group's property, plant and equipment and right-of-use assets at 31 March 2021 can be found in Notes 15 and 16.

Impairment of aircraft, engines and other components

Where there is a risk that aircraft carrying values are impaired, a full impairment review is undertaken. An impairment review requires the estimation of the value in use of the smallest cash-generating unit, which in this case is individual aircraft fleet types, along with the application of a suitable discount rate to calculate present value. Each fleet type is separated into its major components, being the airframe, undercarriage and engines. If sustained changes in the expected future flying programme were to result in a material reduction in the cash flows to be generated from these aircraft, this could result in impairment.

The combined carrying value of the Group's aircraft, engines and other components (including right-of-use aircraft assets) was £1,208.6m (2020: £1,361.2m). Following the suspension of the flying programme due to the Covid-19 pandemic, a detailed impairment review of the Group's aircraft was carried out. The key assumptions within this review were the resumption date for the flying programme, discount rates applied, any impact on the estimated aircraft retirement dates and the realisable market value of the aircraft. The Group stress-tested its impairment review based on a range of reasonable outcomes and concluded that, even under stressed conditions, it was appropriate to record no impairment losses in the year.

Further details on the net book value of the Group's aircraft, engines and other components at 31 March 2021 can be found in Notes 15 and 16.

Provisions and liabilities

A charge is made in the Consolidated Income Statement, based on hours or cycles flown or on a calendar basis, to provide for the cost of the Group's obligation to maintain leased aircraft in accordance with the aircraft manufacturer's published maintenance programmes. Estimates are required in relation to the likely utilisation of the leased aircraft and the expected cost of maintenance events at the time they are expected to occur. The interaction of the Group's estimations of aircraft utilisation together with the cost of maintenance events could lead to a significant fluctuation in the provision. If the Group's estimated cost of a maintenance event alone were to increase by 5% for each event respectively, this would have resulted in an increase in the provision at 31 March 2021 of £1.1m (2020: £1.6m).

3. Accounting estimates and judgements (continued)

***Provisions and liabilities** (continued)*

Accounting for provisions and liabilities for customer compensation claims requires estimates to be made in relation to historical flight delays under Regulation (EC) No 261/2004 and, following Brexit, its UK equivalent; coupled with possible customer compensation claims that cannot be reclaimed from hotels. The bases of all estimates are reviewed no less frequently than annually, or when information becomes available that is capable of causing a material change to an estimate. If the estimated claim rate on customer compensation claims were to increase by 5%, this would have resulted in an increase in the provision at 31 March 2021 of £2.5m (2020: £2.8m).

Further details of the provisions and liabilities held by the Group at 31 March 2021 can be found in Note 24.

4. New IFRS and amendments to IAS and interpretations

The following amendments to IFRS became mandatorily effective in the current year and did not have a material impact.

International Financial Reporting Standards	Applying to accounting periods beginning after
IAS 1 – *Presentation of Financial Statements*	January 2020
IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of material	January 2020
IFRS 3 – *Business Combinations* – Definition of business	January 2020
Revised conceptual framework for financial reporting	January 2020
IFRS 16 – *Leases* – Amendments in relation to Covid-19 related rent concessions	June 2020

In respect of the amendment to IFRS 16 – *Leases* - published by the IASB on 28 May 2020, the amendment provides lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification. Lessees applying the exemption have to account for the rent concessions as if they were not lease modifications. The amendments are available for rent concessions reducing lease payments due on or before 30 June 2022.

The following amendments to IFRS have an effective date after the date of these financial statements.

International Financial Reporting Standards	Applying to accounting periods beginning after
New standards	
IFRS 17 – *Insurance Contracts*	January 2023
Amendments to existing standards	
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2	January 2021
Reference to the Conceptual Framework – Amendments to IFRS 3	January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 2022
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 2023

4. New IFRS and amendments to IAS and interpretations (continued)

The application of these standards and interpretations is not expected to have a material impact on the Group's reported financial performance or position.

In respect of the amendments to Interest Rate Benchmark Reform, the only interest rate benchmarks which the Group are exposed to and that are subject to reform are LIBOR and US LIBOR. These exposures relate to the Revolving Credit Facility, Aircraft Financing and any associated floating-to-fixed interest rate swaps.

The Group is closely monitoring the market and output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority (FCA)) regarding the transition away from LIBOR to Sterling Overnight Index Average Rate (SONIA).

5. Alternative performance measures

The Group's alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

Pre-exceptional (loss) / profit before FX revaluation and taxation

Pre-exceptional (loss) / profit before FX revaluation and taxation is included as an alternative performance measure in order to aid users in understanding the underlying operating performance of the Group excluding the impact of foreign exchange volatility and exceptional items.

Pre-exceptional EBITDA from continuing operations

Pre-exceptional Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations is included as an alternative performance measure in order to aid users in understanding the underlying operating performance of the Group.

These can be reconciled to the IFRS measure of (loss) / profit before taxation as below:

	2021 £m	2020 £m
(Loss) / profit before taxation	**(369.9)**	147.7
Exceptional item - hedge ineffectiveness	-	108.4
Net FX revaluation (gains) / losses	(3.9)	8.1
Pre-exceptional (loss) / profit before FX revaluation and taxation	**(373.8)**	264.2
Net financing expense (excluding Net FX revaluation (gains) / losses)	38.5	29.5
Depreciation	163.7	204.5
Pre-exceptional EBITDA from continuing operations	**(171.6)**	498.2

Pre-exceptional (loss) / profit before taxation including discontinued operations is shown to illustrate the results before taxation of the full Group and calculated as shown below:

	2021 £m	2020 £m
(Loss) / profit before taxation (from continuing operations)	**(369.9)**	147.7
Profit before taxation from discontinued operating activities (Note 31)	2.1	5.5
Profit on disposal of discontinued operations (Note 31)	26.5	-
Exceptional item - hedge ineffectiveness	-	108.4
Pre-exceptional (loss) / profit before taxation including discontinued operations	**(341.3)**	261.6

6. Segmental reporting

IFRS 8 – *Operating Segments* requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM").

The CODM is responsible for the overall resource allocation and performance assessment of the Group. The Board of Directors approves major capital expenditure, assesses the performance of the Group and also determines key financing decisions. Consequently, the Board of Directors is considered to be the CODM.

The Group disposed of its Distribution & Logistics segment in May 2020; consequently, the information presented to the CODM for the purpose of resource allocation and assessment of the Group's performance now relates to its Leisure Travel segment as shown in the Consolidated Income Statement.

The results of the Distribution & Logistics segment are presented in Note 31 (i) along with the relevant segment information for its contribution to the Group's performance during two months of the financial period in Note 31 (ii).

The Leisure Travel business specialises in the provision of ATOL licensed package holidays by its tour operator, ***Jet2holidays***, to leisure destinations in the Mediterranean, the Canary Islands and to European Leisure Cities, and scheduled holiday flights by its airline, ***Jet2.com***. Resource allocation decisions are based on the entire route network and the deployment of its entire aircraft fleet. All ***Jet2holidays*** customers fly on ***Jet2.com*** flights, and therefore these segments are inextricably linked.

Revenue is principally generated from within the UK, the Group's country of domicile. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

No customer represents more than 10% of the Group's revenue. Segment revenue reported below represents revenue generated from external customers. There was no intersegment revenue in the current year (2020: £nil). Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Leisure Travel other segment information	**2021** **£m**	2020 £m
Intangible additions	-	26.8
Property, plant and equipment additions	36.2	207.9
Right-of-use additions	5.1	55.9
Depreciation of property, plant and equipment	(115.2)	(134.2)
Depreciation of right-of-use assets	(48.5)	(70.3)
Share-based payments	(0.4)	(0.5)
Asset and liabilities		
Segment assets	2,873.0	3,254.6
Segment liabilities	(1,908.8)	(2,686.9)
Net assets	**964.2**	567.7

6. Segmental reporting (continued)

Revenue for the Group can be further disaggregated by their nature for the purposes of IFRS 15 as follows:

	2021 £m	2020 £m
Flight-only ticket revenue	**53.7**	604.1
Non-ticket revenue	**38.4**	364.3
Package holidays	**252.8**	2,591.6
Other Leisure Travel	**50.5**	24.7
Total revenue	**395.4**	3,584.7

7. Net operating expenses

	2021 £m	2020 £m
Direct operating costs:		
Accommodation costs	**113.0**	1,340.0
Fuel	**79.9**	359.1
Landing, navigation and third-party handling	**34.3**	329.5
Maintenance costs	**25.7**	100.2
Aircraft rentals	**-**	31.8
Agent commission	**9.0**	81.4
In-flight cost of sales	**8.2**	57.4
Other direct operating costs	**2.3**	132.8
Staff costs including agency staff	**224.2**	444.7
Depreciation of property, plant and equipment	**115.2**	134.2
Depreciation of right-of-use assets	**48.5**	70.3
Other operating charges	**71.2**	210.3
Total net operating expenses (excluding exceptional item)	**731.5**	3,291.7
Exceptional item - Hedge ineffectiveness	**-**	108.4
Total net operating expenses	**731.5**	3,400.1

In the financial year ended 31 March 2020, the Group recorded hedge ineffectiveness of £108.4m as an exceptional item in order to highlight the quantum of this balance to the users of the financial statements.

For the year ended 31 March 2021, the impact of hedge ineffectiveness is significantly lower and as a result has been recorded either within net operating expenses or within Net FX revaluation gains dependent on the nature of the underlying hedge instrument.

8. Operating (loss) / profit

	2021 £m	2020 £m
Operating (loss) / profit is stated after charging:		
Operating lease rentals for aircraft on short-term leases	**-**	32.2
Variable lease payments on aircraft components	**1.4**	10.0

8. Operating (loss) / profit (continued)

Auditor's remuneration	2021 £m	2020 £m
Audit of these financial statements	**0.5**	0.3
Amounts receivable by the Auditor and its associates in respect of:		
Other services	**0.1**	0.1

9. Net financing expense

	2021 £m	2020 £m
Finance income	**2.0**	14.5
Interest payable on aircraft and other loans	**(17.8)**	(17.6)
Interest payable on lease liabilities	**(22.7)**	(26.4)
Net foreign exchange revaluation gains / (losses)	**3.9**	(8.1)
Net financing expense	**(34.6)**	(37.6)

10. Employees

The average monthly number of persons, including Executive Directors, employed by the Group during the year was:

	2021 Number	2020 Number
Operations	**7,838**	9,043
Administration	**1,213**	1,314
	9,051	10,357

	2021 £m	2020 £m
Wages and salaries	**273.5**	372.6
Share options – value of employee services	**0.4**	0.5
Social security costs	**30.8**	41.9
Other pension costs (Note 29)	**16.8**	19.4
Coronavirus Job Retention scheme	**(97.9)**	-
	223.6	434.4

These costs and headcount cover those staff associated with continuing operations in both current and prior year, staff costs and headcount associated with discontinued operations are presented in Note 31.

Remuneration of the Directors of the Group and its subsidiaries, who are key management personnel of the Group, is set out below in aggregate. There are no personnel, other than the Directors, who as key management have authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of ***Jet2 plc***. No member of key management had any material interest during the year in a contract of significance (other than a service contract) with the Company or any of its subsidiaries other than those disclosed in Note 30.

10. Employees (continued)

	2021 £m	2020 £m
Short-term employee benefits	**3.7**	5.1
Post-employment benefits	**0.4**	0.5
Share options – value of employee services	**-**	0.5
Total employee benefit costs of key management personnel	**4.1**	6.1

For each of the Directors of ***Jet2 plc***, the audited disclosures required under AIM Rule 19 and Schedule 5 for the emoluments and compensation, including any cash and non-cash benefits received and the value of any contributions paid to a pension scheme, are summarised within the *Directors' emoluments during the year* section on page 72.

Details of the share options and Deferred Awards for each Director, including information on all outstanding options and awards, are shown within the *Interest in options and Deferred Awards* section and the associated footnotes on page 72.

	2021	2020
Highest paid Director	**£0.7m**	£0.8m
Number of Directors for whom retirement benefits accrue	**2**	2
Number of Directors who exercised share options / Deferred Awards [1]	**2**	2

[1] These Deferred Awards totalling 49,634 shares were exercised on 20 July 2020, on which date the closing mid-market price of a share was £7.20, resulting in total pre-tax gains of £0.4m.

For the year ended 31 March 2020, Deferred Awards totalling 32,170 shares were exercised on 29 July 2019, on which date the closing mid-market price of a share was £7.78, resulting in total pre-tax gains of £0.2m.

11. Taxation

	2021 £m	2020 £m
Current taxation:		
UK corporation tax based upon the (losses) / profits for the year:		
- current year	**(26.8)**	26.7
- prior year	**0.1**	0.1
Current tax (credit) / charge for the year	**(26.7)**	26.8
Deferred taxation:		
Origination and reversal of timing differences		
- current year	**(43.7)**	0.9
- prior year	**-**	-
Rate changes	**-**	8.4
Deferred tax (credit) / charge for the year	**(43.7)**	9.3
Total taxation in Consolidated Income Statement in the year	**(70.4)**	36.1
Items that may be reclassified subsequently to profit or loss:		
Taxation relating to components of OCI	**5.6**	(11.9)
Total taxation recognised in Consolidated Income Statement and OCI in the year	**(64.8)**	24.2

11. Taxation (continued)

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

	2021 £m	2020 £m
(Loss) / profit before taxation	**(369.9)**	147.7
(Loss) / profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**(70.3)**	28.1
Effects of:		
Expenses not deductible	**(0.2)**	(0.5)
Effect of rate change on deferred tax liabilities	**-**	8.4
Adjustments to tax charge in previous years	**0.1**	0.1
Total (see above)	**(70.4)**	36.1

	2021 £m	2020 £m
The movement in the deferred taxation liability is as follows:		
Opening at 1 April	**78.7**	80.6
(Credited) / charged to Income Statement	**(43.7)**	9.5
Charge / (credit) taken directly to equity	**5.6**	(11.9)
Translation differences	**(3.9)**	1.6
Transfer to liabilities held for sale	**-**	(1.1)
Closing at 31 March	**36.7**	78.7

In the prior year comparative amounts given in the above table, the amounts charged to the Income Statement are inclusive of a £1.1m charge relating to discontinued operations, which was disclosed within the profit from discontinued operations on the Statement of Comprehensive Income of that year.

Deferred tax liabilities	Accelerated capital allowances £m	Financial instruments £m	Other £m	**Total** **£m**
At 31 March 2019	88.0	(3.9)	(3.5)	**80.6**
Charge / (credit) to Income Statement	28.6	(20.6)	1.5	**9.5**
Credit to equity	-	(11.9)	-	**(11.9)**
Translation differences	1.6	-	-	**1.6**
Transfer to liabilities held for sale	(1.2)	-	0.1	**(1.1)**
At 31 March 2020	**117.0**	**(36.4)**	**(1.9)**	**78.7**
Charge / (credit) to Income Statement	0.6	18.2	(62.5)	**(43.7)**
Charge to equity	-	5.6	-	**5.6**
Translation differences	(3.7)	-	(0.2)	**(3.9)**
At 31 March 2021	**113.9**	**(12.6)**	**(64.6)**	**36.7**

11. Taxation (continued)

Deferred taxation in relation to financial instruments in the tables above includes the impact of the Group's forward foreign currency contracts, aviation fuel swaps, interest rate swaps, EU Allowance contracts and forward Certified Emissions Reduction contracts. Other deferred taxation includes a £59.5m asset recognised in respect of losses carried forward to be utilised against future profits.

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 Group has provided at rates based on tax legislation in force at the financial year end. The Group estimates that this proposed rate change would increase its deferred taxation liability by £27.0m.

12. Dividends

	2021 £m	2020 £m
2020/21 Interim £nil (2019/20: 3.0 pence) per share	-	4.5
2019/20 Final £nil (2018/19: 7.4 pence) per share	-	11.0
Total	-	15.5

13. Earnings per share

Earnings per share from continuing operations

	2021 Earnings £m	**2021 Weighted average number of shares millions**	**2021 EPS pence**	2020 Earnings £m	2020 Weighted average number of shares millions	2020 EPS pence
Basic EPS						
(Loss) / profit attributable to ordinary shareholders	**(299.5)**	**179.4**	**(166.9)**	111.6	148.9	75.0
Effect of dilutive instruments						
Share options and Deferred Awards	-	-	-	-	0.2	(0.2)
Diluted EPS	**(299.5)**	**179.4**	**(166.9)**	111.6	149.1	74.8

13. Earnings per share (continued)

Earnings per share from total operations

	2021 Earnings £m	2021 Weighted average number of shares millions	2021 EPS pence	2020 Earnings £m	2020 Weighted average number of shares millions	2020 EPS pence
Basic EPS						
(Loss) / profit attributable to ordinary shareholders	**(271.2)**	**179.4**	**(151.2)**	116.0	148.9	77.9
Effect of dilutive instruments						
Share options and Deferred Awards	-	-	-	-	0.2	(0.1)
Diluted EPS	**(271.2)**	**179.4**	**(151.2)**	116.0	149.1	77.8

In accordance with IAS 33 – *Earnings per Share*, the Group shows no dilutive impact in respect of its share options and Deferred Awards for the year ended 31 March 2021 as their conversion to ordinary shares would decrease the loss per share.

14. Intangible assets

Airport Slots	**£m**
Cost	
At 31 March 2020 and 2021	26.8
Impairment	
At 31 March 2020 and 2021	-
Net book value	
At 31 March 2020 and 2021	**26.8**

15. Property, plant and equipment

	Land and buildings £m	Aircraft, engines and other components £m	Plant, vehicles and equipment £m	Total £m
Cost				
At 1 April 2019	72.0	1,179.7	118.2	**1,369.9**
Additions	0.9	191.4	18.0	**210.3**
Disposals	-	(46.0)	(2.3)	**(48.3)**
Foreign exchange rate movements	-	7.4	-	**7.4**
Transfer to assets held for sale	(43.8)	-	(18.7)	**(62.5)**
At 31 March 2020	**29.1**	**1,332.5**	**115.2**	**1,476.8**
Additions	-	32.1	4.1	**36.2**
Disposals	-	(51.7)	(0.1)	**(51.8)**
Foreign exchange rate movements	-	(17.4)	-	**(17.4)**
At 31 March 2021	**29.1**	**1,295.5**	**119.2**	**1,443.8**
Depreciation				
At 1 April 2019	(19.3)	(388.7)	(71.7)	**(479.7)**
Charge for the year	(3.1)	(119.2)	(14.3)	**(136.6)**
Disposals	-	45.1	1.6	**46.7**
Foreign exchange rate movements	-	(0.4)	-	**(0.4)**
Transfer to assets held for sale	11.2	-	13.8	**25.0**
At 31 March 2020	**(11.2)**	**(463.2)**	**(70.6)**	**(545.0)**
Charge for the year	(1.6)	(101.1)	(12.5)	**(115.2)**
Disposals	-	50.2	0.1	**50.3**
Foreign exchange rate movements	-	2.7	-	**2.7**
At 31 March 2021	**(12.8)**	**(511.4)**	**(83.0)**	**(607.2)**
Net book value				
At 31 March 2021	**16.3**	**784.1**	**36.2**	**836.6**
At 31 March 2020	17.9	869.3	44.6	931.8

Aircraft, engines and other components includes aircraft held under financing arrangements with a net book value of £540.9m (2020: £416.3m).

16. Right-of-use assets

	Aircraft, engines and other components £m	Other £m	Total £m
Cost			
At 1 April 2019	670.3	107.0	**777.3**
Additions	51.3	29.6	**80.9**
Disposals	(80.8)	(17.0)	**(97.8)**
Foreign exchange rate movements	15.1	-	**15.1**
Transfer to assets held for sale	-	(59.5)	**(59.5)**
At 31 March 2020	**655.9**	**60.1**	**716.0**
Additions	4.2	0.9	**5.1**
Disposals	(1.9)	(1.1)	**(3.0)**
Foreign exchange rate movements	(32.5)	-	**(32.5)**
At 31 March 2021	**625.7**	**59.9**	**685.6**
Depreciation			
At 1 April 2019	(122.6)	(45.0)	**(167.6)**
Charge for the year	(70.1)	(12.0)	**(82.1)**
Disposals	30.2	16.5	**46.7**
Foreign exchange rate movements	(1.5)	-	**(1.5)**
Transfer to assets held for sale	-	22.6	**22.6**
At 31 March 2020	**(164.0)**	**(17.9)**	**(181.9)**
Charge for the year	(43.8)	(4.7)	**(48.5)**
Disposals	1.7	1.1	**2.8**
Foreign exchange rate movements	4.9	-	**4.9**
At 31 March 2021	**(201.2)**	**(21.5)**	**(222.7)**
Net book value			
At 31 March 2021	**424.5**	**38.4**	**462.9**
At 31 March 2020	491.9	42.2	534.1

Net book value of other right-of-use assets of £38.4m (2020: £42.2m) includes Land and buildings £38.3m (2020: £42.0m), and Plant, vehicles and equipment £0.1m (2020: £0.2m). Aircraft, engines and other components includes aircraft held under financing arrangements with a net book value of £342.6m (2020: £386.8m).

Aircraft under finance lease which are classed as a right-of-use assets had additions resulting in a cash outflow of £1.2m (2020: £1.0m) during the year. The additions during the year related to maintenance expenditure which is capital in nature and adds long-term value to the aircraft.

17. Inventories

	2021 £m	2020 £m
Consumables	**1.0**	1.3

18. Trade and other receivables

	2021 £m	2020 £m
Current:		
Trade receivables	**9.3**	41.2
Hotel supplier advances	**85.4**	190.9
Prepayments	**28.8**	38.4
Other receivables	**10.3**	23.6
	133.8	294.1

Hotel supplier advances include balances totalling £10.4m (2020: £33.9m) recoverable after more than one year.

Ageing analysis of Trade receivables

	31 March 2021 £m			31 March 2020 £m		
	Gross receivables	**Provision for doubtful debts**	**Net trade receivables**	Gross receivables	Provision for doubtful debts	Net trade receivables
Not past due	**7.3**	**-**	**7.3**	36.8	(0.1)	36.7
Up to one month past due	**0.9**	**-**	**0.9**	2.3	-	2.3
Over one month past due	**1.3**	**(0.2)**	**1.1**	2.4	(0.2)	2.2
	9.5	**(0.2)**	**9.3**	41.5	(0.3)	41.2

Expected credit losses in relation to the Other receivables balance of £10.3m (2020: £23.6m) are immaterial to the Group.

19. Cash and cash equivalents

	2021 £m	2020 £m
Free cash	**1,370.5**	1,347.4
Total free cash	**1,370.5**	1,347.4
Bonds and guarantees	**-**	0.1
Margin calls paid over	**8.3**	39.8
Other restricted cash	**0.2**	0.2
Total restricted cash	**8.5**	40.1
Total cash and cash equivalents	**1,379.0**	1,387.5

The Group's 'Own Cash' balance of £1,061.7m (2020: £520.4m) excludes advance customer deposits. However, there are no restrictions to the use of customer deposits and therefore these are not a form of restricted cash.

20. Trade and other payables

	2021 £m	2020 £m
Current:		
Trade payables	**17.1**	94.7
Other taxation and social security	**7.1**	17.5
Corporation tax payable	**-**	0.3
Other creditors and accruals	**45.6**	253.9
	69.8	366.4

21. Deferred revenue

	2021				2020
	Receivables £m	Deferred revenue £m	Payables £m	**Advance customer deposits £m**	Advance customer deposits £m
Balance at 1 April	30.8	(745.2)	(152.7)	**(867.1)**	(905.9)
Revenue recognised that was included in deferred revenue at the beginning of the year	-	106.8	-	**106.8**	937.1
Decrease in receivables	(24.9)	-	-	**(24.9)**	-
Decrease in payables	-	-	151.9	**151.9**	-
Cash received (net of refunds), excluding amounts recognised as revenue in the year	-	316.0	-	**316.0**	(898.3)
Balance at 31 March	5.9	(322.4)	(0.8)	**(317.3)**	(867.1)

Receivables relates to invoicing of amounts due from travel agents in respect of package holiday deposits and balance payments and is included within Trade receivables in Note 18.

Payables relates to refund credit notes issued and cash refunds not yet paid out for flights and holidays cancelled prior to year end and is included within Other creditors and accruals in Note 20.

The Group's aggregate sales value allocated to the performance obligations that were unsatisfied (or partially unsatisfied) as at 31 March 2021 was £1,162.4m (2020: £1,679.2m) of which £896.4m (2020: £1,626.5m) is expected to be recognised as revenue within one year. The remaining balance will be recognised as revenue between one and two years.

22. Borrowings

Borrowings are repayable as follows:

	Revolving credit facilities		**CCFF**		**Aircraft loans**		**Total**	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Within one year	**65.0**	65.0	**198.7**	-	**58.8**	39.4	**322.5**	104.4
Between one and two years	-	-	-	-	**68.7**	40.6	**68.7**	40.6
Between two and five years	-	-	-	-	**205.5**	129.6	**205.5**	129.6
Over five years	-	-	-	-	**159.5**	211.1	**159.5**	211.1
Total	**65.0**	65.0	**198.7**	-	**492.5**	420.7	**756.2**	485.7

23. Lease liabilities

Lease liabilities are repayable as follows:

	2021 £m	2020 £m
Within one year	**67.1**	76.2
Between one and two years	**61.0**	69.3
Between two and five years	**185.6**	181.1
Over five years	**248.4**	346.1
Total	**562.1**	672.7

24. Provisions and liabilities

	Maintenance		**Customer compensation claims**		**Other**		**Total**	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Opening at 1 April	**43.8**	27.1	**23.9**	26.8	-	0.3	**67.7**	54.2
Provision in the year	**10.7**	38.3	**0.1**	11.1	-	0.8	**10.8**	50.2
Utilised	**(2.5)**	(20.8)	**(0.4)**	(8.0)	-	(0.5)	**(2.9)**	(29.3)
Released unused	**(9.7)**	(0.8)	**(3.4)**	(6.0)	-	-	**(13.1)**	(6.8)
Transfer to liabilities held for sale	-	-	-	-	-	(0.6)	-	(0.6)
Closing at 31 March	**42.3**	43.8	**20.2**	23.9	-	-	**62.5**	67.7

Maintenance provisions relate entirely to the Group's obligation to maintain leased aircraft in accordance with the aircraft manufacturer's published maintenance programmes during the lease term, and to ensure that aircraft are returned to the lessor in accordance with its contractual requirements.

Customer compensation claim provisions and liabilities relate to the Group's obligation to possible passenger claims for historical flight delays under Regulation (EC) No 261/2004 and, following Brexit, its UK equivalent; coupled with possible customer compensation claims that cannot be reclaimed from hotels. The main assumptions underlying the possible passenger claims for flight delays and possible customer compensation claims are the number of valid claims received and which may be received, the amount at which those claims may be settled and, additionally for customer compensation claims, the proportion which may be reclaimed from hotels. The majority of cash outflows connected with these provisions and liabilities are expected to occur within three years of the balance sheet date.

25. Financial instruments

The Group has exposure to the following risks from its use of financial instruments:

Credit risk

The Group is exposed to credit risk to the extent of non-performance by its counterparties in respect of financial assets receivable. However, the Group has policies and procedures in place to ensure such risk is limited and sets credit limits for each counterparty accordingly. The Group regularly monitors such limits, incorporating this information into credit risk controls, and does not currently hold any collateral.

25. Financial instruments (continued)

Since the Group does not place funds with any deposit taker with a long-term credit rating lower than A-/A3, and a short-term credit rating lower than A-2, F2, P2, expected credit losses for cash and cash equivalents are considered low and hence no impairments were identified. The Group considers that expected credit losses on derivative assets arising from the default of counterparties are not material.

As any expected credit losses are reflected in the value of financial assets, the maximum exposure to credit risk is limited to the net carrying value of each asset as summarised in section (a) below.

Liquidity risk

The Group's strategy for managing liquidity risk is to maintain cash balances in an appropriately liquid form and in accordance with approved counterparty limits, while securing the continuity and flexibility of funding through the use of committed banking facilities, the Covid Corporate Financing Facility and specialist aircraft finance.

Short-term cash flow risk, in relation to margin calls in respect of fuel and foreign currency hedge positions, is minimised through diversification of counterparties together with appropriate credit thresholds. In addition, a regular assessment is made of the Group's banking facility covenant compliance, for which there were no covenant breaches in the current year due to the covenant waivers provided by the Group's banking partners. The Group continues to monitor its liquidity levels in conjunction with its Board approved Liquidity Policy.

Foreign currency risk

The Group incurs considerable operational costs which are euro and US dollar denominated and can be exposed to sudden movements in exchange rates.

Transactional currency exposures arise as a result of expenditure on hotel accommodation, aviation fuel, aircraft maintenance, air traffic control and airport charges.

The Group's historic policy has been to forward cover up to 90% of foreign currency requirements by the start of the financial year. The remainder of the Group's requirement is hedged within the financial year. The Group enters into forward foreign currency exchange contracts up to 30 months in advance of the hedged transaction. However, given Covid-19, the Group is currently taking a more cautious approach to the hedging programme in light of fast-changing travel restrictions.

Aviation fuel price risk

The cost of fuel is a material element of the cost base and the effective management of aviation fuel price volatility remains important.

The Group's historic policy has been to forward cover up to 90% of fuel requirements with aviation fuel swaps by the start of the financial year. The remainder of the Group's requirement is hedged within the financial year. The Group enters into aviation fuel swaps up to 30 months in advance of the hedged transaction. However, given Covid-19, the Group is currently taking a more cautious approach to the hedging programme in light of fast-changing travel restrictions.

25. Financial instruments (continued)

Carbon price risk

The Group is exposed to carbon price risk through its obligation to purchase carbon emissions allowances to offset emissions in each calendar year. The Group hedges carbon emissions allowances in line with its approved policy.

The Group purchases carbon emissions allowances under fixed price forward contracts with different maturity dates from a range of domestic and international sources. The Group has continued to review its domestic and EU carbon requirements following the UK's decision to leave the European Union. Hedging will be undertaken in line with policy to manage both requirements. Additionally, given Covid-19, the Group is currently taking a more cautious approach to the hedging programme in light of fast-changing travel restrictions.

Interest rate risk

As part of its strategy for achieving continuity and flexibility of funding, the Group uses specialist aircraft finance. Some of this borrowing is subject to floating rate interest charges, which generates interest cost volatility. The Group's policy is to mitigate, to an acceptable level, this possible cost volatility.

The Group uses interest rate swaps to cover a proportion of floating rate borrowings and as at 31 March 2021 had hedged a substantial proportion of its forecast cash flows in relation to floating rate borrowings for 2021/22 and subsequent years. All hedging has been carried out in line with the Group's hedging policy.

Under IFRS 9, the forward currency, fuel, carbon and interest derivatives are eligible for cash flow hedge accounting. Movements in fair value are summarised in section (b) below.

25. Financial instruments (continued)

(a) Carrying amount and fair values of financial instruments

The carrying amounts and fair value of the Group's financial assets and liabilities at the year end was as follows:

	31 March 2021		
	Measured at amortised cost	Derivative hedging instruments measured at fair value through profit and loss	**Total carrying amount**
	£m	£m	**£m**
Financial assets			
Cash and cash equivalents	1,379.0	-	**1,379.0**
Trade receivables	9.3	-	**9.3**
Derivative financial instruments	-	32.9	**32.9**
Total financial assets	1,388.3	32.9	**1,421.2**
Financial liabilities			
Trade payables	17.1	-	**17.1**
Revolving credit facilities	65.0	-	**65.0**
CCFF	198.7	-	**198.7**
Aircraft loans	492.5	-	**492.5**
Lease liabilities	562.1	-	**562.1**
Derivative financial instruments	-	99.1	**99.1**
Total financial liabilities	1,335.4	99.1	**1,434.5**

	31 March 2020		
	Measured at amortised cost	Derivative hedging instruments measured at fair value through profit and loss	Total carrying amount
	£m	£m	£m
Financial assets			
Cash and cash equivalents	1,387.5	-	1,387.5
Trade receivables	41.2	-	41.2
Derivative financial instruments	-	79.0	79.0
Total financial assets	1,428.7	79.0	1,507.7
Financial liabilities			
Trade payables	94.7	-	94.7
Revolving credit facilities	65.0	-	65.0
Aircraft loans	420.7	-	420.7
Lease liabilities	672.7	-	672.7
Derivative financial instruments	-	270.5	270.5
Total financial liabilities	1,253.1	270.5	1,523.6

25. Financial instruments (continued)

(a) Carrying amount and fair values of financial instruments (continued)

- assets categorised as fair value through profit and loss at 31 March 2021 are, by concession, deferred through OCI as the movements relate to the effective portion of the cash flow hedge;
- due to the short maturity of money market deposits and cash and cash equivalents, amortised cost is considered to be a close approximation to fair value;
- for trade receivables, trade payables, revolving credit facilities, aircraft loans and lease liabilities, carrying value at amortised cost approximates to fair value; and
- the fair value of derivative financial instruments has been measured by reference to their fair value, as provided by external counterparties.

IFRS 13 – *Fair Value Measurement* requires the classification of fair value measurements using a hierarchy that reflects the nature of the inputs used in making the assessments. The fair values of the Group's derivative financial instruments are derived using available market information, other than quoted prices in active markets for identical assets and liabilities. The inputs into the fair value calculations include quotations by brokers and price index data and are classified as level 2 within the fair value hierarchy.

The valuation methodologies used are as follows:

- the fair values of forward foreign exchange contracts are calculated by discounting the contracted forward values and translating at the appropriate balance sheet rates;
- the fair values of aviation fuel swaps are calculated by discounting expected future cash flows and translating at the appropriate balance sheet rates;
- the fair values of carbon forward contracts are calculated by discounting the contracted forward values and translating at the appropriate balance sheet rates; and
- the fair values of interest rate swaps are calculated by discounting expected future principal and interest cash flows.

The Group uses derivative financial instruments to manage its exposure to currency exchange rates, aviation fuel prices, carbon prices and interest rates, consistent with its risk management policies and objectives. These derivatives are analysed as follows:

25. Financial instruments (continued)

(a) Carrying amount and fair values of financial instruments (continued)

			31 March 2021		
	Asset fair value	**Liability fair value**	**Hedge ineffectiveness**	**Cost of hedging reserve**	**Cash flow hedging reserve**
	£m	**£m**	**£m**	**£m**	**£m**
US dollar forward contracts	**0.4**	**(16.4)**	**5.0**	**0.6**	**10.4**
Euro forward contracts	**0.2**	**(56.9)**	**7.1**	**(1.7)**	**51.3**
Aviation fuel swaps	**32.3**	**(9.2)**	**0.5**	**-**	**(23.6)**
Carbon forward contracts	**-**	**-**	**-**	**-**	**-**
Interest rate swaps	**-**	**(16.6)**	**-**	**-**	**16.6**
Total	**32.9**	**(99.1)**	**12.6**	**(1.1)**	**54.7**

			31 March 2020		
	Asset fair value	Liability fair value	Hedge ineffectiveness	Cost of hedging reserve	Cash flow hedging reserve
	£m	£m	£m	£m	£m
US dollar forward contracts	42.7	(0.5)	(19.5)	0.9	(23.6)
Euro forward contracts	36.3	(17.2)	(2.4)	(3.8)	(12.9)
Aviation fuel swaps	-	(227.8)	129.3	-	98.5
Carbon forward contracts	-	(1.3)	1.0	-	0.3
Interest rate swaps	-	(23.7)	-	-	23.7
Total	79.0	(270.5)	108.4	(2.9)	86.0

25. Financial instruments (continued)

(a) Carrying amount and fair values of financial instruments (continued)

The impact of cash flow hedging instruments, by category of risk hedged, on the Statement of Financial Position is as follows:

Hedging instruments and location in Statement of Financial Position	31 March 2021 Notional amount £m	31 March 2021 Carrying amount £m	31 March 2020 Notional amount £m	31 March 2020 Carrying amount £m
Currency forward contracts				
Non-current assets	**30.7**	**0.4**	677.4	25.1
Current assets	**50.1**	**0.2**	1,407.9	53.9
Current liabilities	**1,131.2**	**(49.5)**	771.0	(17.2)
Non-current liabilities	**621.5**	**(23.8)**	47.2	(0.5)
	1,833.5	**(72.7)**	2,903.5	61.3
Aviation fuel swaps				
Non-current assets	**55.0**	**9.0**	-	-
Current assets	**92.5**	**23.3**	-	-
Current liabilities	**91.8**	**(8.8)**	376.1	(198.0)
Non-current liabilities	**12.4**	**(0.4)**	94.5	(29.8)
	251.7	**23.1**	470.6	(227.8)
Carbon forward contracts				
Non-current assets	-	-	-	-
Current assets	-	-	-	-
Current liabilities	-	-	9.3	(1.3)
Non-current liabilities	-	-	-	-
	-	-	9.3	(1.3)
Interest rate swaps				
Non-current assets	-	-	-	-
Current assets	-	-	-	-
Current liabilities	-	-	-	-
Non-current liabilities	**306.4**	**(16.6)**	309.6	(23.7)
	306.4	**(16.6)**	309.6	(23.7)

For presentation purposes, the notional values of the interest rate swaps have been assigned to non-current assets and non-current liabilities since all of the Group's interest rate swaps have ultimate maturity dates beyond 31 March 2022.

25. Financial instruments (continued)

(b) Movements in fair value of financial instruments:

Net movements in fair value of financial instruments	Fair value of hedging instrument Assets £m	Liabilities £m
At 31 March 2019	54.1	(76.5)
Other comprehensive income	(7.3)	(53.4)
Credited / (charged) to income statement	32.2	(140.6)
At 31 March 2020	79.0	(270.5)
Other comprehensive income	(18.4)	47.9
(Charged) / credited to income statement	(27.7)	123.5
At 31 March 2021	**32.9**	**(99.1)**

The impact of hedge instrument on cash flow hedging reserve	Foreign currency risk £m	Aviation fuel price risk £m	Carbon price risk £m	Interest rate risk £m	Total cash flow hedging reserve £m
Balance at 31 March 2019	34.4	(16.1)	(4.5)	4.7	**18.5**
(Gains) / losses taken into reserves	(48.3)	97.2	1.1	18.6	**68.6**
Transfer to profit and loss for the year	(30.3)	21.2	4.7	(0.6)	**(5.0)**
Deferred tax movement	14.6	(22.5)	(1.1)	(3.5)	**(12.5)**
Balance at 31 March 2020	(29.6)	79.8	0.2	19.2	**69.6**
Losses / (gains) taken into reserves	84.1	(53.3)	-	(7.2)	**23.6**
Transfer to profit and loss for the year	14.0	(68.7)	(0.3)	-	**(55.0)**
Deferred tax movement	(18.6)	23.1	0.1	1.4	**6.0**
Balance at 31 March 2021	**49.9**	**(19.1)**	**-**	**13.4**	**44.2**

Gains and losses on revaluation of derivatives designated as cash flow hedges, shown in the table above, have an equal and opposite impact on OCI. There were no reclassification adjustments other than the transfer of gains and losses from the cash flow hedging reserve into the profit and loss account.

The impact of hedge instrument on cost of hedging reserve	Foreign currency risk £m	Aviation fuel price risk £m	Carbon price risk £m	Interest rate risk £m	Total cost of hedging reserve £m
Balance at 31 March 2019	-	-	-	-	**-**
Gains taken into reserves	(2.9)	-	-	-	**(2.9)**
Deferred tax movement	0.6	-	-	-	**0.6**
Balance at 31 March 2020	(2.3)	-	-	-	**(2.3)**
Losses taken into reserves	1.9	-	-	-	**1.9**
Deferred tax movement	(0.4)	-	-	-	**(0.4)**
Balance at 31 March 2021	**(0.8)**	-	-	-	**(0.8)**

25. Financial instruments (continued)

(c) Maturity profile of financial assets and liabilities

The maturity profile of the Group's financial assets and liabilities at the end of the year was as follows:

Period of maturity	Less than one year	Between one and two years	More than two years	31 March 2021 Total
	£m	£m	£m	**£m**
Financial assets				
Liquid assets and receivables	1,388.3	-	-	**1,388.3**
Derivative financial instruments	23.5	9.4	-	**32.9**
Total financial assets	1,411.8	9.4	-	**1,421.2**
Financial liabilities				
Trade payables	17.1	-	-	**17.1**
Revolving credit facilities	65.0	-	-	**65.0**
CCFF	198.7	-	-	**198.7**
Aircraft loans	58.8	68.7	365.0	**492.5**
Lease liabilities	67.1	61.0	434.0	**562.1**
Derivative financial instruments	58.3	24.2	16.6	**99.1**
Total financial liabilities	465.0	153.9	815.6	**1,434.5**

Period of maturity	Less than one year	Between one and two years	More than two years	31 March 2020 Total
	£m	£m	£m	£m
Financial assets				
Liquid assets and receivables	1,428.7	-	-	1,428.7
Derivative financial instruments	53.9	25.1	-	79.0
Total financial assets	1,482.6	25.1	-	1,507.7
Financial liabilities				
Trade payables	94.7	-	-	94.7
Revolving credit facilities	65.0	-	-	65.0
Aircraft loans	39.4	40.6	340.7	420.7
Lease liabilities	76.2	69.3	527.2	672.7
Derivative financial instruments	216.5	54.0	-	270.5
Total financial liabilities	491.8	163.9	867.9	1,523.6

25. Financial instruments (continued)

(c) Maturity profile of financial assets and liabilities (continued)

The expected contractual maturity of derivative financial instruments that are marked to market based on the undiscounted cash flows is set out below. Where the amount payable or receivable is not fixed, the amount has been determined by reference to market data, including forward commodity prices and foreign exchange rates, illustrated by forward yield curves at the reporting date.

Period of maturity (undiscounted cashflows)	Less than one year	Between one and two years	More than two years	**31 March 2021 Total**
	£m	£m	£m	**£m**
At 31 March 2021				
US dollar forward contracts	251.6	152.8	-	**404.4**
Euro forward contracts	929.7	499.4	-	**1,429.1**
Aviation fuel swaps	184.3	67.4	-	**251.7**
Carbon forward contracts	-	-	-	**-**
Interest rate swaps	-	-	306.4	**306.4**
Total derivatives	1,365.6	719.6	306.4	**2,391.6**
Trade payables	17.1	-	-	**17.1**
Revolving credit facilities	65.0	-	-	**65.0**
CCFF	200.0	-	-	**200.0**
Aircraft loans	75.1	83.0	404.3	**562.4**
Lease liabilities	82.1	74.8	505.1	**662.0**
Total other financial liabilities	439.3	157.8	909.4	**1,506.5**
Total	1,804.9	877.4	1,215.8	**3,898.1**

Period of maturity (undiscounted cashflows)	Less than one year	Between one and two years	More than two years	31 March 2020 Total
	£m	£m	£m	£m
At 31 March 2020				
US dollar forward contracts	670.7	220.1	-	890.8
Euro forward contracts	1,508.2	504.5	-	2,012.7
Aviation fuel swaps	376.1	94.5	-	470.6
Carbon forward contracts	9.3	-	-	9.3
Interest rate swaps	-	-	309.6	309.6
Total derivatives	2,564.3	819.1	309.6	3,693.0
Trade payables	94.7	-	-	94.7
Revolving credit facilities	65.0	-	-	65.0
Aircraft loans	48.5	48.9	370.6	468.0
Lease liabilities	82.1	75.5	545.1	702.7
Total other financial liabilities	290.3	124.4	915.7	1,330.4
Total	2,854.6	943.5	1,225.3	5,023.4

25. Financial instruments (continued)

(d) Borrowing facilities

The Group has various borrowing facilities and financing arrangements available to it. The total committed borrowing facilities available at 31 March were as follows:

	Amounts utilised		Committed facilities available	
	2021	2020	**2021**	2020
	£m	£m	**£m**	£m
Revolving credit facilities [i]	**65.0**	65.0	**85.0**	78.5
CCFF	**198.7**	-	**198.7**	-
Aircraft loans	**492.5**	420.7	**492.5**	420.7
Lease liabilities	**562.1**	672.7	**562.1**	672.7
	1,318.3	1,158.4	**1,338.3**	1,171.9

i. The Group signed a Senior Facilities Agreement on 1 December 2017 for a five-year term. The agreement provides a £100.0m revolving credit facility plus a £40.0m uncommitted accordion revolving credit facility. As at 31 March 2021, £15.0m (2020: £21.5m) has been utilised in relation to letters of credit and £65.0m (2020: £65.0m) has been drawn down as cash borrowings.

(e) Interest rate risk

Financial assets - cash and cash equivalents (including money market deposits):

	31 March 2021			31 March 2020		
	Interest bearing financial assets	**Financial assets on which no interest is receivable**	**Total**	Interest bearing financial assets	Financial assets on which no interest is receivable	Total
	£m	**£m**	**£m**	£m	£m	£m
Sterling	**1,079.0**	**0.9**	**1,079.9**	1,198.6	1.3	1,199.9
US dollar	**284.1**	**-**	**284.1**	136.7	-	136.7
Euro	**12.7**	**0.8**	**13.5**	48.8	0.1	48.9
Other	**1.5**	**-**	**1.5**	2.0	-	2.0
	1,377.3	**1.7**	**1,379.0**	1,386.1	1.4	1,387.5

The interest bearing financial assets comprise cash on deposit at various market rates according to currency and term. The Group operates a multi-currency cash-pooling arrangement. For the financial assets and liabilities subject to this arrangement, the legal agreement between the Group and the counterparty allows for their net settlement. The Group has considered the requirements of IAS 32 – *Financial Instruments* paragraph 42 and is satisfied that there is both the legal right and intent to settle net for these cash-pooling balances; therefore, they are presented on a net basis above, within the Consolidated Statement of Financial Position and within the Consolidated Statement of Cash Flows.

25. Financial instruments (continued)

(e) Interest rate risk (continued)

Financial liabilities – borrowings:

	31 March 2021			31 March 2020		
	Floating rate financial liabilities	**Fixed rate financial liabilities**	**Total**	Floating rate financial liabilities	Fixed rate financial liabilities	Total
	£m	**£m**	**£m**	£m	£m	£m
Sterling	**65.0**	**628.6**	**693.6**	65.0	411.4	476.4
US dollar	**109.7**	**512.5**	**622.2**	116.3	562.7	679.0
Euro	**-**	**2.5**	**2.5**	-	3.0	3.0
	174.7	**1,143.6**	**1,318.3**	181.3	977.1	1,158.4

(f) Currency exposure

Financial instruments that are not denominated in the functional currency of the operating unit involved expose the Group to currency risk. The carrying value of the Group's financial instruments at 31 March, including derivative financial instruments, on which exchange differences would be recognised in the Consolidated Income Statement in the following year, were as follows:

	US dollar	**Euro**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**
31 March 2020	(59.6)	(32.2)	2.0	(89.8)
31 March 2021	**(82.8)**	**(12.2)**	**1.5**	**(93.5)**

(g) Sensitivity analysis

The following table shows the impact of currency translation exposures arising from monetary assets and liabilities of the Group that are not denominated in sterling, along with the impact of a reasonably possible change in fuel prices and interest rates, with all other variables held constant.

	31 March 2021		31 March 2020	
	Income Statement	**Other Comprehensive Income**	Income Statement Restated	Other Comprehensive Income Restated
10% increase in aviation fuel prices	**17.5**	**10.0**	9.0	15.3
10% weakening in GBP vs USD	**(28.0)**	**(32.5)**	(43.9)	(66.3)
10% weakening in GBP vs EUR	**(37.7)**	**(115.8)**	(224.7)	(4.9)
1ppt increase in interest rate	**-**	**11.4**	-	15.7
10% decrease in aviation fuel prices	**(17.5)**	**(10.0)**	(10.3)	(14.0)
10% strengthening in GBP vs USD	**22.9**	**26.6**	37.7	52.6
10% strengthening in GBP vs EUR	**30.8**	**95.3**	174.7	12.7
1ppt decrease in interest rate	**-**	**(11.4)**	-	(15.7)

The prior year fuel and currency sensitivities have been restated to better reflect the allocation of the sensitivity between the Income Statement and OCI in light of hedge ineffectiveness in the year. The interest rate sensitivities have been restated to include the effect of the sensitivity on the mark to market value of the Group's interest rate swaps having previously being based on an effective movement of the interest rates on the Group's floating rate borrowings.

26. Called up share capital and reserves

(a) Share capital

	Number of shares	**2021 £m**	2020 £m
Allotted, called up and fully paid:			
As at 1 April	148,909,474	**1.9**	1.9
Share options / Deferred Awards exercised	109,711	**-**	-
Share placings	65,542,109	**0.8**	-
As at 31 March	**214,561,294**	**2.7**	1.9

Issued share capital increased by 65,651,820 (2020: 148,055) 1.25 pence ordinary shares ("Ordinary Shares") which included:

- 109,711 share options / Deferred Awards exercised as detailed in the Directors' Report on page 74;
- a share placing of 29,781,894 Ordinary Shares at 576.5 pence per share on 21 May 2020 by way of a cash box structure;
- a share placing of 35,166,654 Ordinary Shares at 1,180 pence per share on 12 February 2021 by way of a cash box structure; and
- a retail share issue of 593,561 Ordinary Shares at 1,180 pence per share on 12 February 2021.

(b) Employee share schemes

Jet2 plc has one legacy share option scheme in operation and a Senior Executive Incentive Plan ("SEIP"). These plans have been accounted for in accordance with the fair value recognition provisions of IFRS 2 – *Share-based Payment*, which means that IFRS 2 has been applied to all grants of employee share-based payments that had not fully vested at 31 March 2021. The total expense recognised for the period arising from share-based payments was £0.4m (2020: £0.5m).

Summary of options / Deferred Awards outstanding

The terms and conditions of grants are as follows, with all settled by physical delivery of shares:

Scheme	**Grant date**	**Option / award price**	**31 March 2021 shares**	31 March 2020 shares	**Timing of exercise and expiry**
SEIP	Various	1.25 p	**119,987**	218,448	58k and 62k exercisable from 18 July 2021 and 17 July 2022 respectively.
Total Unapproved			**119,987**	218,448	
Approved 2005	05 Aug 10	67.00 p	-	7,500	
Approved 2005	23 Dec 10	94.50 p	-	11,250	
Approved 2005	04 Aug 11	85.00 p	**22,500**	30,000	All exercisable, expiring 04 Aug 21
Approved 2005	01 Aug 12	76.38 p	**5,000**	5,000	All exercisable, expiring 01 Aug 22
Total Approved			**27,500**	53,750	
Total			**147,487**	272,198	

26. Called up share capital and reserves (continued)

(b) Employee share schemes (continued)

The estimate of the fair value of the services received is measured based on a binomial valuation model. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted under a service condition. Such conditions are not considered in the grant date fair value measurement of the services received. The number and weighted average exercise prices of share options are as follows:

	2021		2020	
	Number of options / Deferred Awards	**Weighted average exercise price**	Number of options / Deferred Awards	Weighted average exercise price
		Pence		Pence
Outstanding at 1 April	**272,198**	**17.53**	475,860	36.77
Granted	**-**	**1.25**	66,693	1.25
Exercised	**(109,711)**	**8.93**	(148,055)	39.87
Lapsed	**(15,000)**	**89.75**	(122,300)	56.53
Outstanding at 31 March	**147,487**	**16.57**	272,198	17.53
Exercisable at 31 March	**27,500**	**83.42**	53,750	83.67
Estimated weighted average share price at date of exercise		**798.35**		819.97

Options / awards outstanding at 31 March 2021 are in respect of all options / awards issued since 4 August 2011 (see Note 2 - employee benefits). The options / awards outstanding at the year end have an exercise price in the range of 1.25p to 85.00p and a weighted average contractual life of 6.5 years (2020: 6.8 years).

(c) Reserves

The share premium reserve represents amounts received in excess of the nominal value of shares in respect of share options / Deferred Awards and retail share issues.

The cash flow hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet matured.

The cost of hedging reserve represents changes in the value of foreign currency forward contracts arising as a result of foreign currency basis spread, which are held separately when designating the swap as a hedging instrument. These do not form part of the designated hedging instrument, and are instead recognised through OCI, held in a separate cost of hedging reserve, and are subsequently amortised over the life of the associated forward contracts.

26. Called up share capital and reserves (continued)

(c) Reserves (continued)

The merger reserve represents the total premium to nominal value of share issues effected by way of a Jersey cash box structure, offset by incremental transaction costs. During the year, the Group made two such share placings totalling 64,948,548 of ordinary shares at a total premium to nominal value of £585.8m as detailed in Note 26(a) and incurred £13.1m of incremental transaction costs, resulting in a net total premium of £572.7m. The Group has applied merger relief under the Companies Act 2006 and recognised a merger reserve of £572.7m which represents this net premium realised. Following the liquidation of the Jersey cashbox entities, this merger reserve has become distributable. As a result, the Group has chosen to transfer this amount to its Retained Earnings reserve.

Other reserves represent foreign exchange translation differences arising on revaluation of non-sterling functional currency subsidiaries of the Group.

27. Notes to Consolidated Statement of Cash Flows

Changes in cash and financing liabilities	**Net cash / (debt)**			**Other**		**Total**
	Cash and cash equivalents	Borrowings	Lease liabilities	Share capital / premium	Retained earnings	
	£m	£m	£m	£m	£m	**£m**
At 1 April 2020	1,387.5	(485.7)	(672.7)	(14.8)	(683.3)	**(469.0)**
Repayment of borrowings	-	14.9	-	-	-	**14.9**
New loans advanced	-	(301.1)	-	-	-	**(301.1)**
Payment of lease liabilities	-	-	69.2	-	-	**69.2**
Proceeds on issue of shares	-	-	-	(7.7)	(572.7)	**(580.4)**
Total changes from financing cash flows	**1,387.5**	**(771.9)**	**(603.5)**	**(22.5)**	**(1,256.0)**	**(1,266.4)**
Other cash flows	16.4	-	-	-	-	**16.4**
Exchange differences	(24.9)	15.7	50.0	-	-	**40.8**
Lease movements	-	-	(8.6)	-	-	**(8.6)**
Other equity related changes	-	-	-	-	270.8	**270.8**
At 31 March 2021	**1,379.0**	**(756.2)**	**(562.1)**	**(22.5)**	**(985.2)**	**(947.0)**

Lease movements include new leases and lease term amendments.

28. Contingent liabilities

The Group has issued various guarantees in the ordinary course of business, none of which are expected to lead to a financial gain or loss.

29. Pension scheme

The Group operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the Group into the scheme and amounted to £16.8m (2020: £19.4m).

30. Related party transactions

Compensation of key management personnel

The compensation of key management personnel, comprising the Executive and Non-Executive Directors of ***Jet2 plc*** and its subsidiaries, is summarised in Note 10 to the consolidated financial statements.

During the year ended 31 March 2021, the Executive Chairman did not take a basic salary and both the Chief Executive Officer and Group Chief Financial Officer took a 20% basic salary reduction, further details can be found within the Remuneration Committee Report on page 66.

Congress Team International (UK) Limited and Stewart Travel Limited, being subsidiaries of Brooklyn Travel Holdings Limited, along with ABTA had related party transactions with the Group during the financial year ended 31 March 2021.

	Relationship	Revenue / (expense) in the year		Amounts outstanding at year end	
		2021	2020	**2021**	2020
		£m	£m	**£m**	£m
Congress Team International (UK) Limited	Common directorship	**0.2**	1.5	**0.2**	-
Stewart Travel Limited*	Common directorship	**(0.1)**	(2.0)	**0.1**	-
ABTA Limited**	Common directorship	**-**	-	**-**	-

* Expenses in respect of Stewart Travel Limited relate to commissions paid for holidays sold by the agent on the Group's behalf.

** Expenses with ABTA Limited relate to the Group's membership of the regulatory body for package holidays. Amounts disclosed are from the point at which common directorship was established.

31. Discontinued operations

On 31 May 2020, the Group sold its Distribution & Logistics operating segment, **Fowler Welch**. The Distribution & Logistics segment was previously classified as held-for-sale and as a discontinued operation.

The profit after taxation for the two month period from discontinued operating activities was £1.8m (2020: £4.4m for the twelve month period).

In addition, a profit of £26.5m (2020: £nil) was generated on disposal of these discontinued operations, for which the Group did not incur a corporation tax charge.

This results in a total discontinued earnings per share of 15.8p (2020: 3.0p).

(i) Results of discontinued operations

	2021 **£m**	2020 £m
Revenue	**27.6**	166.8
Net operating expenses	**(25.3)**	(160.3)
Operating profit	**2.3**	6.5
Net financing expense	**(0.2)**	(1.2)
Profit on disposal of property, plant and equipment	**-**	0.2
Profit before taxation from discontinued operating activities	**2.1**	5.5
Taxation	**(0.3)**	(1.1)
Profit after taxation from discontinued operating activities	**1.8**	4.4
Profit on disposal of discontinued operations (Note 31 (iii))	26.5	-
Total profit after taxation from discontinued operations	**28.3**	4.4
Earnings per share		
- basic	**15.8p**	3.0p
- diluted	**15.8p**	3.0p

Earnings per share from discontinued operations	**2021 Earnings £m**	**2021 Weighted average number of shares millions**	**2021 EPS pence**	2020 Earnings £m	2020 Weighted average number of shares millions	2020 EPS pence
Basic EPS						
Profit attributable to ordinary shareholders	**28.3**	**179.4**	**15.8**	4.4	148.9	3.0
Effect of dilutive instruments						
Share options and Deferred Awards	**-**	**-**	**-**	-	0.2	-
Diluted EPS	**28.3**	**179.4**	**15.8**	4.4	149.1	3.0

31. Discontinued operations (continued)

(ii) Segmental results of discontinued operations

Distribution & Logistics other segment information	**2021**	2020
	£m	£m
Property, plant and equipment additions	0.1	2.4
Right-of-use additions	-	25.0
Depreciation of property, plant and equipment	(0.4)	(2.4)
Depreciation of right-of-use assets	(2.0)	(11.8)
Wages and salaries	(8.4)	(48.9)
Social security costs	(0.8)	(4.9)
Other pension costs	(0.3)	(1.8)
Asset and liabilities		
Segment assets	-	128.2
Segment liabilities	-	(61.8)
Net assets	-	66.4

The average monthly number of persons, including Executive Directors, employed by the Distribution & Logistics segment during the two month period was 1,445 (2020: 1,474 for the twelve month period).

(iii) Effect of disposal on financial position of Group

	£m
Consideration received (net of sale costs)	94.6
Less: Cash disposed of	(18.6)
Proceeds from sale of discontinued operations	**76.0**
Net Assets disposed of:	
Goodwill	6.8
Property, plant and equipment	37.2
Right-of-use assets	34.9
Inventories	0.6
Trade and other receivables	33.4
Trade and other payables	(25.6)
Deferred revenue	0.2
Lease liabilities	(36.2)
Provisions and liabilities	(0.7)
Deferred taxation	(1.1)
Net Assets	**49.5**
Profit on disposal of discontinued operations	**26.5**

31. Discontinued operations (continued)

(iv) Cash flows from discontinued operations

	2021 £m	2020 £m
Net cash generated from operating activities	**8.0**	18.4
Net cash used in investing activities	**(0.1)**	(1.4)
Net cash used in financing activities	**(2.0)**	(11.7)
Net increase in cash in the period	**5.9**	5.3
Cash and cash equivalents at beginning of period	**12.7**	7.4
Cash and cash equivalents at disposal / end of period	**18.6**	12.7

32. Assets and liabilities held for sale

On 31 May 2020, the Group sold its entire Distribution & Logistics operating segment, having previously classified the disposal assets (and directly associated liabilities) as held for sale at 31 March 2020.

	2021 £m	2020 £m
Goodwill	-	6.8
Property, plant and equipment	-	74.4
Inventories	-	0.6
Trade and other receivables	-	33.7
Cash and cash equivalents	-	12.7
Transfer to Assets held for sale	-	128.2
Trade and other payables	-	21.9
Lease liabilities	-	38.2
Provisions and liabilities	-	0.6
Deferred taxation liabilities	-	1.1
Transfer to Liabilities held for sale	-	61.8

33. 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 the Company 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 ***Jet2 plc***'s liquidity further and position the Company for a strong recovery as lockdown restrictions are lifted, through fleet growth and fleet renewal opportunities.

PARENT COMPANY BALANCE SHEET
at 31 March 2021

	Note	2021 £m	2020 £m Restated*
Fixed assets			
Property, plant and equipment	6	**676.4**	730.2
Right-of-use assets	7	**115.3**	121.0
Investments	8	**3.1**	19.9
Derivative financial instruments		**9.4**	25.1
Derivative financial instruments with subsidiary undertakings		**29.5**	34.4
		833.7	930.6
Current assets			
Debtors	9	**874.7**	258.0
Cash and cash equivalents		**380.8**	390.6
		1,255.5	648.6
Current liabilities			
Creditors: amounts falling due within one year	10	**(790.4)**	(1,004.4)
Net current liabilities		**465.1**	(355.8)
Total assets less current liabilities		**1,298.8**	574.8
Borrowings falling due after more than one year	11	**(325.1)**	(251.3)
Lease liabilities	12	**(133.2)**	(147.7)
Derivative financial instruments		**(40.8)**	(54.0)
Derivative financial instruments owed to subsidiary undertakings		**(2.5)**	(11.7)
Deferred taxation	13	**(62.3)**	(59.3)
Net assets		**734.9**	50.8
Shareholders' equity			
Share capital		**2.7**	1.9
Share premium		**19.8**	12.9
Cash flow hedging reserve		**(3.6)**	(5.0)
Profit and loss account		**716.0**	41.0
Total shareholders' equity		**734.9**	50.8

The Company reported a profit for the financial year ended 31 March 2021 of £101.9m (2020: £13.3m profit). The accounts on pages 134 to 149 were approved by the Board of Directors at a meeting held on 26 July 2021 and were signed on its behalf by:

Gary Brown
Group Chief Financial Officer
Jet2 plc
Registered no. 01295221

** The Company has restated its balance sheet for the year end 31 March 2020 as detailed in Note 18.*

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Share capital	Share premium	Cash flow hedging reserve	Profit and loss account	Merger reserve	Total shareholders' equity
	£m	£m	£m	£m	£m	£m
Balance at 31 March 2019	**1.9**	**12.8**	**(2.7)**	**42.7**	**-**	**54.7**
Total comprehensive income	-	-	(2.3)	13.3	-	11.0
Issue of share capital	-	0.1	-	-	-	0.1
Dividends paid to shareholders	-	-	-	(15.5)	-	(15.5)
Share-based payments	-	-	-	0.5	-	0.5
Balance at 31 March 2020	**1.9**	**12.9**	**(5.0)**	**41.0**	**-**	**50.8**
Total comprehensive income	-	-	1.4	101.9	-	103.3
Issue of share capital	0.8	6.9	-	-	572.7	580.4
Reserves transfer	-	-	-	572.7	(572.7)	-
Share-based payments	-	-	-	0.4	-	0.4
Balance at 31 March 2021	**2.7**	**19.8**	**(3.6)**	**716.0**	**-**	**734.9**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

for the year ended 31 March 2021

1. Basis of preparation

The separate 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 has 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 and property, plant and equipment;
- transactions with other Group companies;
- capital management;
- the effects of new but not yet effective 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;
- compensation of key management personnel; and
- certain disclosures required by paragraphs 52, 89, 90, 91 and 93 of IFRS 16 – *Leases.*

As the consolidated financial statements 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 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.

2. Significant accounting policies

Going concern

The Company provides aircraft leasing, treasury, legal and IT management services to the Group and, accordingly, its financial performance is inextricably linked with the performance of its subsidiaries.

The Directors have prepared financial forecasts for the Group, 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 Group'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

2. Significant accounting policies (continued)

Going concern (continued)

- 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 described in more detail on pages 15 to 27, 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 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 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 would have sufficient liquidity throughout a period of 12 months from the date of approval of the financial statements at the end of July 2021. 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, and the Parent 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.

Revenue

Revenue arises from the leasing of aircraft to ***Jet2.com*** Limited, the Company's subsidiary undertaking, and is recognised on a straight-line basis over the lease term within which the performance obligations are fulfilled.

Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Grants that compensate the Company for expenses incurred are recognised in the profit and loss account in the relevant operating expenses line in the periods in which the expenses are recognised.

Loans provided and/or guaranteed by governments that represent market rates of interest are recorded at the amount of the proceeds received and recognised within Borrowings. All existing loans are considered to be at market value.

2. Significant 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 Income Statement in the period in which they arise. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are held at the exchange rate at the date of the transaction.

Investments

Investments are recorded at cost, less provision for impairment in value where appropriate.

Property, plant and 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 of individual major components, as follows:

Freehold property	30 years
Short leasehold property	Over the life of the lease
Aircraft, engines and other components	2-30 years
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 their lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

The element of the cost of acquired aircraft not attributed to major components is depreciated to its expected residual value over its remaining useful life, which is assumed to end 22-30 years from original build date depending on the type of aircraft. Where aircraft are subject to specific life extension expenditure, the cost of such work is depreciated over the remaining extended life.

Aircraft are leased to ***Jet2.com*** Limited, a wholly owned subsidiary undertaking. Engines and other components are not depreciated by the Company, as these components are expected to be returned in at least the original condition in which they were initially leased to ***Jet2.com***.

Residual values are reviewed annually at the balance sheet date and compared to prevailing market rates of equivalently aged assets; if required, depreciation rates are adjusted accordingly on a prospective basis. Carrying values are reviewed for impairment if events or changes in circumstances indicate that the carrying values may not be recoverable.

The useful economic lives of all assets have been considered in light of recent changes to environmental legislation and the Company's future plans to both limit and mitigate its impact on the environment; the Company believes this has no impact on either the lives nor carrying values of its assets at this stage.

2. Significant accounting policies (continued)

Property, plant and equipment (including right-of-use assets) (continued)

Aircraft maintenance costs

Jet2.com leases aircraft from the Company and has a legal obligation to undertake specific periodic maintenance on the aircraft it operates. These obligations require ***Jet2.com*** to continue to maintain each aircraft and its engines in accordance with the aircraft manufacturer's published maintenance programmes during the term of the lease.

The Company receives a monthly maintenance rental from ***Jet2.com*** based on a usage calculation that is set at a level which is estimated to cover the cost of future maintenance events when they occur.

Once incurred, the costs of each maintenance event are reimbursed to ***Jet2.com*** up to the value of maintenance rental payments previously paid over to the Company. Maintenance rental payments received are included within Amounts owed to Group undertakings within the Balance Sheet.

Interest bearing loans and borrowings

All loans and borrowings are initially recorded at fair value less any directly-attributable transaction costs. The loans and borrowings are, where applicable, subsequently measured at amortised cost.

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.

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).

2. Significant accounting policies (continued)

Leased Assets (continued)

When determining the lease term, the Company includes periods covered by an option to extend the lease where it is reasonably certain it will exercise the option to extend and periods covered by an option to terminate the lease where it is reasonably certain not to exercise the option to terminate.

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.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments.

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.

Right-of-use assets have been included in property, plant and equipment and lease liabilities have been included within their own category in the Balance Sheet.

Lessor accounting

When the Company acts as a sub-lessor, it determines at sub-lease inception whether each lease is a finance lease or an operating lease.

To classify each sub-lease, the Company makes an overall assessment of whether the sub-lease transfers substantially all of the risks and rewards incidental to ownership of the right-of-use asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the sub-lease is for the major part of the economic life of the right-of-use asset.

Cash and cash equivalents

Cash and cash equivalents include short-term deposits maturing within three months of placement and restricted cash, if any, paid over to various counterparties as collateral against relevant exposures.

Restricted cash comprises cash deposits which have restrictions governing their use and is classified as a current or non-current asset based on the estimated remaining length of the restriction. The Company's restricted cash comprises of margin calls and collateral in respect of adverse currency movements on aircraft loans in comparison to their underlying asset value.

2. Significant accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed, as required by IAS 12 – *Income Taxes*.

Employee benefits – pension costs

All pensions are provided from the proceeds of money purchase schemes. The charge to the profit and loss represents the payments due during the year.

3. Accounting estimates and judgements

In the application of the Company's accounting policies, which are described in Note 2 above, 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. For each sensitivity considered below, the Company has demonstrated a reasonably possible outcome to aid the users of the financial statements in understanding the impact of the estimate or judgement.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the end of the reporting period that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Residual values and depreciation of property, plant and equipment and right-of-use assets

Estimations have been made in respect of the useful economic lives and residual values of aircraft included in property, plant and equipment and right-of-use assets, which determine the amount of depreciation charged in the profit and loss account. These estimated residual values are reviewed annually at the balance sheet date and compared to prevailing market residual values of equivalent aged assets. If the estimated residual value of the Company's aircraft were all increased by $0.5m, this would have resulted in a reduction in the depreciation charge for the year ended 31 March 2021 of £4.6m (2020: £3.7m).

If the estimated useful economic lives of the Company's aircraft were all reduced by one year, this would have resulted in an increase in the depreciation charge for the year ended 31 March 2021 of £6.4m (2020: £4.5m). Further details on the net book value of the Company's property, plant and equipment at 31 March 2021 can be found in Notes 6 and 7.

3. Accounting estimates and judgements (continued)

Impairment of aircraft, engines and other components

Where there is a risk that aircraft carrying values are impaired, a full impairment review is undertaken. An impairment review requires the estimation of the value in use of the smallest cash-generating unit, which in this case is individual aircraft fleet types, along with the application of a suitable discount rate to calculate present value. If sustained changes in the expected future flying programme were to result in a material reduction in the cash flows to be generated from these aircraft, this could result in impairment.

The combined carrying value of the Company's aircraft, engines and other components (including right-of-use aircraft assets) was £764.2m (2020: £820.1m). Following the suspension of the flying programme due to the Covid-19 pandemic, a detailed impairment review of the Company's aircraft was carried out. The key assumptions within this review were the resumption date for the flying programme, discount rates applied, any impact on the estimated aircraft retirement dates and the realisable market value of the aircraft. The Company stress-tested its impairment review based on a range of reasonable outcomes and concluded that, even under stressed conditions, it was appropriate to record no impairment losses in the year.

Further details on the net book value of the Company's aircraft, engines and other components at 31 March 2021 can be found in Notes 6 and 7.

4. New IFRS and amendments to IAS and interpretations

In the current year, the Company has applied one amendment to IFRSs issued by the International Accounting Standards Board ("IASB") that was mandatorily effective for an accounting period that begins on or after 1 January 2020.

International Financial Reporting Standards	Applying to accounting periods beginning after
IFRS 16 – *Leases* – Amendments in relation to Covid-19 related rent concessions	June 2020

In respect of the amendment to IFRS 16 – *Leases* - published by the IASB on 28 May 2020, the amendment provides lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification. Lessees applying the exemption have to account for the rent concessions as if they were not lease modifications. The amendments are available for rent concessions reducing lease payments due on or before 30 June 2022.

The expedient has been applied to all instances of rent concessions within the Company and the impact of applying this accounting standard amendment is not material to the Company.

5. Profit for the year

The Company has taken advantage of the provisions of section 408 of the Companies Act 2006 and has elected to not publish its own profit and loss account for the year. Of the Group's (loss) / profit on ordinary activities after taxation for the year, a profit of £101.9m (2020: £13.3m) is dealt with in the accounts of the Company.

6. Property, plant and equipment

	Land and buildings £m	Aircraft, engines and other components £m	Plant, vehicles and equipment £m	Total £m
Cost				
At 31 March 2020	3.3	910.4	12.8	**926.5**
Additions	-	10.3	-	**10.3**
Disposals	-	(26.4)	-	**(26.4)**
At 31 March 2021	**3.3**	**894.3**	**12.8**	**910.4**
Depreciation				
At 31 March 2020	(1.7)	(183.8)	(10.8)	**(196.3)**
Charge for the year	(0.1)	(45.7)	(1.2)	**(47.0)**
Disposals	-	9.3	-	**9.3**
At 31 March 2021	**(1.8)**	**(220.2)**	**(12.0)**	**(234.0)**
Net book value				
At 31 March 2021	**1.5**	**674.1**	**0.8**	**676.4**
At 31 March 2020	1.6	726.6	2.0	730.2

Aircraft, engines and other components includes aircraft held under financing arrangements with a net book value of £163.0m (2020: £nil).

7. Right-of-use assets

	Aircraft, engines and other components £m	Other £m	Total £m
Cost			
At 31 March 2020	101.0	35.8	**136.8**
Additions	0.1	-	**0.1**
Disposals	-	-	-
At 31 March 2021	**101.1**	**35.8**	**136.9**
Depreciation			
At 31 March 2020	(7.5)	(8.3)	**(15.8)**
Charge for the year	(3.5)	(2.3)	**(5.8)**
Disposals	-	-	-
At 31 March 2021	**(11.0)**	**(10.6)**	**(21.6)**
Net book value			
At 31 March 2021	**90.1**	**25.2**	**115.3**
At 31 March 2020	93.5	27.5	121.0

Net book value of other right-of-use assets of £25.2m (2020: £27.5m) includes Land and buildings £25.1m (2020: £27.3m) and Plant, vehicles & equipment of £0.1m (2020: £0.2m). Aircraft, engines and other components includes aircraft held under financing arrangements with a net book value of £90.1m (2020: £93.5m).

8. Investments

	£m
Shares in subsidiary undertakings at cost, and net investment:	
At 31 March 2020	19.9
Share options	0.1
Disposals	(16.9)
At 31 March 2021	**3.1**

The subsidiary undertakings of the Company are:

Subsidiary undertaking	**Principal activity**	**Country of incorporation or registration**
Principal subsidiary undertakings:		
Dart Leasing & Finance Limited*	Aircraft leasing and financing services	United Kingdom
Dart Leasing and Finance (MSN 63154/63156) Limited	Aircraft leasing and financing services	United Kingdom
Jet2.com Limited*	Leisure travel airline services	United Kingdom
Jet2holidays Limited	Leisure travel package holiday services	United Kingdom
Jet2 Transport Services Limited	Leisure travel transport services	United Kingdom
Jet2 Support Services (Spain) Limited*	Leisure travel support services	United Kingdom
Jet2 Support Services (Cyprus) Limited	Leisure travel support services	Cyprus
Jet2 Support Services (Malta) Limited	Leisure travel support services	Malta
Other subsidiary undertakings:		
Vardy Limited*	Aviation services	Republic of Ireland
Dormant subsidiary undertaking:		
Jet2 UK Limited (formerly Jet2 Limited)*	Dormant company	United Kingdom
Subsidiary undertakings disposed of**:		
Fowler Welch Limited	Distribution and logistics services	United Kingdom
Fowler Welch (Felixstowe) Limited	Leasing services	United Kingdom

* Indicates investments held directly by ***Jet2 plc*** as at 31 March 2021.
** On 31 May 2020, the Group announced that it had completed the sale of its Distribution & Logistics business, **Fowler Welch** for a gross cash consideration of £99.5m.

The Group owns 100% of the issued share capital and voting rights of all the companies above.

The issued share capital of each subsidiary undertaking consists entirely of ordinary shares.

All of the above subsidiaries have been consolidated in the ***Jet2 plc*** consolidated accounts.

With the exception of the following entities, all of the above subsidiaries share the same registered address as ***Jet2 plc***, which is provided on page 151:

Jet2 Support Services (Cyprus) Limited	**Jet2 Support Services (Malta) Limited**	**Vardy Limited**
21 Vasili Michailidi 3026 Limassol Cyprus	85 St. John Street Valletta VLT 1165 Malta	1 Grant's Row Lower Mount Street Dublin 2 D02 HX96 Ireland

9. Debtors

	2021 £m	2020 £m Restated*
Other debtors and prepayments	**7.2**	7.5
Corporation tax recoverable	**-**	2.8
Amounts owed by Group undertakings	**809.2**	26.6
Derivative financial instruments with subsidiary undertakings	**34.8**	167.2
Derivative financial instruments	**23.5**	53.9
	874.7	258.0

Expected credit losses in relation to the Amounts owed by Group undertakings balance of £809.2m (2020: £26.6m) are immaterial to the Company.

10. Creditors: amounts falling due within one year

	2021 £m	2020 £m Restated*
Bank overdraft	**-**	7.4
Trade creditors	**0.5**	1.6
Amounts owed to Group undertakings	**403.6**	661.5
Derivative financial instruments owed to subsidiary undertakings	**-**	4.5
Derivative financial instruments	**58.3**	216.6
Other creditors and accruals	**4.6**	5.5
Aircraft loans	**44.5**	26.8
Other borrowings	**263.7**	65.0
VAT payable	**0.2**	4.2
Corporation tax payable	**2.9**	-
Lease liabilities	**12.1**	11.3
	790.4	1,004.4

The bank overdraft position in 2020 within ***Jet2 plc*** reflects the fact that funds are managed on a Group basis, with composite multi-currency cash-pooling arrangements in place with the Group's bankers, allowing offset with individual bank and overdraft accounts in different currencies across the Group.

Included in amounts owed to Group undertakings are £195.6m (2020: £227.0m) of amounts received from ***Jet2.com*** in respect of potential future maintenance events.

11. Borrowings

Borrowings are repayable as follows:

	Revolving credit facilities		**CCFF**		**Aircraft loans**		**Total**	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Within one year	**65.0**	65.0	**198.7**	-	**44.5**	26.8	**308.2**	91.8
Between one and two years	**-**	-	**-**	-	**53.8**	27.4	**53.8**	27.4
Between two and five years	**-**	-	**-**	-	**164.3**	86.6	**164.3**	86.6
Over five years	**-**	-	**-**	-	**107.0**	137.3	**107.0**	137.3
	65.0	65.0	**198.7**	-	**369.6**	278.1	**633.3**	343.1

** The Company has restated its balance sheet for the year end 31 March 2020 as detailed in Note 18.*

12. Lease liabilities

Lease liabilities are repayable as follows:

	2021	2020
	£m	£m
Within one year	**12.1**	11.3
Between one and two years	**12.0**	11.7
Between two and five years	**37.7**	36.7
Over five years	**83.5**	99.3
	145.3	159.0

13. Deferred taxation

	2021	2020
	£m	£m
Deferred taxation arising from:		
Opening balance	**59.3**	44.3
Charge to income	**2.7**	15.5
Charge / (credit) to equity	**0.3**	(0.5)
Deferred tax liability at end of year	**62.3**	59.3
Deferred taxation breakdown:		
Accelerated Capital Allowances	**63.1**	60.5
Derivative financial instruments	**(0.8)**	(1.2)
	62.3	59.3

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

14. Directors and employees

	2021	2020
	£m	£m
Wages and salaries	**1.1**	1.8
Social security costs	**0.2**	0.3
Other pension costs	**0.1**	0.2
Share based payments	**0.4**	0.5
	1.8	2.8

On average, the Company had six employees during the year ended 31 March 2021 (2020: five). Details of Directors' emoluments are set out in the Remuneration Committee Report on pages 66 to 73.

	2021	2020
Details of Directors' remuneration:		
Highest paid Director	**£0.7m**	£0.8m
Number of Directors for whom retirement benefits accrue	**2**	2
Number of Directors who exercised share options / Deferred Awards	**2**	2

15. Contingent liabilities

The Company has issued various guarantees in the ordinary course of business, none of which are expected to lead to a financial gain or loss.

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 Group companies.

17. Other information

Disclosure notes relating to Auditor's remuneration, called up share capital and reserves are included within the Consolidated Financial Statements of the Group in Notes 8 and 26 respectively.

18. Restatement of prior year financial statements

The Parent Company transacts derivative financial instruments on behalf of certain subsidiaries in line with the Group's financial risk management policies. The Parent Company comparative balance sheet at 31 March 2020 and 31 March 2019 has been restated to present gross, at that date, assets and liabilities relating to the fair value of derivatives contracted by the Company on behalf of and for the benefit of its subsidiaries. This presentation reflects the gross asset and liability arising from both the external derivative contract between the Company and the third party financial institution, and the equal and opposite derivative contract between the Company and the subsidiary. Previously, the Parent Company accounted for these derivative assets and liabilities net. The restated accounting presentation is to reflect the legal obligations and rights of the Company for each individual contract it has undertaken, in accordance with IFRS 9 - *Financial Instruments*. There is no impact on equity at any balance sheet date and no change to the income statement for the years ended 31 March 2020 and 31 March 2019.

18. Restatement of prior year financial statements (continued)

The following table summarises the restatement of the previously reported Parent Company Balance Sheet for the year ended 31 March 2020.

	2020 £m Restated	2020 £m Intra-group derivatives adjustment	2020 £m As originally reported
Fixed assets			
Property, plant and equipment	**730.2**	-	730.2
Right-of-use assets	**121.0**	-	121.0
Investments	**19.9**	-	19.9
Derivative financial instruments	**25.1**	25.1	-
Derivative financial instruments with subsidiary undertakings	**34.4**	34.4	-
	930.6	59.5	871.1
Current assets			
Debtors	**258.0**	221.1	36.9
Cash and cash equivalents	**390.6**	-	390.6
	648.6	221.1	427.5
Current liabilities			
Creditors: amounts falling due within one year	**(1,004.4)**	(221.1)	(783.3)
Net current liabilities	**(355.8)**	-	(355.8)
Total assets less current liabilities	**574.8**	59.5	515.3
Borrowings falling due after more than one year	**(251.3)**	-	(251.3)
Lease liabilities	**(147.7)**	-	(147.7)
Derivative financial instruments	**(54.0)**	(47.8)	(6.2)
Derivative financial instruments owed to subsidiary undertakings	**(11.7)**	(11.7)	-
Deferred taxation	**(59.3)**	-	(59.3)
Net assets	**50.8**	-	50.8

18. Restatement of prior year financial statements (continued)

The following table summarises the restatement of the previously reported Parent Company Balance Sheet for the year ended 31 March 2019.

	2019	2019	2019
	£m	£m	£m
	Restated	Intra-group derivatives adjustment	As originally reported
Fixed assets			
Property, plant and equipment	**667.3**	-	667.3
Right-of-use assets	**126.8**	-	126.8
Investments	**19.8**	-	19.8
Derivative financial instruments	**4.1**	4.1	-
Derivative financial instruments with subsidiary undertakings	**14.9**	14.9	-
	832.9	19.0	813.9
Current assets			
Debtors	**103.6**	88.7	14.9
Cash and cash equivalents	**547.1**	-	547.1
	650.7	88.7	562.0
Current liabilities			
Creditors: amounts falling due within one year	**(928.5)**	(88.7)	(839.8)
Net current liabilities	**(277.8)**	-	(277.8)
Total assets less current liabilities	**555.1**	19.0	536.1
Borrowings falling due after more than one year	**(278.1)**	-	(278.1)
Lease liabilities	**(156.5)**	-	(156.5)
Derivative financial instruments	**(21.5)**	(19.0)	(2.5)
Deferred taxation	**(44.3)**	-	(44.3)
Net assets	**54.7**	-	54.7

19. 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 the Company 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 ***Jet2 plc***'s liquidity further and position the Company for a strong recovery as lockdown restrictions are lifted, through fleet growth and fleet renewal opportunities.

SUPPLEMENTARY INFORMATION

GLOSSARY OF TERMS

ATOL	Air Travel Organiser's Licence.
Average Flight-only Net Ticket Yield	Flight-only ticket revenue, excluding taxes, divided by the number of flight-only Passenger Sectors Flown.
Average Package Holiday Price	Total Package Holiday Price (inclusive of taxes) paid by the customer excluding discretionary non-ticket revenue, divided by the number of Package Holiday Customers departing in that period.
Capacity	See Sector Seats Available below.
CODM	Chief operating decision maker.
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
Load Factor	The percentage relationship of Passenger Sectors Flown to Sector Seats Available.
Non-ticket Revenue	All discretionary non-ticket revenue, including hold baggage charges, extra leg room fees, in-flight sales and commissions earned on car hire and insurance bookings.
Passenger Sectors Flown	Number of passengers flown on a Sector (or single leg flight journey), including no-shows.
Sector	A single leg flight journey.
Sector Seats Available	Total number of seats available according to the Leisure Travel scheduled flying programme (also known as Capacity).

SECRETARY AND ADVISERS

Registered number	01295221	
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	
Registrars	Link Group Central Square 29 Wellington Street Leeds LS1 4DL	
Bankers	Barclays Bank plc Barclays House 5 St Ann's Street Newcastle upon Tyne NE1 3DX	HSBC Bank plc 4th Floor City Point 29 King Street Leeds LS1 2HL
	Lloyds Bank plc 10 Gresham Street London EC2V 7AE	
Stockbrokers	Jefferies International Limited 100 Bishopsgate London EC2N 4JL	Canaccord Genuity Limited 9th Floor 88 Wood Street London EC2V 7QR
Nominated adviser	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS	
Solicitors	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG	Bird & Bird LLP 12 New Fetter Lane London EC4A 1JP
	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ	

FINANCIAL CALENDAR

Annual General Meeting	2 September 2021
Results for the six months to 30 September 2021	November 2021
Results for the twelve months to 31 March 2022	July 2022