

Short Brothers PLC

Annual Report and Financial Statements

For the year ended 31 December 2021

Registered No. NI 1062



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Short Brothers PLC

Registered No. NI 1062

| CONTENTS | PAGE |
|--|-------|
| Directors and Officials | 3 |
| Foreword to the Financial Statements | 4-5 |
| Strategic Report | 6-13 |
| Directors' Report | 14-16 |
| Directors' Responsibilities Statements | 17 |
| Auditor's Report | 18-21 |
| Profit and Loss Account | 22 |
| Statement of Comprehensive Income | 23 |
| Balance Sheet | 24 |
| Statement of Changes in Equity | 25 |
| Notes to the Financial Statements | 26-71 |

Short Brothers PLC

Registered No. NI 1062

DIRECTORS

Sir Michael Ryan
Colin Thompson
Rhonda Harkins
Damon Ward

JOINT SECRETARIES

CHJ Secretarial Newco Limited
Colin Thompson

AUDITORS

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BANKERS

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BT3 9DZ

REGISTERED NO.

NI 1062

FOREWORD TO THE FINANCIAL STATEMENTS

During 2021, the company furthered integration into Spirit AeroSystems (Spirit) and this activity was largely completed by year end. The integration has helped embed the company into Spirit processes, platforms and systems and reinforced the synergies of being an integral part of the world's leading aerostructures supplier. The company's expertise in the development, manufacture and support of key aerostructures, including wings, fuselages and engine nacelles, with the support of Spirit, will provide further access to new business opportunities and markets in the future.

The Covid-19 pandemic continued to impact the global aviation market in 2021, and the company therefore remained focused on taking actions to protect its employees' safety and wellbeing whilst reacting to reduced customer demand through stringent cash and cost controls.

The business therefore continued to face challenging cost pressures in a difficult overall aerospace context. Overall company turnover was slightly down in 2021 at \$597.6 million (2020: \$620.5 million), Commercial segment turnover increased overall, driven by a ramp up on Wing delivery as planned, compensating for a decrease in fuselage, offset by a decrease in Aftermarket sales driven by a slower than anticipated recovery and a change to product base, to deliver Spirit's diversification strategy. There were significant positive developments and prospects for growth identified during the year. Namely, volume is broadly in line with post pandemic recovery plan, coupled with developments to R&D and Engineering projects. Overall, total deliveries in 2021 were 370 (2020: 342).

The total loss for 2021 was significantly lower at \$76.5 million (2020: \$500.2 million). This substantial improvement is primarily related to \$193.4 million exceptional contract provisions taken during 2020 in comparison to only \$34.4 million in 2021, coupled with an exceptional curtailment gain of \$60.5 million (2020: \$6.8 million) on the closing of the Short Brothers Pension Schemes to future accrual in December 2021, and also a reduction in the restructuring charge for the year to \$nil (2020: \$32.0 million). There has also been a significant reduction in Covid-19 related expenditure in the year. This is offset by an increase in research and development (R&D) activities, which saw an increase in R&D expenditure of 145% to \$16.4 million (2020: \$6.7 million). The company's income tax charge for the year has reduced to \$0.7 million (2020: \$90.7 million), and there have been significant cost controls across all operations.

In 2021 the company was yet again recognised for environmental leadership in the annual Business in the Community NI Environmental Benchmarking survey, achieving Platinum status. The company also participated in a pre-COP26 event in London, which focused on how both industry and government could work together to accelerate progress towards the Net Zero goals.

We continued to explore opportunities to exploit our capabilities and develop new technologies. Company engineers were seconded to the Aerospace Technology Institute's flagship FlyZero R&D programme, demonstrating our support of initiatives to drive for more sustainable aerospace platforms and the associated new technologies and processes required to deliver these products of the future. The company's technology strategy is aligned with the UK government's strategies around science and innovation, its Plan for Growth, and in particular its Net Zero goals. Significant progress was made during the year on two of the main Aerospace Technology projects, which seek to improve future business performance in a cost-competitive, sustainable manner.

The company also supported a relaunch of the Northern Ireland Advanced Composites and Engineering (NIACE) centre, which it helped to establish in 2012. This centre will play an increasingly important role in support of the Northern Ireland Department for the Economy's 10-year economic vision.

We continued our membership of the Belfast Maritime Consortium, a 14-strong syndicate involving a range of industry, academia and public bodies, which is developing zero-emission passenger ferries to help revolutionise the future of maritime transport. Spirit is applying its expertise in aerospace advanced composites technologies to the Artemis project, which aims to build high-speed ferries, capable of carrying up to 350 passengers.

In March 2022, Airbus announced a partnership with Spirit on the development of wings for its CityAirbus NextGen prototype. In line with the simplicity of the design, our continuous wing structure will contribute to increasing flight efficiency while maintaining the highest safety standards. Airbus envisages the all-electric vehicle providing zero-emission flights for various applications in our cities and communities. These are just a couple of the exciting projects we are now supporting as part of our strategic diversification strategy.

FOREWORD TO THE FINANCIAL STATEMENTS

The company has continued to support the development of the UK aerospace technology strategy, which is a critical component of the Government's Plan for Growth and includes the joint Government and industry commitment to the UK Aerospace Technology Institute (ATI).

The company continues to execute the five-year strategic technology plan with support from the ATI where there are a series of projects that seek to improve business performance in a cost-competitive, environmentally conscious and high-quality manner whilst supporting strategic priorities. The key technology themes are aligned with our main business activities necessary to support our products and related services.

In 2021, the company was also pleased to confirm the recruitment of apprentices to our aerospace apprenticeship program. The company also launched a new student internship program for current students at local universities.

During 2021, the Covid-19 pandemic continued to present significant challenges to society and to working life. As the year progressed, like many organisations, we learnt to deal with the fluidity of mini 'circuit breaker' lockdown scenarios whilst continuing to protect our employees on site and those who were working from home whilst focussing on a risk based, graduated eventual return to work for all employees. Despite these significant challenges, the company continued with diligent focus its tracking of safety related occurrences.

Health and Safety (H&S) continued to be a major priority and to be accredited to ISO 45001 for our internal safety management system and executed our 2021 Belfast safety audit schedule was completed to plan. Post Covid disruption, as employees returned to the sites from the circuit breaker, H&S focus continued to play a major part of operations. KPIs for frequency of employee incidents, are noted on page 7, continue to compare positively with industry standards

During 2021, the company continued the implementation of a Customer Delivery Model, an ambitious lean project on the A220 Wing programme, with the objectives of (a) creating significant improvements to product flow through the Wing Manufacturing and Assembly facility, (b) reduction of overall cycle time and (c) reduction of customer delivery risk during the rate acceleration phase of this critical programme. The project is planned to complete in 2022, with the potential to roll out the learning to other key programmes.

At the end of the year, our Belfast Vice-President and General Manager, Sir Michael Ryan CBE, was presented with the Chairman's Award for Excellence in Director and Board Practice at the 2021 Institute of Directors Northern Ireland Director of the Year Awards. Michael was recognised for his outstanding leadership and achievements throughout his career.

We continue to acknowledge the impact of the Covid-19 pandemic on all our employees, their families, our customers, suppliers, and communities again during 2021. We are starting to see signs of normality return in society and in the industry.

With the support of Spirit, we are committed to aggressively pursue opportunities to protect and grow our business. We continue to engage directly with government, along with our trade unions and industry peers, to help us manage through this period in a way that safeguards our unique skills base in Northern Ireland and enables the company to emerge stronger. As always, the dedication and hard work of our employees plays a key role in our present and future success.

Short Brothers PLC

STRATEGIC REPORT

The directors are pleased to present their Strategic Report for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the company are the design, development and manufacture of major aerospace structures and components (wings, fuselages, engine nacelles and flight components) and providing aftermarket support as well as other engineering services for both internal and external customers.

The company has the expertise to support a full product life cycle from design and development through to aftermarket and brings valuable engineering expertise and a strong track record of innovation, especially in advanced composites.

BUSINESS REVIEW

The company's Profit and Loss Account on page 22 of the financial statements shows a loss for the year of \$76.5 million (2020: loss of \$500.2 million) as explained on page 4. The directors do not recommend the payment of a final dividend (2020: \$nil). The company's operating transactions and cash flows are primarily denominated in US Dollars. Consequently, both the company's functional currency and presentation currency is the US Dollar.

Our key focus over the short to medium term continues to be the delivery on cost reduction initiatives for current sustaining programmes and programmes under development. We are exploring the opportunity to exploit Belfast's capabilities within the Spirit Group and avail of cost synergies. There is a continuing plan in place which focuses on reduction of procurement costs and labour efficiencies. There have also been increased opportunities in the space and defence sector as a result of the continuing integration into Spirit, which in turn has resulted in the expansion of R&D in this area, resulting in a significant increase in R&D expenditure in the year. With Spirit's support and investment, and in line with their strategic initiatives, we will develop future growth and business development opportunities.

Following an extensive consultation period, the company closed the Short Brothers Defined Benefit (DB) pension scheme on 10th December 2021. This pension plan was closed to further contributions and future benefit accrual. All DB members at date of close of the scheme were moved to a competitive Defined Contribution (DC) plan arrangement with Aviva. This has placed the company in a better position to plan for the future and continue to invest in innovation, protect the benefits members have already earned, and provide employees with a new flexible and competitive pension benefit.

During 2021, the total net retirement benefits deficit decreased by \$362.7 million (2020: \$9.9 million decrease) due to changes in the actuarial assumptions and the curtailment gain of \$60.5 million (2020: \$6.8 million) on the closure of the DB scheme to future accrual as noted above. Spirit also paid \$130 million cash contribution into the pension scheme on the first anniversary of the acquisition on 30 October 2021. Spirit have committed to continue to meet ongoing deficit repair contributions. The company has investment plans in place to achieve long-term returns that, in conjunction with company contributions, provide sufficient assets to pay the projected benefits, while maintaining an acceptable level of risk given the tolerance of plan stakeholders.

Short Brothers PLC

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

The company uses a range of key performance indicators (KPIs) to monitor progress and to support the overall business strategy. The company's key financial and other performance indicators during the year were as follows:

| | 2021 | | 2020 | |
|-------------|-------------------|-------------------|-------------------|-------------------|
| | <i>\$ million</i> | <i>% of total</i> | <i>\$ million</i> | <i>% of total</i> |
| Turnover | | | | |
| Commercial | 493 | 83 | 487 | 79 |
| Defence | 8 | 1 | - | - |
| Aftermarket | 97 | 16 | 133 | 21 |
| | <u>598</u> | | <u>620</u> | |
| | | | | |
| | <i>2021</i> | | <i>2020</i> | |
| | <i>Number</i> | | <i>Number</i> | |
| Deliveries | | | | |
| Commercial | 370 | | 342 | |
| | <u>370</u> | | <u>342</u> | |

The company uses a range of key performance indicators (KPIs) to monitor progress. These support the business strategy outlined below:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | <i>\$ million</i> | <i>\$ million</i> |
| Operating loss | (30) | (385) |
| Loss for the financial year after tax | (76) | (500) |
| Investment in property, plant and equipment (excludes investment in leases) | 17 | 38 |
| Research and development costs | 17 | 7 |
| | | |
| | <i>2021</i> | <i>2020</i> |
| | <i>Number</i> | <i>Number</i> |
| Number of employee H&S incidents (total number of incidents per 200,000 work hours) | 2.85 | 2.11 |
| Number of time lost employee incidents (average number of incidents per 200,000 work hours) | 0.12 | 0.14 |
| Severity of employee incidents (average number of days lost per 200,000 work hours) | 4.3 | 8.3 |

STRATEGIC REPORT

BUSINESS STRATEGY

The company's vision is to be a diversified aerospace design and manufacturing champion, focusing primarily on higher value products such as wings, nacelles and other complex aerostructures. The company achieves this vision through the implementation of strategic priorities as illustrated below.

World class manufacturing

The company is committed to developing a culture of continuous improvement by ongoing operation of the Achieving Excellence System (AES). AES is the management system designed to drive a world class culture and world class performance, as measured through six Balanced Scorecard (BSC) levers: Safety, Quality, Productivity, People, Cash and Cost, and Performance. Through the implementation of AES and seeking feedback direct from stakeholders to strengthen relations, the company has developed a maturity in the understanding of lean techniques and continues to deploy them to eliminate waste in all aspects of our business and this has enabled current cost-reduction initiatives.

Advantaged supply chain

The company's industrial strategy seeks to balance higher value-added processes with more competitive, lower cost supply.

Distinctive technology

The company's technology strategy is focused on improving competitiveness as well as the alignment with the vision for growth and desired future capabilities of the business.

Engineering innovation

The company's strategy is focused on the development of enabling technologies relating to the design, design analysis, manufacture and assembly of aero structural component assemblies, including their installed systems.

Leverage new business

The company's Business Development team has continued to advance in line with the company's business growth strategy. The team's core mandate is to research, identify and capitalise on new business opportunities by developing strategic relationships with current and potential customers.

To generate revenue growth, and secure national and regional funding from the Space and Defence Sector, the company is focusing on the increasing number of UK commercial launch providers to support associated manufacturing and test work packages, and exploitation of associated technology spin-offs from the sector to other Spirit AeroSystems business segments and supporting strategies and consolidate existing business to seek out wider international defence strategic relationships.

Talent and inclusion

The company is committed to creating a world class workforce – actively working to build an equitable and inclusive culture, where all employees' diverse skills and talents are valued is a critical success factor. The company values the full range of differences, perspectives and abilities that our employees bring to the workplace. Through the application of our core values, the company strives to create an environment where all employees feel welcomed and have a sense of belonging and retained.

The company's three key values that are designed to help it meet commitments to all stakeholders – employees, customers, suppliers, investors, and communities. These values are:

- Transparency – being open, honest and respectful with communication, sharing ideas, and building trust by making intentions clear.
- Collaboration – aligning actions with others and working together to achieve the best outcomes; and
- Inspiration – encouraging the best from other and leading by example to ensure innovation is a component of success.

Adopting and incorporating these values in day-to-day tasks and activities supports the company's efforts to be customer focused, provide on-time delivery, and maintain and improve quality and safety for all.

Short Brothers PLC

STRATEGIC REPORT

ENVIRONMENTAL REPORT

Environment and Energy

The company continues to assess our potential impact on the environment and maintain arrangements to manage risk and deliver continual improvement.

The Environmental Management System (EMS) is independently accredited to ISO14001 by Lloyd's Register (LRQA) and is subject to regular external audits. LRQA undertook two surveillance audits during 2021, resulting in no non-conformances being identified. These are excellent results that acknowledge the robust arrangements in place for delivering environmental compliance and continual improvement.

2021 saw a continuation of a challenging programme of environmental targets. Actions are already in place to build on improvements already made in the areas of waste, water, volatile organic compound (VOC) emissions (related to solvent use), energy use and greenhouse gas emissions. Over the past few years, as part of an ambitious energy strategy, we have launched a number of initiatives to secure supply from more sustainable sources and reduce our energy cost burden.

A range of solar and biogas plants, as well as a 15MW energy from waste plant next to our wing production unit are helping us become less dependent on mains-generated energy. When fully operational, we expect 70% of our electrical requirements to come from these alternative sources.

Energy consumption

Statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR) covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and information relating to energy efficiency actions.

| Category | 2021 | 2020 | Unit |
|--|-------------|-------------|--------------------------------------|
| Energy consumption used to calculate emissions | 132,533,340 | 119,197,856 | kWh |
| Natural Gas | 70,873,807 | 63,681,933 | kWh |
| LPG | 112,037 | 134,649 | kWh |
| Gas Oil | 453,441 | 634,868 | kWh |
| Electricity | 60,640,128 | 54,283,380 | kWh |
| Transport Fuel | 453,926 | 463,026 | kWh |
| Emissions from combustion of gas | 12,981.25 | 11,709.20 | tCO ₂ e |
| Emissions from combustion of fuel for transport purposes | 109.00 | 96.07 | tCO ₂ e |
| Emissions from business travel | 7.28 | 21.67 | tCO ₂ e |
| Emissions from purchased electricity | 12,875.72 | 12,655.63 | tCO ₂ e |
| Total gross tCO ₂ based on above | 25,973.25 | 24,482.56 | tCO ₂ e |
| Intensity ratio | 999.83 | 950.95 | tCO ₂ e per 200,000 hours |

Energy efficiency actions

During the year, the company has installed a new nitrogen plant at the Wing Production Unit (WPU), modified the Air Handling Plant Control System at the WPU cleanroom, reduced the steam pressure at Newtownabbey, implemented site specific furlough periods and targeted steam system repairs which resulted in 2,612,245 kWh of annual savings.

Methodology used in the calculation of disclosures

ESOS methodology (as specified in Complying with the Energy Savings Opportunity Scheme version 7, published by the Environment Agency 01/02/2021) is used in conjunction with Government GHG reporting conversion factors.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the company and the matters described below are not intended to be an exhaustive list. We apply risk assessment and mitigation practices, where possible, to reduce the nature and extent of our risk exposure to an acceptable level.

Industry

Our business, financial results, and prospects are dependent on global aviation demand. The pandemic has had, and is expected to continue to have, a significant impact on aviation demand and our industry. The industry is expected to recover in the medium-term and the long-term prospects are positive. The financial projections used in the going concern assessment are based on latest master schedules considering the impact Covid-19 has had on the industry.

Covid-19

As the effects of the global pandemic continued throughout 2021, our employees' health and safety remained the company's top priority, combined with the need to ensure business continuity. Remote working was not possible for all employees and a number were placed on furlough. Facilities were kept up to date with government guidelines and workplace health and safety regulations. The company continues to facilitate arrangements for employees who need to observe isolation and quarantine periods and to support those with childcare needs.

Global Economic Events

Global economic conditions may impact our results of operations. Russia's February 2022 invasion of Ukraine, the resultant sanctions and other measures imposed by the U.S. and other governments, and other related impacts have resulted in economic and political uncertainty and risks. The amount of our revenue and costs from business connected with Russia is not material to our financial condition. Energy, freight, raw material and other costs have been impacted by, and may continue to be impacted by, the conflict. Our associated estimates of such costs, where applicable, use the most recent information available. We continue to monitor and evaluate related risks and uncertainties for this potential exposure.

Treasury risks

Credit risk

The company continuously monitors collections and payments and maintains a provision for estimated credit losses. Company policy is aimed at minimising credit risk and requires that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the company's exposure to bad debts is not significant.

Liquidity risk

The company actively maintains short-term debt finance that is designed to ensure the company has sufficient available funds for operations and investment. The company's operations are primarily funded through advances from other related parties, specifically a \$200 million letter of credit facility with Spirit AeroSystems (Europe) Limited. The letter of credit facility was extended to \$300 million in September 2022. The current letter of credit covers up to 31 December 2025. The total amount drawn down by the company as at 31 December 2021 is \$86.1 million (2020: \$20.1 million).

Currency risk

The company operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures. Foreign currency exchange risk arises from future commercial transactions, plus recognised assets and liabilities in foreign currencies.

In July 2021, a hedging programme was entered into, arranging GBP contracts for the company for a period up to one year. These contracts were arranged by Spirit Group Corporate Treasury based on an Exposure Forecast supplied by company treasury.

The company assesses currency risk based on transactional cash flows, identifying naturally offsetting positions and purchase hedging instruments to protect anticipated exposures.

STRATEGIC REPORT

SECTION 172 (1) (a)-(f) AND STAKEHOLDER ENGAGEMENT

The directors have acted in a way that they considered, in good faith, to be the most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard to (amongst others matters):

- a) the likely consequence of any decision in the long-term.
- b) the interest of the company's employees.
- c) the need to foster the company's business relationships with suppliers, customers 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 between members of the company.

To fulfil the above duty, the directors have put in place measures to engage with the wider stakeholder group, to enable a decision-making process that promotes the success of the company for the benefit of its members as a whole.

The principal activities undertaken in the year include:

- Closure of the Short Brothers Defined Benefit (DB) pension scheme on 10th December 2021. This pension plan was closed to further contributions and future benefit accrual.
- Payment of \$130 million cash contribution into the pension scheme on the first anniversary of the acquisition on 30 October 2021.
- A hedging programme was entered into, arranging GBP contracts for the company for a period up to one year.
- Issuance of 1 ordinary share of \$0.20 on 28 October 2021 as approved by the Board of Directors.
- Assessment of the Russian invasion of Ukraine and potential exposure to the company.

Decision making

The Spirit AeroSystems Corporate Governance Structure identifies the rules, practices and processes through which the Group and its subsidiaries are directed and controlled and provides the framework for attaining both the Group's and the company's objectives. Additionally, numerous internal policies are maintained setting forth governance practices to which the Group and the company are required to adhere. Decisions affecting a subsidiary are required to be made in line with this framework and are referenced throughout the strategic report.

The directors of the company contribute to the preparation of a strategic plan and five-year financial projections within the governance framework. The management of the business and the execution of the company's strategy are subject to a number of principal and emerging risks which are identified and managed on behalf of the directors by the Senior Leadership Council (SLC), and appropriate processes put in place to monitor and mitigate them.

Colleagues

We have an established approach to engaging colleagues to ensure we take their perspectives into account in our decisions and action plans and share with them our strategy and progress. Our leaders engage face to face with colleagues locally and we engage collectively, including through an effective partnership with our trade unions in regular Joint Consultative Council meetings. Constructive relationships which build on mutual respect and transparency help the company to retain employees and avoid labour disputes which contributes to greater productivity and business efficiency. Annual planning sessions held across the company encourage employee engagement at the beginning of each year and provide an opportunity for employees to provide input to annual planning and objective setting.

Suppliers

The company has contracts and agreements in place with top-tier suppliers across the globe and continues to seek qualified, competitive additions to the Spirit supplier network to enable meeting customer commitments and create effective longstanding relationships with suppliers which are mutually beneficial. The company engages with key suppliers through regular Programme Management Reviews, and this has served to strengthen relationships and promote good business practice. These reviews are key to ensuring alignment with suppliers, across all aspects of technical and commercial interactions.

STRATEGIC REPORT

SECTION 172 (1) (a)-(f) AND STAKEHOLDER ENGAGEMENT (CONTINUED)

Customers

In order to fulfil our goal of providing an amazing customer experience, it is important to engage with customers to maintain and expand our current customer base. We use and share Customer Scorecards with key customers, which allow each customer to rate our performance across the following areas and to demonstrate our focus to customer needs: quality, cost/commercial, delivery, responsiveness, aftermarket and customer focus. In terms of our aftermarket customers, management obtain feedback in relation to responsiveness of queries and timeliness of fulfilling orders, both in repairs and spares supply. Furthermore, the company has established a cadence of governance and review meetings with key customers to discuss operational and strategic topics. The directors view engagement with customers highlighted the fundamental need to continue to nurture and maintain strong relationships with our customers to ensure continued and new business.

Government and regulators

The directors recognise the importance of engagement with government and regulators, principally the Department of Business, Energy & Industrial Strategy (BEIS), and Invest Northern Ireland (INI). The company engages with both on a regular basis to provide business updates, highlight industry issues and support required, and apprise of potential new opportunities. To support grant monitoring, the company is required to report on a quarterly basis on employment, financial performance, and sales and marketing news, including customer satisfaction levels, operations, R&D, new products/services planned, and legal actions.

The company is represented on the joint government and industry Aerospace Growth Partnership (AGP), serving on the Board as well as on several working groups, on which government officials also sit. The Board is jointly chaired by the BEIS Minister responsible for Aerospace, and those meetings take place every four to six weeks. In early 2022, it was formally confirmed that Sir Michael Ryan CBE, Vice President and General Manager in Spirit Belfast, was taking on the role of Industry Chair of the AGP Board. The various working group meetings in which the company also participates occur approximately every six weeks. Through its participation in the AGP, the company is actively contributing to the future shape of the aerospace industry in the UK and supporting key government strategies and net zero goals.

The company continued to execute its government and political engagement plan to ensure its interests were amplified at Cabinet, UK Ministerial and NI Ministerial levels, as well as across the broader political spectrum. A number of key government visits to the Belfast operations took place during the year, and the company continued to raise any issues, both directly with government and via business/trade bodies, around Covid-19 recovery, the new trading relationship as a result of the NI Protocol, and the need for government funding for industry R&D projects.

The company also supported the launch of the Northern Ireland Department for the Economy's economic vision for the next 10 years, '10X Economy - an economic vision for a decade of innovation'.

STRATEGIC REPORT

SECTION 172 (1) (a)-(f) AND STAKEHOLDER ENGAGEMENT (CONTINUED)

Communities

We continue to support a number of initiatives in our local communities in the areas of education, entrepreneurship and social inclusion. These areas fit with our business and enable us to maximise our investments, as well as the skills and expertise of our employees.

As part of the company's educational outreach in 2021, our charitable foundation continued its sponsorship of the Composites Engineering chair at Ulster University and the Aisling Educational Bursary programme for third-level students in West Belfast.

In the area of entrepreneurship, we sponsored Catalyst in Titanic Quarter, a business network dedicated to helping create, mentor and sustain innovative start-ups in Northern Ireland.

Employees also organised their own fantastic fundraising activities throughout the year and, together with their charity society and the company's charitable foundation, donated thousands of pounds to local causes. Charities supported include Action Mental Health, the Northern Ireland Children's Hospice, and Helping Hand at the Royal Victoria Hospital for Sick Children, The Salvation Army and St. Vincent de Paul.

By order of the board



Sir Michael Ryan
Director

Date: 4 November 2022

Short Brothers PLC

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2021.

Strategic report

The company's strategic report is included on pages 6 to 13 and includes our review of the business for the last financial year.

Results and dividends

The loss for the financial year of \$76.5 million (2020: \$500.2 million) is reported on page 22 of the financial statements. The directors have proposed no dividend in respect of the current year (2020: \$nil)

Directors

The directors who served during the year are listed on page 3.

Corporate governance

The company is committed to the highest ethical standards and to complying with all laws and regulations applicable to the company's business. To support and articulate its commitment and responsibility in this regard, the company has adopted a Code of Conduct (the "Code") and a Finance Code of Professional Conduct that applies to the directors of the company. The Code addresses a number of topics, including the Foreign Corrupt Practices Act, conflicts of interests, safeguarding assets, insider trading, and general adherence to laws and regulations. Copies of the Code and Finance Code of Professional Conduct are available on the parent company's website at:

<https://investor.spiritaero.com/corporate-governance/govdocs/default.aspx>

Future developments

The company intends to continue operating in the area of design, development and manufacture of aircraft components (wings, fuselages, engine nacelles and flight components) and related products and services. We are also working to develop further opportunities which exploit our current technology within the space and defence sectors.

The prior year acquisition by Spirit has helped secure our long-term future driving growth in both our Airbus programmes and the aftermarket segment of the business, as well as supporting new opportunities in the space and defence sectors.

The industry is showing early signs of recovery in the medium term from the Covid-19 pandemic, and the long-term prospects are expected to be in line with pre pandemic expectations as normal market conditions return.

Financial instruments

The company finances its activities through a combination of amounts due to other related parties, vendor non-recurring liability, finance leases, cash and government refundable advances. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

The disclosures of financial instrument risks and policies have been included in the Strategic Report in accordance with 414 C (11) of the Companies Act 2016 as the directors consider that this information is of strategic importance. In the current year, the company introduced forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency.

Research and development

The company's research and development activities are discussed in the Strategic Report.

DIRECTORS' REPORT

Employees

The company is an equal opportunity employer, and its policy is to appoint persons on the basis of merit and capability without regard to religious belief, political opinion, gender, marital status, sexual orientation, disability, race, ethnic background or national origin, age or status as an ex-offender. It is the company's policy to ensure equality for applications from disabled people to ensure that special requirements are facilitated appropriately in relation to the jobs for which they apply. When an employee becomes disabled, every effort is made to ensure continuity of employment. In all instances, consideration is given to the provision of appropriate training facilities. The company is committed to safeguarding the health and safety of its employees and others in accordance with current legislation.

The company encourages the involvement of employees in its affairs by participation in regular face-to-face briefings and through a Joint Consultative Committee consisting of representatives of the Management and Trade Unions. By these means, and through newsletters and other written communications, employees are regularly informed on the progress of the company, covering both financial and commercial issues, and their views sought on matters that affect them as employees.

The directors recognise the importance and provision of on-going training for all employees and the company is committed to involve all employees in the performance and development of the company. The directors wish to thank all employees for their efforts during the year.

Going concern

The directors have performed a going concern assessment, including a review of the company's financial position, future operations and cash flows for the period to 31 December 2023. The company's business activities, together with the factors likely to affect its future development and position, are discussed in the Strategic Report, and these factors have been considered when preparing the financial projections of the company.

This assessment together with the net liabilities position at 31 December 2021 of \$258.8 million (2020: \$503.0 million), as shown on page 24, indicated that the company is dependent on continuing financial support being made available by its parent Spirit AeroSystems Holdings Inc. to enable it to continue operating and to meet its liabilities as they fall due.

The directors of the company's ultimate parent undertaking Spirit AeroSystems Holdings, Inc. have provided a letter indicating that they have the ability to provide and will provide financial support to the company to 31 December 2023. Based on the 2021 Spirit AeroSystems Holdings Inc. results and the 2022 and 2023 projections, the directors are satisfied that Spirit has sufficient cash and liquidity to provide this support. In particular the directors of the Company and those of Spirit have considered the financial performance and cash flows of the Spirit Group which indicate that Spirit is expected to continue to be cash generative and meet its obligations as they fall due for the period to 31 December 2023.

Although a risk within the market remains, the aerospace industry is expected to recover from the impact of the Covid-19 pandemic in the medium term. The financial projections used in the going concern assessment are based on latest master schedules, which consider the impact Covid-19 has had on the aerospace industry, together with management's forecast of supply chain costs including the impact of energy costs and inflation. Further sensitivities in relation to these assumptions have been considered by the directors as part of their going concern assessment.

On the basis of their enquires of the Spirit going concern assessment, the letter of support provided by Spirit AeroSystems Holdings, Inc., and the reasonable expectations that the Spirit Group will continue as a going concern, the Directors have concluded that the Company will be able to continue in operational existence for the period to 31 December 2023. Consequently, the directors continue to adopt the going concern basis of accounting in preparing the company's financial statements.

Short Brothers PLC

DIRECTORS' REPORT

Events after the reporting date

Russian Invasion of Ukraine

In February 2022, the Russian invasion of Ukraine had a huge impact on many industries. Given the evolving situation, there are unknown factors and events that could impact the company's operations. This major crisis constitutes a post-closing event, with no impact on the value of the company's assets and liabilities in the accounts at 31 December 2021. The company performed an assessment of this situation in the second quarter of 2022 and estimated a potential exposure to the company of \$28.1 million. The charges are included on the Parent Company's Consolidated Statements period ended 30th June 2022.

Repayment of government refundable advance

Subsequent to the year end, the company repaid the government refundable advance relation to the repayable launch investment of \$320 million (note 15). The balance remaining on this loan at the date of signing the financial statements is \$nil.

Issue of share capital

On 12 January 2022, the company issued 1 ordinary share with a nominal value of \$0.20 in return for a capital contribution from the Spirit Group. The company recognised this all within share premium of \$26.1 million.

On 11 April 2022, the company issued an additional 2 ordinary shares with a nominal value of \$0.20 in return for a capital contribution from the Spirit Group. The company recognised this all within share premium of \$290.8 million.

Extension of the letter of credit facility with Spirit AeroSystems (Europe) Limited.

The letter of credit facility with Spirit AeroSystems (Europe) Limited was extended to \$300 million in September 2022. The current letter of credit covers up to 31 December 2025.

There have been no additional material events subsequent to 31 December 2021 that would require adjustment to and/or disclosure in these financial statements.


Auditors

In accordance with Section 487 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

Directors' statement as to disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquires of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board


Sir Michael Ryan
Director
Date: 4 November 2022

Short Brothers PLC

DIRECTORS' RESPONSIBILITIES STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period and otherwise comply with the Companies Act 2006.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- provide additional disclosures where compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance.
- state whether applicable UK Accounting Standards including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Short Brothers PLC

Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO 'THE MEMBERS OF' SHORT BROTHERS PLC

Opinion

We have audited the financial statements of Short Brothers plc for the year ended 31 December 2021 which comprise Profit and Loss Account, the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included, the following procedures:

- obtained and walked through management's forecast cash flow model and the sensitivities applied thereon.
- confirmed availability of facilities including conditions and covenants.
- corroborated future forecast inputs as reasonable through reference to in year testing, and through independent verification of forecasts, including (i) aircraft component deliveries; (ii) unit costs; (iii) sales price (iv) working capital; (v) cost base and inflation assumptions; and (v) impact of the Ukraine/Russia conflict and sensitised the assumptions applied.
- obtained the base case along with sensitised forecasts prepared by management, and challenged management on the appropriateness and robustness of the sensitives applied.
- agreed the opening cash position per management's forecast cash flow model to cash held in the bank.
- considered the methodology under which the forecast cash flows were derived and tested the integrity of management's forecast cash flow model.
- obtained a copy of the letter of support from the directors of the ultimate parent company to the Directors of the Company.

Auditor's Report

- obtained the wider Spirit AeroSystems Holdings, Inc. forecasts to assess their ability to provide support as required. Considered the nature of the wider Group's business and identified the key drivers of cash flow generation and range of customer as well as the Group's obligations and reviewed and challenged the Group's forecast based on our understanding of the key assumptions.
- challenged management's going concern period and whether the period to 31 December 2023 was appropriate and concluded this is in line with the support provided by Spirit AeroSystems Holdings, Inc. and
- audited the disclosure in respect of going concern in the financial statements and concluded the disclosure was appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

Auditor's Report

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice)), the relevant direct and indirect tax compliance regulation in the United Kingdom and Companies Act 2006. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, data protection, anti-bribery and corruption.
- We understood how the company is complying with those frameworks by making enquiries of senior management, those charged with governance and those responsible for legal and compliance procedures. We corroborated our enquiries through a review of the following documentation and performance of the following procedures;
 - Obtaining an understanding of entity-level controls and considering the influence of the control environment;
 - Obtaining an understanding of policies and procedures in place regarding compliance with laws and regulations, including how compliance with these policies is monitored and enforced;
 - Obtaining an understanding of management's processes for identifying and responding to fraud risks, including programs and controls established to address such risks identified, or otherwise prevent, deter and detect fraud, and how senior management monitors those controls;
 - Review of board meeting minutes in the year and to the signing date.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assessing revenue recognition and impairment of property plant and equipment to be fraud risks. Our testing of revenue included agreeing a sample of transactions to supporting invoices, delivery documents and the receipt of payment in bank statements, and the testing of certain revenue journals. We also performed cut-off testing and detailed analytical reviews of sales and margins by contract. Our testing of the impairment of property plant and equipment included obtaining management's impairment assessment in respect of the property plant and equipment held at 31 December 2021, challenging management regarding key assumptions used in their assessment and recomputing management's calculations. We also performed a sensitivity analysis on the model for any reasonably possible change in assumptions.

Short Brothers PLC

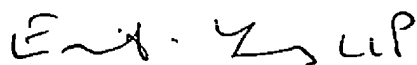
Auditor's Report

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria. Our procedures also included a focus on the Coronavirus Job Retention Scheme to understand how the company complied with the scheme rules and the testing of a sample of claims made under the scheme. We read the minutes of directors' meetings to identify any non-compliance with laws and regulations. We also made enquiries with the directors and of management of the company regarding compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 Gomer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

Date: 4 November 2022

Short Brothers PLC

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2021

| | | 2021 | 2020 |
|---|-------------|------------------------|-------------------------|
| | | \$'000 | \$'000 |
| | <i>Note</i> | | |
| REVENUE | 2 | 597,641 | 620,480 |
| Cost of sales | | <u>(618,976)</u> | <u>(720,261)</u> |
| GROSS LOSS | | (21,335) | (99,781) |
| Administrative expenses | | (25,322) | (35,268) |
| Research and development expenses | | (16,693) | (7,322) |
| Other operating income | | 2,167 | 2,464 |
| Government grant income | 26 | 3,520 | 29,179 |
| Exceptional items | 4 | <u>27,629</u> | <u>(274,747)</u> |
| OPERATING LOSS | 3 | (30,034) | (385,475) |
| Interest payable and similar expenses | 5 | (38,839) | (16,489) |
| Other finance costs – retirement benefits | 20 | <u>(6,906)</u> | <u>(7,518)</u> |
| LOSS BEFORE TAX | | (75,779) | (409,482) |
| Income tax charge | 7 | <u>(711)</u> | <u>(90,710)</u> |
| LOSS FOR THE YEAR | | <u><u>(76,490)</u></u> | <u><u>(500,192)</u></u> |

The notes on pages 26 to 71 form part of these financial statements.

Short Brothers PLC

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

| | | 2021 \$'000 | 2020 \$'000 |
|---|-------------|----------------------|-------------------------|
| | <i>Note</i> | | |
| LOSS FOR THE YEAR | | <u>(76,490)</u> | <u>(500,192)</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Other comprehensive income that may be reclassified to profit or loss in subsequent period:</i> | | | |
| Net losses on derivative financial instruments designated as cash flow hedges | | (1,983) | (11,590) |
| Net gains on cash flow hedges reclassified to income | | - | 9,191 |
| Deferred tax credit arising on cash flow hedges | 7 | - | 407 |
| | | <u>(1,983)</u> | <u>(1,992)</u> |
| <i>Other comprehensive income that will not be reclassified to profit or loss in subsequent period:</i> | | | |
| Net actuarial gains recognised in respect of retirement benefits | 20 | 170,702 | 31,944 |
| Foreign exchange losses on retirement benefits | 20 | (1,896) | (13,893) |
| Deferred tax charge arising on retirement benefits | 7 | - | (39,815) |
| | | <u>168,806</u> | <u>(21,764)</u> |
| Other comprehensive income/(loss) for the year | | <u>166,823</u> | <u>(23,756)</u> |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | <u><u>90,333</u></u> | <u><u>(523,948)</u></u> |

The notes on pages 26 to 71 form part of these financial statements.


Short Brothers PLC

Registered No. NI 1062

| BALANCE SHEET as at 31 December 2021 | Note | 2021 | 2020 |
|---|------|------------------|------------------|
| | | \$'000 | \$'000 |
| Non-current assets | | | |
| Intangible assets | 8 | 45,203 | 33,274 |
| Tangible assets | 9 | 192,586 | 200,310 |
| Investments | 10 | - | - |
| | | <u>237,789</u> | <u>233,584</u> |
| Current assets | | | |
| Inventories | 11 | 252,038 | 239,801 |
| Debtors | 12 | 113,154 | 113,296 |
| Cash | 13 | 75,411 | 41,192 |
| | | <u>440,603</u> | <u>394,289</u> |
| Current liabilities | | | |
| Creditors: Amounts falling due within one year | 14 | (238,045) | (176,306) |
| Contract liabilities | 2 | (27,127) | (9,292) |
| | | <u>175,431</u> | <u>208,691</u> |
| Net current assets | | <u>175,431</u> | <u>208,691</u> |
| Total assets less current liabilities | | <u>413,220</u> | <u>442,275</u> |
| Non-current liabilities | | | |
| Creditors: Amounts falling due after more than one year | 15 | (412,916) | (327,939) |
| Provisions for liabilities | 16 | (259,093) | (617,375) |
| NET LIABILITIES | | <u>(258,789)</u> | <u>(503,039)</u> |
| Equity | | | |
| Share capital | 21 | 169,294 | 169,294 |
| Share premium | 21 | 369,706 | 216,324 |
| Cash flow hedge reserve | 21 | (1,983) | - |
| Retained earnings | 21 | (795,806) | (888,657) |
| TOTAL CAPITAL AND RESERVES | | <u>(258,789)</u> | <u>(503,039)</u> |

The notes on pages 26 to 71 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


 Sir Michael Ryan
 Director
 Date: 4 November 2022

Short Brothers PLC

Registered No. NI 1062

STATEMENT OF CHANGES IN EQUITY as at 31 December 2021

| | <i>Share capital \$'000</i> | <i>Share premium \$'000</i> | <i>Cash flow hedge reserve \$'000</i> | <i>Retained earnings \$'000</i> | <i>Total \$'000</i> |
|--|-------------------------------------|-------------------------------------|---|---|-------------------------|
| At 1 January 2020 | 143,374 | 614 | 1,992 | (368,965) | (222,985) |
| Loss for the year | - | - | | (500,192) | (500,192) |
| Other comprehensive loss for the year | - | - | (1,992) | (21,764) | (23,756) |
| Total comprehensive loss for the year | - | - | (1,992) | (521,956) | (523,948) |
| Share based payments (note 22) | - | - | - | 2,264 | 2,264 |
| Issue of share capital (note 21) | 25,920 | 215,710 | - | - | 241,630 |
| At 31 December 2020 | 169,294 | 216,324 | - | (888,657) | (503,039) |
| Loss for the year | - | - | - | (76,490) | (76,490) |
| Other comprehensive income for the year | - | - | (1,983) | 168,806 | 166,823 |
| Total comprehensive income for the year | - | - | (1,983) | 92,316 | 90,333 |
| Share based payments (note 22) | - | - | - | 535 | 535 |
| Issue of share capital (note 21) | - | 153,382 | - | - | 153,382 |
| At 31 December 2021 | 169,294 | 369,706 | (1,983) | (795,806) | (258,789) |

The notes on pages 26 to 71 form part of these financial statements.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

I. ACCOUNTING POLICIES

Corporate information

The financial statements of the Short Brothers PLC for the year ended 31 December 2021 were authorised for issue by the board of directors on 4 November 2022. Short Brothers PLC (the company) is a private company limited by shares incorporated and domiciled in Northern Ireland. The registered office of the company is Airport Road, Belfast, BT3 9DZ. The principal activities of the company are described on page 6.

From 30 October 2020, the company's immediate parent undertaking and the ultimate parent undertaking within the United Kingdom is Spirit AeroSystems Global Holdings Limited. The company's ultimate parent undertaking and controlling party is Spirit AeroSystems Holdings, Inc., a company incorporated in USA, which is the parent company of the largest and smallest group for which consolidated financial statements are prepared that include the company. Copies of the consolidated financial statements of Spirit, which include the company, can be obtained from Spirit AeroSystems, 3801 S Oliver Street, Wichita, Kansas, USA, 67210. These financial statements can be found at the following website:

<https://investor.spiritacro.com/filings-financials/FinancialDocs/default.aspx>

Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS101, the company has taken advantage of the disclosure exemptions available under that standard as summarised below. Where relevant, equivalent disclosures have been given in the group consolidated financial statements, which are available to the public and can be obtained as set out above.

| <i>Area</i> | <i>Disclosure exemption</i> |
|--------------------------------------|--|
| Cash flow statement | Complete exemption from preparing a cash flow statement. |
| Share-based payments | Exemption from disclosure of financial information in relation to the number and weighted average exercise prices of share options (except those relating to options exercised in the period), and the number and weighted average fair value of other equity instruments. |
| IFRSs issued but not effective | Disclosure regarding the impact of standards issued but not effective is exempt. |
| Financial instrument disclosures | Exemption from disclosure requirements of IFRS 7 Financial Instruments and IFRS 13 Fair Value Measurement. |
| Related party disclosures | Exemption from disclosure requirements of IAS 24 Related Party Disclosures. Transactions entered into between two or more members of a group, provided that any subsidiary which is party to a transaction is wholly owned by such a member. Exemption from disclosure of key management personnel compensation. |
| Comparative information | Exemption from comparatives for movements on share capital, tangibles, intangibles and investment property. |
| Presentation of financial statements | Exemption from statement of compliance with IFRS, cash flow information, capital management policy and presentation of a third balance sheet. |
| Impairment of assets | Exemption from disclosure requirements of IAS 36 Impairment of Assets for estimates used to measure recoverable amounts of Cash Generating Units (CGUs). |

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

The financial statements have been prepared on a historical cost basis and in accordance with the Companies Act 2006 and applicable UK accounting standards.

The company's operating transactions and cash flows are primarily denominated in US Dollars. Consequently, both the company's functional currency and presentation currency is the US Dollar. These financial statements are presented in US Dollars and all values are rounded to the nearest thousand (\$'000) except where otherwise indicated.

The company is not required to prepare group financial statements under Section 401 of the Companies Act 2006 as it is a wholly owned subsidiary of Spirit AeroSystems Global Holdings Limited, which in turn is a wholly owned subsidiary of Spirit AeroSystems Holdings, Inc. and it is included in that company's consolidated financial statements. The financial statements therefore present information about the company as an individual undertaking and not about its group.

Going concern

The directors have performed a going concern assessment, including a review of the company's financial position, future operations and cash flows for the period to 31 December 2023. The company's business activities, together with the factors likely to affect its future development and position, are discussed in the Strategic Report, and these factors have been considered when preparing the financial projections of the company.

This assessment together with the net liabilities position at 31 December 2021 of \$258.8 million (2020: \$503.0 million), as shown on page 24, indicated that the company is dependent on continuing financial support being made available by its parent Spirit AeroSystems Holdings Inc. to enable it to continue operating and to meet its liabilities as they fall due.

The directors of the company's ultimate parent undertaking Spirit AeroSystems Holdings, Inc. have provided a letter indicating that they have the ability to provide and will provide financial support to the company to 31 December 2023. Based on the 2021 Spirit AeroSystems Holdings Inc. results and the 2022 and 2023 projections, the directors are satisfied that Spirit has sufficient cash and liquidity to provide this support. In particular the directors of the Company and those of Spirit have considered the financial performance and cash flows of the Spirit Group which indicate that Spirit is expected to continue to be cash generative and meet its obligations as they fall due for the period to 31 December 2023.

Although a risk within the market remains, the aerospace industry is expected to recover from the impact of the Covid-19 pandemic in the medium term. The financial projections used in the going concern assessment are based on latest master schedules, which consider the impact Covid-19 has had on the aerospace industry, together with management's forecast of supply chain costs including the impact of energy costs and inflation. Further sensitivities in relation to these assumptions have been considered by the directors as part of their going concern assessment.

On the basis of their enquires of the Spirit going concern assessment, the letter of support provided by Spirit AeroSystems Holdings, Inc., and the reasonable expectations that the Spirit Group will continue as a going concern, the Directors have concluded that the Company will be able to continue in operational existence for the period to 31 December 2023. Consequently, the directors continue to adopt the going concern basis of accounting in preparing the company's financial statements.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Key accounting policies are as follows:

Foreign currencies

The company's financial statements are presented in US Dollars, which is also the company's functional currency. Trading activities denominated in foreign currencies are recorded in US Dollars at the exchange rate ruling at the date of transaction or, where forward foreign currency contracts have been taken out, at contractual rates. Monetary assets and liabilities are retranslated at the rates of exchange ruling at the balance sheet date, or at a forward contractual rate, if applicable. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Revenue from contracts with customers

The company is in the business of the design, development and manufacturing of aircraft components (wings, fuselages, engine nacelles and flight components) and related products and services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Sale of goods – Production & Aftermarket

Revenue arising from the sale of aircraft components and spare parts is generally considered a single performance obligation and is recognised at delivery, which is the point in time when the customer has obtained control of the component and the company has satisfied its performance obligation. All costs incurred or to be incurred in connection with the sale, including warranty costs and sales incentives or discounts, are charged to cost of sales or as a deduction from revenue at the time revenue is recognised. The normal credit term is 30 to 60 days following delivery.

Design of aircraft components

Revenue arising from designing, engineering or manufacturing specifically designed aircraft components is generally recognised over time. The measure of progress toward complete satisfaction of the performance obligation is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance. The contract transaction price is adjusted for change orders, claims, performance incentives and other contract terms that provide for the adjustment of prices to the extent they represent enforceable rights for the company.

Variable consideration such as assumptions for price escalation clauses and performance incentives is only included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. If a contract review indicates the expected costs to fulfil the contract exceeds the expected economic benefits expected to be received under it, the entire expected loss on the contract is recognised as an onerous contract provision with the corresponding expense recorded in cost of sales. The expected benefits to be received are generally limited to the revenues from the associated contract.

There is no significant financing component in respect of the short-term advances the company receives from its customers.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Contract balances (continued)

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer.

Contract liabilities

A contract liability is recognised if a payment is received, or a payment is due (whichever is earlier) from a customer before the company transfers the related goods or services. Contract liabilities are recognised as revenue when the company performs under the contract (i.e., transfers control of the related goods or services to the customer).

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided separately below.

Exceptional items

Exceptional items represent material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, warrant separate presentation to allow better understanding of the company's financial performance during the year, to facilitate comparison with prior periods and to better assess trends in financial performance.

Borrowing costs

Borrowing costs on property plant and equipment and investment property, during construction and on intangible assets during the development period, are capitalised as part of the cost of that asset and are deducted from the financing expense to which they relate. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the company incurs in connection with the borrowing of funds.

Cost of sales, inventories and work in progress

Cost of sales represents actual costs incurred on those components recognised as a sale. Raw materials and finished goods are stated at the lower of cost and estimated net realisable value. Cost comprises direct material and labour and an appropriate proportion of overheads. Work in progress represents costs incurred on units that were partially complete and hence undelivered at the year end. It includes material, direct labour and related manufacturing overhead.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Such cost includes its purchase price or manufacturing cost, other costs incurred in bringing the asset to its present location and condition and borrowing costs for qualifying assets. When a significant part is replaced or a major inspection or overhaul is performed, its cost is recognised in the carrying amount of the asset if the recognition criteria is satisfied, and the carrying amount of the replaced part or previous inspection or overhaul is derecognised. All other repair and maintenance costs are charged to income when incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

| | |
|--|---------------|
| Freehold land | Nil |
| Freehold buildings and long leasehold property | 10 - 45 years |
| Plant, equipment and vehicles | 3 - 20 years |

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account when the asset is derecognised.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. The company capitalises borrowing costs for all eligible assets where construction was commenced on or after 19 February 2007.

Intangible assets

Research and development expenditure

Research costs are expensed as incurred. Development expenditure mostly in relation to aircraft design and testing are recognised as an intangible asset when the company can demonstrate:

- The technical feasibility of completing the aircraft development to ensure that the aircraft will be available for sale.
- The company's intention to complete the aircraft development.
- The company's ability to use or sell the asset.
- How the tooling will generate probable future economic benefits including the existence of a market for the aircraft.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- The company's ability to measure reliably the expenditure attributable to the asset during its development.

If the company meets these recognition criteria, the expenditure including the cost of materials, direct labour, manufacturing overheads, and cost of development activities carried out by vendors for which the company controls the underlying output of the technology and borrowing costs for qualifying assets are capitalised at cost and presented as an intangible asset on the balance sheet.

Following initial recognition of the development expenditure as an asset, the assets is carried at cost less any accumulated amortisation and impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over expected number of aircraft components to be produced, over the estimated useful lives of the programme family up to a maximum of 20 years.

Amortisation is recorded in cost of sales. During the period of development, the assets is tested for impairment annually.

Computer software

The cost of acquiring computer software is capitalised and amortised to cost of sales on a straight-line basis over the estimated useful life which is between 3 and 5 years.

Carbon emissions

The carbon emissions allowances granted by the government are initially recorded at fair value as an intangible asset and a corresponding carbon emissions credit is recorded in creditors in the balance sheet. Carbon emissions allowances used during the year will be remitted to the government at the end of each calendar year in order to settle the company's emissions obligations. This usage is recorded as a disposal of the intangible asset and a subsequent reduction in the carbon emissions credit in creditors at the end of each year. No amortisation is recorded during the period as the intangible asset is surrendered at the end of the compliance period reflecting the consumption of economic benefit.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Impairment of property, plant and equipment and intangible assets

The company assesses at each reporting date whether there is an indication that a tangible or intangible asset may be impaired. If any indication exists, the company estimates the recoverable amount of the individual asset, when possible. When the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the asset is tested at the Cash Generating Unit (CGU) level. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

The fair value less costs to sell reflects the amount the company could obtain from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. If there is no binding sales agreement or active market for the asset, the fair value is assessed by using appropriate valuation models dependent on the nature of the asset or CGU, such as discounted cash flow models.

The value in use is calculated using estimated net cash flows, with detailed projections generally over a three-year period and subsequent years being extrapolated using a growth assumption. The estimated net cash flows are discounted to their present value using a discount rate before income taxes that reflects current market assessments of the time value of money and the risk specific to the asset or CGU. When the recoverable amount is less than the carrying value of the related asset or CGU, the related assets are written down to their recoverable amount and an impairment loss is recognised in net income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the recoverable amount of the asset or CGU. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal of impairment losses is limited to the amount that would bring the carrying value of the asset or CGU to the amount that would have been recorded net of amortisation, had no impairment loss been recognised for the asset or CGU in prior years. Such reversal is recognised to income in the same line item where the original impairment was recognised.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

Government grants in respect of capital or development expenditure, which have been received based on expenditure incurred, are credited to a deferred revenue account in the balance sheet and released to the profit and loss account in line with the expected useful life of the related asset.

Government grants of a revenue nature, other than that receivable based upon employment levels, are recognised as income on a systematic basis over the period that the related costs, for which it is intended to compensate, are expensed.

Government grants of a revenue nature that have been received based upon employment levels are contingent upon fulfilling conditions over a subsequent qualifying period. Such grants are credited to deferred revenue within the balance sheet and released to the profit and loss account over that subsequent qualifying period in equal monthly instalments. The release of such grants to the profit and loss account is subject to an annual review of the compliance with those conditions required to be fulfilled over the qualifying period.

Government refundable advances are recorded as a financial liability within deferred revenue if there is reasonable assurance that the amount will be repaid. Repayments to the government in the form of levies in line with deliveries made are then recorded as a reduction of the financial liability. Accretion of interest on the financial liability is recognised within interest payable and similar charges in the profit and loss account.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Taxes

Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax assets are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the profit and loss account.

1. ACCOUNTING POLICIES (CONTINUED)

Leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Right-of-use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | |
|--------------|----------------|
| Land | 95 – 125 years |
| Buildings | 1 – 5 years |
| Machinery | 1 – 7 years |
| Vehicles | 1 – 5 years |
| IT Equipment | 1 – 7 years |

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment review.

Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

1. ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised in interest payable and similar charges.

Product warranties

Provisions for warranty related costs are recognised based on experience of the level of repairs and returns. The future cash flows are estimated based on a number of factors, including historical claim and cost experience, the duration of the warranty coverage and the nature of the product sold, and are discounted at a current pre-tax rate that reflects the risks specific to the provision. The unwinding of the discount is expensed in the profit and loss account as interest payable and similar charges. The estimate for warranty related costs is reviewed annually and adjusted as appropriate through cost of sales.

Liability and damage claims

Provisions for liability and damage claims are recognised in other expenses or cost of sales when the general recognition criteria for provisions are fulfilled. The costs are estimated based on experience and legal advice. These estimates are reviewed annually and adjusted as appropriate.

Restructuring provision

Restructuring provisions are recognised only when the company has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features.

The associated costs are estimated based on past experience and legal advice. These estimates are reviewed annually and adjusted as appropriate through other expenses.

Onerous contract provision

If the company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the company recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The unavoidable costs under a contract reflect the estimate of expected future costs including anticipated future cost overruns and expected costs associated with late delivery penalties and technological problems, as well as allocations of costs that relate directly to the contract. The movement of the provision is impacted by anticipated delivery schedules, since for new aircraft programmes early production units require higher costs than units produced later in the processes. The information usually required by IAS 37 is not disclosed on grounds it can be expected to prejudice the outcome of mitigation plans.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Retirement benefits

The company operates a defined benefit pension plan and has also agreed to provide certain additional post-employment healthcare benefits to senior employees. Following an extensive consultation with pension scheme members and trade unions, the company gave notice that the current Scheme was to close to future accrual on 10 December 2021 and would be replaced by a defined contribution scheme.

The cost of providing benefits under the defined benefit plan is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the profit and loss account on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost. Actuarial gains and losses are recognised in full in the statement of comprehensive income in the year in which they occur.

The defined benefit pension liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Plan assets are measured at fair value at the end of the reporting period, which is based on published market price information in the case of quoted securities.

The company operates defined contribution pension schemes (DCPS). The assets of the schemes are held separately from those of the company in an independently administered fund.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Share based payments

Equity compensation plans allow eligible employees to acquire shares of Spirit AeroSystems Holdings Inc. The fair value of options and restricted stock units (RSUs) (collectively referred to as "options") granted after 1 April 2006 and not yet vested as at 31 December 2021 is recognised as an employee expense within staff costs with a corresponding increase in equity.

The fair value of options is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted and in the case of the RSUs, was determined using the fair value of Spirit AeroSystems Holdings Inc.'s Class A common stock at date of grant. The amount recognised as an expense is adjusted to reflect the actual number of options that vest. Charges made from Spirit AeroSystems Holdings Inc. when options vest or are exercised are accrued on the basis of market value at the statement of financial position date, with a corresponding reduction in equity.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

Financial assets of the company include cash and cash equivalents, trade and other receivables and favourable derivative financial instruments. Financial liabilities of the company include trade and other payables, amounts due to related parties, obligations under finance leases, bank loans, vendor non-recurring liabilities, government refundable advances and unfavourable derivative financial instruments.

a) Initial recognition and measurement

Financial assets and liabilities are recognised on the balance sheet when the company becomes a party to the contractual obligations of the instrument. Financial assets within the scope of IFRS 9 'Financial Instruments' are classified as financial assets at fair value through profit or loss, loans and receivables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities are classified as financial liabilities at fair value through profit or loss or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets and liabilities at initial recognition.

Initially, financial assets and liabilities are recognised at fair value less, in the case of financial instruments not at fair value through profit and loss, any costs directly attributable to the acquisition or issue of the financial instrument.

b) Subsequent measurement

Subsequent to recognition, financial assets and liabilities are measured according to the category to which they are classified. The financial asset and liability categories listed below are measured at amortised cost, unless they are classified as fair value through profit and loss, in which case they are measured at fair value.

i) Loans and receivables

Trade and other receivables as well as other financial assets are subject to impairment review. Trade receivables, contract assets and lease receivables are reviewed for impairment based on the simplified approach which measures the loss allowance at an amount equal to the lifetime expected credit losses. For other financial assets for which the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. For other financial assets for which credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

ii) Financial assets at fair value through other comprehensive income

The company has designated favourable derivative financial instruments as fair value through other comprehensive income. These are classified as cash flow hedges and are recorded as per hedge accounting rules for derivative financial instruments.

iii) Financial liabilities at fair value through other comprehensive income

The company has designated unfavourable derivative financial instruments as fair value through other comprehensive income. These are classified as cash flow hedges and are recorded as per hedge accounting rules for derivative financial instruments.

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

b) Subsequent measurement (continued)

iv) Other financial liabilities

Trade and other payables, amounts due to related parties, obligations under finance leases, bank loans, government refundable advances and vendor non-recurring liabilities are classified as other financial liabilities and are measured at amortised cost using the effective interest rate method.

v) Derivatives designated as hedging instruments

The company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks arising from forecast transactions and recognised assets and liabilities. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purposes of hedge accounting, hedges are classified as cash flow hedged when the company is hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probably forecast transaction or the foreign currency risk in an unrecognised firm commitment.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

c) Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the company has transferred its rights to receive cash flows from the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

d) Impairment of a financial asset

The company recognised an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposure for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of a default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

d) Impairment of a financial asset (continued)

For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognised a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on this historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The company considers a financial asset to be in default when internal or external information indicates the company is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

e) Fair value of financial instruments

Fair value amounts disclosed in these financial statements represent the company's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value is determined by reference to quoted prices in the most advantageous active market for that instrument to which the company has immediate access. However, there is no active market for most of the company's financial instruments, so the company determines fair value based on internal or external valuation models, such as stochastic models, option-pricing models and discounted cash flow models. These calculations represent management's best estimates based on a range of methods and assumptions. Since they are based on estimates, the fair values may not be realised in an actual sale or immediate settlement of the instruments.

Significant accounting judgements, estimates and assumptions

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the company's accounting policies, management have made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

i) Revenue from contracts with customers

The company recognises revenue from customers in line with contractual terms as per fixed guidance of IFRS 15, with the exception of:

Determining the timing of satisfaction of design of aircraft components

The company concluded that revenue for the design of aircraft components is to be recognised over time because the customer has the rights over the asset as the design progresses and indeed there is no alternative use for the design asset. The company determined that the input method is the best method in measuring progress of the design service because there is a direct relationship between the company's effort and the transfer of service to the customer. The company recognised revenue on the basis of cost incurred relative to the total cost to complete the design. The information about revenue from contracts with customers is disclosed in Note 2.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

i) Pensions and other post-employment benefits

The company has a defined benefit pension plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit method. The key assumptions used for the actuarial valuation are based on the company's best estimate of the variables that will determine the ultimate cost of providing post-employment benefits, on which further detail is provided in note 20.

ii) Government refundable advances

Government refundable advances in respect of development expenditure must be repaid to the government in the form of levies on each delivery made. Assumptions used in the calculation of this liability are reviewed by management on a regular basis. For more information on the government refundable advances, refer to note 15.

iii) Warranty provision

The company has warranty provisions for several programmes. The key estimates used in the provision calculations include run rate experience to date, costs per replacement and duration of warranty. The assumptions applied are specific to each programme and are reviewed by management on a regular basis. For more information on the warranty provision, refer to note 17.

iv) Inventory provision

The company has an inventory provision to ensure inventory is stated at the lower of cost and net realisable value. Inventory is assessed for impairment on a regular basis in line with a defined provisioning policy. Factors taken into consideration include ageing, part quality and contract exit plans. The assumptions used in the calculation are reviewed by management on a regular basis. For more information on the inventory provision, refer to note 11.

v) Valuation of deferred income tax assets

To determine the extent to which deferred income tax assets can be recognised, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilised. Such estimates are made as part of the budget and strategic plan on an undiscounted basis and are reviewed on a quarterly basis. Management exercises judgement to determine the extent to which realisation of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, the history of taxable profit and availability of prudent tax planning strategies. For more information on the deferred tax asset, refer to note 7.

vi) Onerous contracts

The company has an onerous contract provision for several programmes. The key estimates used in the onerous contract calculation include the expected future costs such as anticipated future cost overruns and expected costs associated with late delivery penalties and technological problems, as well as allocations of costs that relate directly to the contract. The assumptions applied are specific to each programme and are reviewed by management on a regular basis. For more information on the onerous contracts, refer to note 17.

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgements, estimates and assumptions (continued)
Estimates and assumptions (continued)

vii) Provision for expected credit losses of trade receivables

The company uses a Provision Matrix to calculate Expected Credit Losses for trade receivables. The provision rates are based on the historical loss rates calculated for each identified category of trade receivables. These categories are based on similar credit risks. The provision matrix is initially based on the company's historical observed loss rates. The company will calibrate the matrix to adjust for any forward looking macro-economic factors and trends specific to individual customers. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical loss rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs are sensitive to changes in circumstance and of forecast economic conditions. The company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual future default. Refer to note 12 for the provision of ECLs.

New and amended standards and interpretations

The company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the company. The company intends to use the practical expedients in future periods if they become applicable.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

2. REVENUE

a) Revenue streams

The company generates revenue primarily from the sale of aircraft components and related products and services to its customers.

| | 2021 \$'000 | 2020 \$'000 |
|---------------------------------------|----------------|----------------|
| Revenue from contracts with customers | 597,641 | 620,480 |
| Total revenue | <u>597,641</u> | <u>620,480</u> |

b) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| <i>Types of goods or service:</i> | | |
| Fuselage | 162,797 | 200,826 |
| Propulsion | 51,563 | 44,129 |
| Wing | 261,240 | 243,018 |
| Aftermarket | 97,345 | 122,390 |
| Engineering services | 16,898 | 5,706 |
| Space and Defence | 7,798 | 4,411 |
| Total revenue from contracts with customers | <u>597,641</u> | <u>620,480</u> |

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| <i>Geographical markets</i> | | |
| Canada and United States | 415,536 | 453,890 |
| Rest of the world | 182,105 | 166,590 |
| Total revenue from contracts with customers | <u>597,641</u> | <u>620,480</u> |

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| <i>Market or customer type</i> | | |
| Sale of production goods | 500,296 | 498,090 |
| Sale of aftermarket goods | 97,345 | 122,390 |
| Total revenue from contracts with customers | <u>597,641</u> | <u>620,480</u> |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2021

2. REVENUE (CONTINUED)

b) Disaggregation of revenue from contracts with customers (continued)

| | 2021 | 2020 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| <i>Timing of revenue recognition</i> | | |
| Goods transferred at a point in time | 595,926 | 617,283 |
| Services transferred over time | 1,715 | 3,197 |
| Total revenue from contracts with customers | <u>597,641</u> | <u>620,480</u> |

c) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

| | 2021 | 2020 |
|-------------------------|----------|---------|
| | \$'000 | \$'000 |
| Trade debtors (note 12) | 86,820 | 96,963 |
| Contract liabilities | (27,127) | (9,292) |

Contract liabilities of \$27,127,000 (2020: \$9,292,000) represent consideration paid in advance of performance obligations being fulfilled. Liabilities will be released overtime to the profit and loss account once obligations are met.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

3. OPERATING LOSS

This is stated after charging / (crediting):

| | Note | 2021 \$'000 | 2020 \$'000 |
|---|------|----------------|----------------|
| Depreciation of property, plant and equipment | 9 | 21,424 | 21,745 |
| Depreciation of right-of-use assets | 9 | 4,377 | 8,300 |
| Amortisation of deferred development expenditure (recognised within research and development) | 8 | 1,133 | 617 |
| Amortisation of software (recognised within administration expenses) | 8 | 1,214 | 318 |
| Amortisation of deferred revenue (recognised within revenue) | 19 | (909) | (246) |
| Amortisation of government grants received | 19 | (2,200) | (3,021) |
| Research and development costs expensed as incurred | | 16,421 | 6,705 |
| Minimum lease payments due under operating leases | | - | 787 |
| Loss/ (gain) on disposal of tangible assets | | - | 288 |
| Cost of inventory recognised as an expense | | 633,790 | 638,194 |
| Net foreign currency exchange differences | | (4,718) | 15,843 |
| Government Coronavirus Job Retention Scheme Grant | | (3,520) | (29,179) |
| Government grants recognised directly to income | | (4,304) | (3,192) |
| Costs in respect of construction contracts | | 4,712 | 5,291 |
| Curtailment gain | 4 | (60,531) | (6,835) |
| Restructuring charge | 4 | - | 32,014 |
| Contract exit (release)/costs | 4 | (1,526) | 47,263 |
| Onerous contract provisions | 4 | 34,428 | 193,430 |
| Other provisions | | 3,831 | 4,102 |
| Unwinding of discount on provisions | | 10,372 | - |
| Impairment of fixed assets | 4 | - | 8,875 |
| Expected credit losses of trade receivables and contract assets | 12 | 342 | 3,280 |
| <i>Auditor's remuneration:</i> | | | |
| Audit of the financial statements | | 327 | 300 |
| <i>Other services:</i> | | | |
| Non statutory audit services | | 27 | 63 |
| | | 27 | 63 |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

4. EXCEPTIONAL ITEMS

Exceptional items were as follows:

| | 2021 \$'000 | 2020 \$'000 |
|-------------------------------|-----------------|----------------|
| Restructuring charge | - | 32,014 |
| Contract exit (release)/costs | (1,526) | 47,263 |
| Onerous contract provision | 34,428 | 193,430 |
| Impairment of fixed assets | - | 8,875 |
| Curtailment gain | (60,531) | (6,835) |
| | <u>(27,629)</u> | <u>274,747</u> |

Restructuring charge

During 2021, there were no workforce reductions (2020: 495 heads). The company recorded no restructuring charge in the year (2020: charge of \$32,014,000).

Contract exit (release)/costs

During the prior year, several of the company's programmes ended production, resulting in a contract exit cost of \$47,263,000 in 2020. This represented impairment charges of \$55,106,000 relating to the remaining contract liabilities pertaining to these terminated programmes, offset by a release of the provision of \$7,843,000 relating to provisions no longer required due to the sale by Bombardier of its CRJ programme in the prior year.

In 2021, the company performed a reassessment of the provisions required in relation to termination agreements (contract exit). This reassessment resulted in a provision release of \$1,526,000 in respect of contracts which have ended production.

Onerous contract provision

During the year, the company performed a review of its contracts to reassess the unavoidable costs to fulfil performance obligations. This reassessment resulted in an additional charge of \$34,428,000 (2020: \$193,430,000) in respect of future obligations.

Impairment of fixed assets

During the year ended 31 December 2020, an impairment assessment of the company's assets was performed. As a direct result, the company recorded impairment charges of \$8,875,000 in relation to tangible assets and \$97,000 in relation to intangible assets in the prior year. No impairment charges were recognised for the year ended 31 December 2021.

Curtailment gain

The company's principal pension scheme was a defined benefit scheme up until 10 December 2021, when the scheme was closed to future accrual. The closure of the scheme to future accrual gave rise to a curtailment gain of \$60,531,000 (2020: \$6,835,000)

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2021

5. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Interest on inter-group loans | 2,654 | 6,056 |
| Finance charges payable | 109 | 834 |
| Interest expense on lease liabilities | 1,676 | 1,171 |
| Accretion on other financial liabilities | 24,028 | 8,366 |
| Accretion on provisions | 10,372 | 39 |
| Other interest payable | - | 23 |
| | <u>38,839</u> | <u>16,489</u> |

6. STAFF COSTS

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Wages and salaries | 134,729 | 148,116 |
| Social security costs | 13,437 | 15,132 |
| Pension costs | 39,782 | 44,645 |
| Share based payment transaction expense (note 22) | 535 | 2,264 |
| | <u>188,483</u> | <u>210,157</u> |

Included within wages and salaries is income related to the Government Coronavirus Job Retention Scheme of \$3,578,000 (2020: \$29,179,000). Included in other pension costs are \$39,414,000 (2020: \$44,373,000) in respect of defined benefit schemes (note 20) and \$356,000 (2020: \$272,000) in respect of the company's defined contribution schemes. As the Aviva DCPS only commenced on 11 December 2021, there are no contributions included in other pension costs.

| | 2021 \$'000 | 2020 \$'000 |
|------------------------------|----------------|----------------|
| Directors' remuneration: | | |
| Short-term employee benefits | <u>747</u> | <u>724</u> |

| | 2021 No. | 2020 No. |
|---|-------------|-------------|
| Number of directors accruing benefits under defined benefit schemes | <u>2</u> | <u>2</u> |

| | 2021 \$'000 | 2020 \$'000 |
|------------------------|----------------|----------------|
| Highest paid director: | | |
| Remuneration | <u>620</u> | <u>467</u> |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

6. STAFF COSTS (CONTINUED)

The average number of employees (including directors) employed by the company during the year was as follows:

| | 2021 <i>No.</i> | 2020 <i>No.</i> |
|----------------|--------------------|--------------------|
| Operations | 2,600 | 3,048 |
| Administration | 155 | 174 |
| | <u>2,755</u> | <u>3,222</u> |

7. INCOME TAX

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| (a) Tax charged to the profit and loss account | | |
| <i>Current income tax</i> | | |
| Current tax on profits for the year | 711 | 323 |
| Adjustment in respect of prior years | - | (13) |
| Total current tax charge | <u>711</u> | <u>310</u> |
| <i>Deferred income tax</i> | | |
| Origination and reversal of temporary differences in current year | - | 107,142 |
| Origination and reversal of temporary differences in respect of prior periods | - | (5,218) |
| Effect of changes in tax rates | - | (11,524) |
| Total deferred tax charge | <u>-</u> | <u>90,400</u> |
| Total tax charge in the profit and loss account | <u>711</u> | <u>90,710</u> |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2021

7. INCOME TAX (CONTINUED)

(b) Tax relating to items in other comprehensive income

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| <i>Deferred tax</i> | | |
| Tax credit on cash flow hedges | - | (407) |
| Tax charge on retirement benefits | - | 39,815 |
| Total tax charge in the statement of comprehensive income | <u>-</u> | <u>39,408</u> |

Changes to the future expected UK corporation tax rates were enacted as part of the Finance (No.2) Act 2021 which received Royal assent on 10 June 2021, in which the government announced that the corporation tax main rate will increase to 25% for the year starting 1 April 2023 and thereafter. Deferred tax assets and liabilities have been remeasured at the blended average rates at which they are expected to unwind.

(c) Reconciliation of the total tax charge

The differences are reconciled below:

| | 2021 \$'000 | 2020 \$'000 |
|---|-----------------|------------------|
| Loss before tax | <u>(75,779)</u> | <u>(409,482)</u> |
| Tax on loss at statutory rate of corporation tax in the UK of 19% (2020: 19%) | (14,398) | (77,802) |
| Effects of: | | |
| Adjustable items for tax purposes | 551 | 2,300 |
| Adjustments in respect of prior periods | - | (5,231) |
| Tax rate changes | - | (11,524) |
| Amounts not recognised | <u>14,558</u> | <u>182,967</u> |
| Total tax charge in the profit and loss account | <u>711</u> | <u>90,710</u> |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2021

7. INCOME TAX (CONTINUED)

(d) Deferred tax assets

Deferred tax assets of \$253,627,000 (2020: \$224,112,000) were not recognised as at 31 December 2021. Based on the level of historical taxable losses and projections for the future taxable income, directly impacted by the coronavirus pandemic and continuing challenging costs pressures in the aerospace industry, management believes these deferred tax assets should not be recognised in the company's balance sheet.

At the end of each reporting period, management will reassess the de-recognition of these deferred assets to determine the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

These unrecognised deferred tax assets are still available for the company to utilise in the event of future taxable profits; cash tax will not be impacted by the de-recognition of these assets.

| | 2021 \$'000 | 2020 \$'000 |
|--|-------------------|-------------------|
| Provision at start of period | - | (129,876) |
| Adjustments in respect of prior years | - | (5,150) |
| Deferred tax charge to income statement for period | - | 95,618 |
| Deferred tax charge to OCI for period | - | 39,408 |
| | <u> </u> | <u> </u> |
| Total tax charge in the profit and loss account | <u> </u> | <u> </u> |

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| The net deferred tax included in the balance sheets is as follows: | | |

| | | |
|-------------------------------|-------------------|-------------------|
| <i>Deferred tax asset</i> | | |
| Fixed assets | (11,165) | (6,259) |
| | <u> </u> | <u> </u> |
| | (11,165) | (6,259) |
| <i>Deferred tax liability</i> | | |
| Intangible asset | 11,165 | 6,259 |
| | <u> </u> | <u> </u> |
| | 11,165 | 6,259 |
| | <u> </u> | <u> </u> |
| | - | - |
| | <u> </u> | <u> </u> |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

7. INCOME TAX (CONTINUED)

(d) Deferred tax assets (continued)

Unrecognised deferred tax not booked to the balance sheet is as follows:

| | 2021 \$'000 | 2020 \$'000 |
|---------------------------------|-------------------|-------------------|
| Pensions | (10,080) | (76,572) |
| Fixed assets | (5,185) | (13,604) |
| Temporary differences | (31,461) | (7,661) |
| Corporate interest restriction | (36,631) | (19,562) |
| Tax losses | (169,640) | (106,713) |
| Cash flow hedges | (496) | - |
| Share based payments | (134) | - |
| | <u> </u> | <u> </u> |
| Unrecognised deferred tax asset | <u>(253,627)</u> | <u>(224,112)</u> |

The deferred tax charge included in the profit and loss account is as follows:

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------------|-------------------|-------------------|
| Pensions | - | (30,318) |
| Fixed assets | - | 11,166 |
| Intangible assets | - | (814) |
| Corporate interest restriction | - | (16,812) |
| Tax losses | - | (59,192) |
| Share based payment | - | (460) |
| Temporary differences | - | 6,030 |
| | <u> </u> | <u> </u> |
| Deferred tax charge | <u>-</u> | <u>(90,400)</u> |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2021

8. INTANGIBLE ASSETS

| | <i>Development expenditure \$'000</i> | <i>Software \$'000</i> | <i>Carbon emissions \$'000</i> | <i>Total \$'000</i> |
|-------------------------------------|---|----------------------------|--|-------------------------|
| Cost: | | | | |
| At 1 January 2021 | 147,677 | 10,443 | 332 | 158,452 |
| Additions | 397 | 13,668 | 211 | 14,276 |
| At 31 December 2021 | <u>148,074</u> | <u>24,111</u> | <u>543</u> | <u>172,728</u> |
| Amortisation and Impairment: | | | | |
| At 1 January 2021 | 116,113 | 9,065 | - | 125,178 |
| Charge for the year | 1,133 | 1,214 | - | 2,347 |
| At 31 December 2021 | <u>117,246</u> | <u>10,279</u> | <u>-</u> | <u>127,525</u> |
| Net book value: | | | | |
| At 31 December 2021 | <u>30,828</u> | <u>13,832</u> | <u>543</u> | <u>45,203</u> |
| At 31 December 2020 | <u>31,564</u> | <u>1,378</u> | <u>332</u> | <u>33,274</u> |

There were no borrowing costs incurred in 2021 to be capitalised within development expenditure additions (2020: nil).

Software additions in the year relate to capitalised costs associated with the transitioning of IT systems to align with the Group, following the acquisition by Spirit in October 2020. Software additions of \$13,668,000 in the year comprised \$5,989,000 directly attributable implementation costs, \$1,627,000 of cloud software and \$6,052,000 for other software. Software additions are amortised over their estimated useful life, which is between 3 and 5 years.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2021

9. TANGIBLE ASSETS

| | <i>Right of Use Assets</i> \$'000 | <i>Assets in the course construction</i> \$'000 | <i>Long leasehold land and buildings</i> \$'000 | <i>Plant and equipment</i> \$'000 | <i>Total</i> \$'000 |
|---|--|--|--|--|------------------------|
| Cost: | | | | | |
| At 1 January 2021 | 20,046 | 69,551 | 317,444 | 417,204 | 824,245 |
| Additions | 10,250 | 8,925 | 140 | 7,576 | 26,891 |
| Transfers | - | (1,455) | - | 1,455 | - |
| Disposals | - | (148) | - | (8,744) | (8,892) |
| At 31 December 2021 | 30,296 | 76,873 | 317,584 | 417,491 | 842,244 |
| Depreciation and Impairment: | | | | | |
| At 1 January 2021 | 3,064 | 62,800 | 176,126 | 381,945 | 623,935 |
| Charge for the year | 4,377 | - | 9,524 | 11,900 | 25,801 |
| Disposals | - | - | - | (78) | (78) |
| At 31 December 2021 | 7,441 | 62,800 | 185,650 | 393,767 | 649,658 |
| Net book value: | | | | | |
| At 31 December 2021 | 22,855 | 14,073 | 131,934 | 23,724 | 192,586 |
| At 31 December 2020 | 16,982 | 6,751 | 141,318 | 35,259 | 200,310 |

There were additions to the company's right of use assets of \$10,250,000 (2020: \$8,133,000) (note 25) in relation to leased IT equipment.

The additions to assets in the course of construction relate to plant and equipment of \$8,818,000 (2020: \$24,235,000) and land and buildings of \$123,000 (2020: \$1,481,000).

The additions to plant and equipment in the year of \$7,576,000 (2020: \$12,539,000) is made up of tooling additions of \$6,406,000, additions in relation to A220 and A320 of \$227,000 and general equipment additions of \$943,000.

There were borrowing costs capitalised during 2021 of \$1,075,000 (2020: \$273,000). Borrowing costs were capitalised at the company's general rate of borrowing of 5.64% (2020: 5.99%).

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

10. INVESTMENTS

| | |
|--|---------------|
| | <i>Total</i> |
| | <i>\$'000</i> |
| Cost and net book value at 1 January 2021 and 31 December 2021 | - |

Details of the principal investments in which the company or its subsidiary undertakings held more than 10% of the nominal value of any class of share capital are as follows:

| <i>Name of company</i> | <i>Address of registration (or incorporation) and operation</i> | <i>Holding</i> | <i>Proportion shares held</i> | <i>Nature of business</i> |
|--|--|-----------------|-------------------------------|---------------------------|
| <i>Principal subsidiary undertakings</i> | | | | |
| All held by the company: | | | | |
| Short Brothers Pension Trustee Ltd | Airport Road, Belfast, Co Antrim BT3 9DZ Northern Ireland | Ordinary shares | 100% | Non trading company |
| Short Brothers CIF Trustee Ltd | Airport Road, Belfast, Co Antrim BT3 9DZ Northern Ireland | Ordinary shares | 100% | Non trading company |
| Spirit AeroSystems Belfast Executive Benefits Trustee Ltd (Formerly: Bombardier Aerospace Shorts Executive Benefits Trustee Ltd) | Airport Road, Belfast, Co Antrim BT3 9DZ Northern Ireland | Ordinary shares | 100% | Non trading company |

11. INVENTORIES

| | | |
|------------------|----------------|----------------|
| | <i>2021</i> | <i>2020</i> |
| | <i>\$'000</i> | <i>\$'000</i> |
| Raw materials | 30,125 | 30,637 |
| Work in progress | 108,577 | 125,799 |
| Finished goods | 113,336 | 83,365 |
| | <u>252,038</u> | <u>239,801</u> |

The write-down of inventories recognised in cost of sales is \$12,915,000 (2020: \$45,339,000). This includes general provisioning, slow moving and obsolete stock and specific write-down of stock to net realisable value.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

12. DEBTORS

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| | \$'000 | \$'000 |
| Amounts falling due within one year: | | |
| <i>Trade and other receivables:</i> | | |
| Trade debtors | 94,346 | 103,877 |
| Less: provision for expected credit losses | <u>(7,526)</u> | <u>(7,184)</u> |
| Net trade debtors | 86,820 | 96,693 |
| Other debtors | 3,520 | 1,158 |
| VAT receivable | 4,800 | 1,208 |
| Income tax credit receivable | 1,320 | 2,743 |
| Prepayments | 14,823 | 11,494 |
| | <u>111,283</u> | <u>113,296</u> |
| Amounts falling due after more than one year: | | |
| Income tax credit receivable | 1,716 | - |
| Other assets | 155 | - |
| | <u>1,871</u> | <u>-</u> |
| Total debtors | <u><u>113,154</u></u> | <u><u>113,296</u></u> |

The expected losses are based on the payment profiles over a period over 5 years before 31 December 2021 and the corresponding historical credit losses experienced within this period. The provision for expected credit loss in 2021 is \$7,526,000 (2020: \$7,184,000).

13. CASH

| | 2021 | 2020 |
|--------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Cash at bank and in hand | <u>75,411</u> | <u>41,192</u> |

Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group. The company's cash at bank and in hand balance is denominated in US Dollars, Sterling and Euro.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2021 | 2020 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| <i>Trade and other payables:</i> | | |
| Trade creditors | 93,929 | 70,334 |
| Amounts due to related parties | 18,670 | 4,587 |
| Accruals | 59,612 | 56,175 |
| <i>Financial liabilities:</i> | | |
| Vendor non-recurring liability | 4,994 | 6,824 |
| Government refundable advances (note 15) | 30,856 | 17,319 |
| Derivative financial instrument (note 18) | 1,983 | - |
| <i>Other liabilities:</i> | | |
| Payroll related liabilities | 21,845 | 16,342 |
| Deferred revenue (note 19) | 2,482 | 3,454 |
| Lease liability (note 25) | 3,674 | 1,271 |
| | <u>238,045</u> | <u>176,306</u> |

Included in payroll related liabilities above is an amount of \$3,279,000 (2020: \$4,396,000) for other taxes and social security costs.

Vendor non-recurring liability

The vendor non-recurring liability relates to unsecured vendor contributions which will be repaid in full by the end of 2022. Contributions are discounted and non-interest bearing.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2021 | 2020 |
|--------------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| <i>Financial liabilities:</i> | | |
| Amounts due to related parties | 86,124 | 20,083 |
| Government refundable advances | 289,172 | 275,125 |
| <i>Other liabilities:</i> | | |
| Deferred revenue (note 19) | 14,315 | 16,452 |
| Lease liability (note 25) | 22,942 | 16,279 |
| Other liabilities | 363 | - |
| | <u>412,916</u> | <u>327,939</u> |

Amounts due to related parties

Loan balances due to other related parties are unsecured and bear interest at the rate of US LIBOR plus 3.75% per annum. Loan balances include repayments in the year of \$55,000,000, additional drawdown of \$120,000,000, and interest incurred of \$1,125,000. Balances are repayable by the end of 2025.

Leases

The company has a number of leases which are guaranteed by Spirit and are repayable over various terms of which details can be seen at note 25.

Government refundable advances

The government refundable advances relate to repayable launch investment provided to the company by the UK Government and are not wholly repayable within five years. Conditions for the repayment of this investment depend upon the successful outcome of programmes for which the investment is allocated. The investment will be reimbursed to the UK government in the form of levy payments linked to aircraft sales on the related programmes.

The movement during the year, as seen below, represents repayments of \$7,443,000 (2020: \$7,443,000), accretion of interest and realignment of rates of \$30,235,000 (2020: \$7,643,000) and foreign exchange loss of \$4,792,000 (2020: gain of \$13,953,000)

| | <i>Total</i> |
|--|----------------|
| | \$'000 |
| Government refundable advances: | |
| At 1 January 2020 | 293,576 |
| Movement during the year | <u>(1,132)</u> |
| At 31 December 2020 | 292,444 |
| Movement during the year | <u>27,584</u> |
| At 31 December 2021 | <u>320,028</u> |

Analysed as:

| | 2021 | 2020 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Creditors: falling due within one year | 30,856 | 17,319 |
| Creditors: falling due after more than one year | 289,172 | 275,125 |
| Total government refundable advances | <u>320,028</u> | <u>292,444</u> |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2021

16. PROVISIONS FOR LIABILITIES

| | 2021 \$'000 | 2020 \$'000 |
|-------------------------------|----------------|----------------|
| Other provisions (note 17) | 218,773 | 214,364 |
| Retirement benefits (note 20) | 40,320 | 403,011 |
| | <u>259,093</u> | <u>617,375</u> |

17. OTHER PROVISIONS

| | <i>Termination agreements</i> \$'000 | <i>Product warranties</i> \$'000 | <i>Liability and damage claims</i> \$'000 | <i>Onerous contract</i> \$'000 | <i>Restructuring</i> \$'000 | <i>Total</i> \$'000 |
|-----------------------------|---|---|--|---------------------------------------|--------------------------------|------------------------|
| At 1 January 2020 | 4,700 | 18,541 | 2,135 | - | 2,492 | 27,868 |
| Created | 2,360 | 6,375 | 4,201 | 193,430 | 39,600 | 245,966 |
| Released | (1,896) | (14,656) | (176) | - | (5,576) | (22,304) |
| Utilised | (1,173) | (1,808) | (130) | (4,539) | (29,980) | (37,630) |
| Movement due to discounting | - | 39 | - | - | - | 39 |
| Exchange adjustment | - | 151 | 36 | - | 238 | 425 |
| At 31 December 2020 | <u>3,991</u> | <u>8,642</u> | <u>6,066</u> | <u>188,891</u> | <u>6,774</u> | <u>214,364</u> |
| Created | - | 4,341 | 436 | 36,268 | - | 41,045 |
| Released | (1,526) | (282) | (664) | - | - | (2,472) |
| Transferred | - | - | - | (2,015) | - | (2,015) |
| Utilised | (1,334) | (1,475) | - | (33,158) | (6,467) | (42,434) |
| Movement due to discounting | - | - | - | 10,372 | - | 10,372 |
| Exchange adjustment | - | (27) | 127 | - | (187) | (87) |
| At 31 December 2021 | <u>1,131</u> | <u>11,199</u> | <u>5,965</u> | <u>200,358</u> | <u>120</u> | <u>218,773</u> |

Termination agreements

Provisions for termination agreements are recognised within cost of sales. The exit from programs gives rise to a constructive obligation for the costs associated with the exit. These costs are typically for dismantling/decommissioning, together with purchase order related costs. Best estimates are based on a number of factors, including cost experience and historical claim data. Elements of these exit provisions may also recognise within inventory.

Product warranties

A provision for warranty costs is recorded in cost of sales. The cost is estimated based on a number of factors, including the historical claim and cost experience, the duration of warranty coverage and the nature of the product sold. The product warranty for aircraft components extends up to 20 years.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

17. OTHER PROVISIONS (CONTINUED)

Liability and damage claims

In the normal course of operations, the company is a defendant against various matters and uncertainties associated with agreements entered into with third parties. Best estimates of the associated costs have been recorded in other expenses or cost of sales. The company intends to vigorously defend its position in these matters and any resulting costs are expected to be paid within the next 10 years.

Onerous Contracts

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The movement of the provision is impacted by anticipated delivery schedules, since for new aircraft programmes early production units require higher costs than units produced later in the processes. The calculation is based on projections until 2025.

During the year, the company performed a review of its contracts to reassess the unavoidable costs to fulfil performance obligations. This reassessment resulted in an additional charge of \$34,428,000 (2020: \$193,430,000) in respect of future obligations.

An assessment of inventory net realisable value (NRV) as of 31 December 2021 resulted in a transfer of \$2,014,000 (2020: \$nil) from the onerous contract provision to the inventory obsolescence provision.

Restructuring provision

A provision is held regarding the costs associated with the restructuring of the company and subsequent redundancy costs. These costs are expected to be paid within the next year.

18. FINANCIAL INSTRUMENTS

Methods and assumptions

Fair value amounts disclosed in these financial statements represent the company's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The methods and assumptions used to measure the fair value is as follows:

Favourable and unfavourable derivative financial instruments

The fair value of derivative financial instruments for forward currency contracts generally reflects the estimated amounts that the company would receive to sell favourable contracts (taking into consideration the counterparty credit risk) or pays to transfer the unfavourable contracts (taking into consideration the company's credit risk) at the reporting dates. The company uses discounted cash flow analysis and public quotations to estimate the fair value of forward agreements. The fair value is calculated using marked data such as foreign exchange spot rates.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2021

19. DEFERRED REVENUE

| | <i>Government grants \$'000</i> | <i>Deferred income \$'000</i> | <i>Total \$'000</i> |
|---|---|---------------------------------------|-------------------------|
| At 1 January 2020 | 21,113 | 1,680 | 22,793 |
| Received | - | 403 | 403 |
| Reclassification | (23) | - | (23) |
| Released to profit and loss account | <u>(3,021)</u> | <u>(246)</u> | <u>(3,267)</u> |
| At 31 December 2020 | 18,069 | 1,837 | 19,906 |
| Released to profit and loss account | <u>(2,200)</u> | <u>(909)</u> | <u>(3,109)</u> |
| At 31 December 2021 | <u>15,869</u> | <u>928</u> | <u>16,797</u> |
| | | <i>2021</i> | <i>2020</i> |
| | | <i>\$'000</i> | <i>\$'000</i> |
| Analysed as: | | | |
| Creditors: amounts falling due within one year | | 2,482 | 3,454 |
| Creditors: amounts falling due after more than one year | | <u>14,315</u> | <u>16,452</u> |
| | | <u>16,797</u> | <u>19,906</u> |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

20. RETIREMENT BENEFITS

The company's principal pension scheme was a defined benefit scheme up until 10 December 2021, when the scheme was closed to future accrual and was replaced by a defined contribution scheme. The new defined contribution pension scheme is administered by Aviva and as the scheme only commenced on 11 December 2021 there are no contributions included in other pension costs. The pension scheme is operated under the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997, with the guidelines set out in the Statement of Recommended Practice (revised June 2018) - Financial Reports of Pension Schemes.

The defined benefit scheme is funded by the payment of contributions to a separately administered trust fund. The scheme is governed by a Trust Deed and Rules and the Trustee of the scheme is Short Brothers Pension Trustee Limited ("SBPTL"). The sole responsibility of SBPTL is to run the scheme as its Trustee. The Board of SBPTL, consists of six company Nominated Directors, three Member Nominated Directors, one Pensioner Nominated Director and one Independent Board member. The Board of SBPTL is responsible for the administration of the pension scheme assets and for establishing the investment strategy and performance objectives of the scheme.

Each year, the Board of SBPTL, in conjunction with its professional advisers, continues its work reviewing the scheme's level of compliance with the recommendations set out in the Pension Regulator's Code of practice on Internal Controls. The Board continually reviews its training needs and skills to ensure effective decision making. The Directors in place throughout the year met on four occasions to discuss matters in relation to the administration and management of the scheme.

Contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of regular actuarial valuations using the projected unit credit method. The company made regular (and deficit repair) contributions of \$166,498,000, which includes the \$130,000,000 on the anniversary of acquisition by Spirit AeroSystems (December 2020: \$42,200,000), with regular contributions being 13.1% (2020: 13.1%) of pensionable earnings (excluding employee salary sacrifice contributions).

In the year ended 31 December 2022, the company expects to contribute \$21,586,000 to the scheme which represents ongoing deficit repair contributions and a contribution towards pension scheme costs. The company also provides certain additional post-retirement healthcare benefits to senior employees. These benefits are unfunded. The actuarial valuation conducted as of 31 December 2018 has been updated using the major assumptions as set out below.

| | 2021 | 2020 |
|--|--------|--------|
| Major assumptions: | | |
| Rate of general increase in salaries | 2.90% | 3.00% |
| Rate of increase in pensions in payment: | | |
| Pre April 1997 service | 0.00% | 0.00% |
| Inflation up to 5% p.a. for service between April 1997 and October 2005 | 2.70% | 2.81% |
| Inflation up to 2.5% p.a. for service between October 2005 and October 2015 | 1.90% | 1.88% |
| Inflation up to 2.5% p.a. service for post October 2015 | 1.90% | 1.64% |
| Discount rate for scheme liabilities | 1.80% | 1.45% |
| Inflation: | | |
| RPI | 3.20% | 2.80% |
| CPI | 2.85% | 2.40% |
| Proportion of members commuting maximum allowable pension for cash at retirement | 95.00% | 95.00% |
| Average expected future life at age 65 for: | | |
| Male currently aged 65 | 21.2 | 21.4 |
| Female currently aged 65 | 23.6 | 23.7 |
| Male currently aged under 65 | 22.5 | 22.7 |
| Female currently aged under 65 | 25.1 | 25.1 |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2021

20. RETIREMENT BENEFITS (CONTINUED)

| | 2021 | 2020 |
|---|-------|-------|
| Major assumptions: other benefits | | |
| Rate of increase in healthcare benefits | 5.75% | 5.50% |
| Discount rate for scheme liabilities | 1.80% | 1.45% |
| Average expected future life at age 65 for: | | |
| Male currently aged 65 | 21.2 | 21.4 |
| Female currently aged 65 | 23.6 | 23.7 |
| Male currently aged under 65 | 22.5 | 22.7 |
| Female currently aged under 65 | 25.1 | 25.1 |

Discount rates represent the market rates for high quality corporate fixed income investments available for the period to maturity of the benefits. The expected rates of return are established using a stochastic model to forecast returns for each category of scheme assets based on assumptions as to risk free rates and equity return scenarios that align to the scheme investment style and policy. The expected rate of salary increases is determined considering the current and expected salary structure and collective agreements, as well as historical and anticipated wage increases. The mortality assumptions are based on standard mortality tables which allow for future mortality improvements.

The assets and liabilities of the schemes are as follows:

| | <i>Pension benefits \$'000</i> | <i>Other benefits \$'000</i> | <i>Total retirement benefits \$'000</i> |
|-------------------------------------|--|--------------------------------------|---|
| <i>At 31 December 2021</i> | | | |
| Fair value of scheme assets | 2,476,492 | - | 2,476,492 |
| Present value of scheme liabilities | (2,516,005) | (807) | (2,516,812) |
| Scheme deficit | (39,513) | (807) | (40,320) |
| <i>At 31 December 2020</i> | | | |
| Fair value of scheme assets | 2,259,270 | - | 2,259,270 |
| Present value of scheme liabilities | (2,661,468) | (813) | (2,662,281) |
| Scheme deficit | (402,198) | (813) | (403,011) |

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

| | 2021 % | 2020 % |
|----------|-----------|-----------|
| Equities | 44.27 | 44.76 |
| Bonds | 44.06 | 46.85 |
| Cash | 11.67 | 8.39 |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2021

20. RETIREMENT BENEFITS (CONTINUED)

Analysis of the amount recognised in the profit and loss account

| | <i>Pension benefits \$'000</i> | <i>Other benefits \$'000</i> | <i>Total retirement benefits \$'000</i> |
|---|--|--------------------------------------|---|
| <i>Year ended 31 December 2021</i> | | | |
| Current service costs | 39,345 | 69 | 39,414 |
| Curtailment gain | (60,531) | - | (60,531) |
| Administrative expenses | 1,266 | - | 1,266 |
| Recognised in operating profit | <u>(19,920)</u> | <u>69</u> | <u>(19,851)</u> |
| Net interest on defined benefit liability | <u>6,896</u> | <u>10</u> | <u>6,906</u> |
| <i>Year ended 31 December 2020</i> | | | |
| Current service costs | 44,302 | 71 | 44,373 |
| Curtailment gain | (6,835) | - | (6,835) |
| Administrative expenses | 14,970 | - | 14,970 |
| Recognised in operating profit | <u>52,437</u> | <u>71</u> | <u>52,508</u> |
| Net interest on defined benefit liability | <u>7,504</u> | <u>14</u> | <u>7,518</u> |

The majority of the current service costs are recognised within cost of sales.

During the year ended December 2021, \$60,531,000 (2020: \$6,835,000) curtailment gain resulting from the closure of the defined benefit scheme to future accrual (2020: restructuring of the company) was recognised within other exceptional items.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2021

20. RETIREMENT BENEFITS (CONTINUED)

Analysis of the amount recognised in the statement of comprehensive income

| | <i>Pension benefits</i> | <i>Other benefits</i> | <i>Total retirement benefits</i> |
|--|-----------------------------|---------------------------|--|
| | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> |
| <i>Year ended 31 December 2021</i> | | | |
| Return on scheme assets (excluding amounts included in net interest expense) | 100,831 | - | 100,831 |
| Actuarial changes from changes in assumptions | 30,306 | 8 | 30,314 |
| Actuarial changes arising from changes in demographic assumptions | 6,686 | - | 6,686 |
| Actuarial changes from experience adjustments | 32,871 | - | 32,871 |
| | <hr/> | <hr/> | <hr/> |
| Net actuarial gains recognised in the statement of comprehensive income | 170,694 | 8 | 170,702 |
| Foreign exchange (losses)/gains | (1,904) | 8 | (1,896) |
| | <hr/> | <hr/> | <hr/> |
| | 168,790 | 16 | 168,806 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| <i>Year ended 31 December 2020</i> | | | |
| Return on scheme assets (excluding amounts included in net interest expense) | 146,401 | - | 146,401 |
| Actuarial changes from changes in assumptions | (304,608) | 24 | (304,584) |
| Actuarial changes arising from changes in demographic assumptions | 208,371 | - | 208,371 |
| Actuarial changes from experience adjustments | (18,244) | - | (18,244) |
| | <hr/> | <hr/> | <hr/> |
| Net actuarial gains/ recognised in the statement of comprehensive income | 31,920 | 24 | 31,944 |
| Foreign exchange losses | (13,866) | (27) | (13,893) |
| | <hr/> | <hr/> | <hr/> |
| | 18,054 | (3) | 18,051 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

20. RETIREMENT BENEFITS (CONTINUED)

Changes in the fair value of scheme assets

| | <i>Pension Benefits \$'000</i> | <i>Other benefits \$'000</i> | <i>Total retirement Benefits \$'000</i> |
|----------------------------------|--|--------------------------------------|---|
| At 1 January 2020 | 2,007,843 | - | 2,007,843 |
| Interest income on scheme assets | 39,041 | - | 39,041 |
| Actuarial gains on scheme assets | 146,401 | - | 146,401 |
| Administrative expenses | (14,970) | - | (14,970) |
| Employers' contributions | 51,858 | 62 | 51,920 |
| Members' contributions | 1,011 | - | 1,011 |
| Benefits paid | (53,740) | (62) | (53,802) |
| Foreign exchange movement | 81,826 | - | 81,826 |
| At 31 December 2020 | <u>2,259,270</u> | <u>-</u> | <u>2,259,270</u> |
| Interest income on scheme assets | 30,491 | - | 30,491 |
| Actuarial gains on scheme assets | 100,831 | - | 100,831 |
| Administrative expenses | (1,266) | - | (1,266) |
| Employers' contributions | 180,871 | 69 | 180,940 |
| Members' contributions | 946 | - | 946 |
| Benefits paid | (67,853) | (69) | (67,922) |
| Foreign exchange movement | (26,798) | - | (26,798) |
| At 31 December 2021 | <u><u>2,476,492</u></u> | <u><u>-</u></u> | <u><u>2,476,492</u></u> |

Changes in the present value of the scheme liabilities

| | <i>Pension Benefits \$'000</i> | <i>Other benefits \$'000</i> | <i>Total retirement Benefits \$'000</i> |
|--|--|--------------------------------------|---|
| At 1 January 2020 | (2,420,014) | (787) | (2,420,801) |
| Current service cost | (44,302) | (71) | (44,373) |
| Curtailment gain | 6,835 | - | 6,835 |
| Interest on scheme liabilities | (46,545) | (14) | (46,559) |
| Actuarial (losses)/gains on scheme liabilities | (114,481) | 24 | (114,457) |
| Members' contributions | (1,011) | - | (1,011) |
| Benefits paid | 53,740 | 62 | 53,802 |
| Foreign exchange movement | (95,690) | (27) | (95,717) |
| At 31 December 2020 | <u>(2,661,468)</u> | <u>(813)</u> | <u>(2,662,281)</u> |
| Current service cost | (39,345) | (69) | (39,414) |
| Curtailment gain | 60,531 | - | 60,531 |
| Interest on scheme liabilities | (37,387) | (10) | (37,397) |
| Actuarial gains on scheme liabilities | 69,863 | 8 | 69,871 |
| Members' contributions | (946) | - | (946) |
| Benefits paid | 67,853 | 69 | 67,922 |
| Foreign exchange movement | 24,894 | 8 | 24,902 |
| At 31 December 2021 | <u><u>(2,516,005)</u></u> | <u><u>(807)</u></u> | <u><u>(2,516,812)</u></u> |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2021

20. RETIREMENT BENEFITS (CONTINUED)

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---------------------------------------|-------------|-------------|----------------------|----------------------|----------------------|
| | \$'000 | \$'000 | (Restated) \$'000 | (Restated) \$'000 | (Restated) \$'000 |
| Pension benefits | | | | | |
| Fair value of scheme assets | 2,476,492 | 2,259,270 | 2,007,843 | 1,710,838 | 1,896,070 |
| Present value of scheme liabilities | (2,516,005) | (2,661,468) | (2,420,014) | (1,922,643) | (2,175,437) |
| Scheme deficit | (39,513) | (402,198) | (412,171) | (211,805) | (279,367) |
| Experience adjustments on liabilities | 32,871 | (18,244) | 353 | 6,966 | (2,056) |
| Experience adjustments on assets | 100,831 | 146,401 | 214,721 | (116,559) | 118,755 |
| Other benefits | | | | | |
| Present value of scheme liabilities | (807) | (813) | (787) | (687) | (1,272) |
| Scheme deficit | (807) | (813) | (787) | (687) | (1,272) |
| Experience adjustments on liabilities | - | - | 6 | 574 | 55 |

A 0.25 percentage point increase in one of the following actuarial assumptions would have the following effects, all other actuarial assumptions remaining unchanged:

| | Retirement benefit cost for the year 2021 | Retirement benefit liability as at 31 December 2021 |
|----------------|---|---|
| | \$'000 | \$'000 |
| Discount rate | (3,518) | (133,967) |
| Inflation rate | 1,353 | 79,779 |

A one-year additional life expectancy as at 31 December 2021 would increase the net retirement benefit liability by \$116,375,000 and the retirement benefit cost for the year 2021 by \$2,030,000, all other actuarial assumptions remaining unchanged.

The sensitivity analyses above have been determined by estimating the impact on the defined benefit obligation of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

20. RETIREMENT BENEFITS (CONTINUED)

The cumulative amount of actuarial losses recognised since 1 February 2010 in the company's statement of comprehensive income is \$73,400,000 (2020: \$243,700,000). The company is unable to determine how much of the pension scheme deficit recognised on transition to PFRS 9 of \$191,300,000 and taken directly to total equity is attributable to actuarial gains and losses since inception of the scheme.

Therefore, the company is unable to determine the amount of the actuarial gains and losses that would have been recognised in the statement of comprehensive income before 1 February 2010.

21. SHARE CAPITAL AND RESERVES

Share capital

| | 2021 <i>No.</i> | 2020 <i>No.</i> | 2021 <i>\$'000</i> | 2020 <i>\$'000</i> |
|--|--------------------|--------------------|-----------------------|-----------------------|
| Authorised shares: | | | | |
| Ordinary shares of £0.20 each | 550,000,000 | 550,000,000 | 189,824 | 189,824 |
| Ordinary shares issued and fully paid: | | | | |
| Ordinary shares of £0.20 each | <u>493,635,001</u> | <u>493,635,000</u> | <u>169,294</u> | <u>169,294</u> |

On 28 October 2021, the company issued 1 ordinary share of £0.20. The company recognised \$nil in share capital and \$153,382,000 in share premium.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The nominal value of each share is £0.20 and each class of ordinary share carry equal rights and rank pari passu with each other. The ordinary shares entitle the holder to one vote, dividend payment and participation in distributions in the case of an exit event or liquidation.

Share Premium

The share premium account represents the aggregate value of the premiums on shares issued.

Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date, net of tax.

Retained earnings

Retained earnings contain accumulated losses and share based payment transactions incurred as at the reporting date, net of tax.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

22. SHARE BASED PAYMENTS

Prior to the sale to Spirit AeroSystems in 2020, certain employees of the company were granted share options and performance share units in respect of the company's previous ultimate parent undertaking, Bombardier. These awards were granted by Bombardier. Upon sale to Spirit AeroSystems on 30 October 2020, the company ceased to be a part of the share option plan.

Details of each scheme, that have since ceased, are given below.

Share option plan

Under the share option plan certain employees of Bombardier, including certain employees of the company, were granted options to purchase Class B shares (Subordinate Voting) in Bombardier.

The significant terms and conditions of the plan were:

- The exercise price was equal to the weighted average trading prices on the Toronto Stock Exchange during the five days preceding the date on which the options were granted.
- The options vest at the expiration of the third year following the grant date; and
- The options terminate no later than seven years after the grant date.

There were no share options exercised during the year ended 31 December 2021 and year ended 31 December 2020.

Performance share unit plan

Upon sale to Spirit AeroSystems on 30 October 2020, the company ceased to be a part of the performance share unit plan.

Former ultimate parent undertaking, Bombardier, approved a performance share unit plan under which performance share units (PSUs) were granted to designated employees including certain employees of the company. The PSUs gave recipients the right, upon vesting, to receive a certain number of Class B shares (Subordinate Voting) in Bombardier. PSUs granted vest three years after award based upon the fulfilment of certain financial performance thresholds. The conversion ratio for vested PSUs ranged from 50% to 100%. At the employee's discretion, PSUs could have been settled in shares in the ultimate parent undertaking or as a cash settlement equal to the sale value of the share settlement at the market share price prevailing on the date they vested. As the company did not have an obligation to settle the share-based payment award, the company accounted for this transaction as an equity settled award.

Set out below are the costs incurred pertaining to the above Bombardier schemes:

| | 2021 | 2020 |
|---|--------|---------|
| | \$'000 | \$'000 |
| As at 1 January | - | 2,237 |
| Charge for the year – Share Options | - | - |
| Charge for the year – Performance Share Units | - | (1,232) |
| Recharge from previous parent undertaking – Share Options | - | - |
| Recharge from previous parent undertaking – Performance Share Units | - | - |
| Write off balance at acquisition – Performance Share Units | - | (1,005) |
| At 31 December | - | - |
| Share Option | - | - |
| Performance Share Units | - | - |

The above costs have been recognised within administrative expenses in the profit and loss account.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

22. SHARE BASED PAYMENTS (CONTINUED)

Long-Term Incentive Plan

Key employees of the company are eligible for compensation under the stock compensation offerings of the parent company. Under this plan, employees are given the opportunity to acquire Spirit AeroSystems International Holdings Inc. Class A common stock at their market value at the grant date. The awards vest in line with the Long-Term Incentive Plan rules, with the common stock being released in three equal instalments over a three-year period.

| | 2021 | 2020 |
|----------------------------|---------------|---------------|
| | <i>Number</i> | <i>Number</i> |
| Opening | 10,223 | - |
| Granted | 39,360 | 10,223 |
| Forfeited | (1,112) | - |
| Vested | (4,417) | - |
| | <u>44,054</u> | <u>10,223</u> |
| Outstanding at 31 December | <u>44,054</u> | <u>10,223</u> |

There is no exercise price as the common stock can be sold as soon as they vest, with no common stock purchase required.

The total charge for the financial year relating to share based payments for the Long-Term Incentive Plan was \$535,000 to 31 December 2021 (2020: \$27,000) which included \$Nil (2020: \$Nil) for compensation cost of purchase of common stock from Spirit AeroSystems International Holdings Inc. at discount from fair market value.

23. CONTINGENT LIABILITIES

The company has a global supply base with numerous supporting contracts in place. The company reviewed its significant contracts and believed that contractual terms are being met.

Government grants that are contingent upon fulfilling certain conditions are subject to an annual review of compliance. If the company fails to meet one of the conditions, then the government body will be informed.

24. CAPITAL AND OTHER COMMITMENTS

Amounts contracted for but not provided in the financial statements at 31 December 2021 amounted to \$66,593,000 (2020: \$31,485,000). These commitments relate to property, plant and equipment.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

25. LEASES

The company has lease contracts for various items of land, buildings, vehicles and other equipment used in its operations. Leases of land generally have lease terms between 95 and 125 years, buildings between 1 and 5 years, while vehicles and other equipment generally have lease terms between 2 and 7 years. The company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the company is restricted from assigning and subleasing the leased assets and some contracts require the company to maintain certain financial ratios. The average incremental borrowing rate applied to lease liabilities recognised at the date of initial application was 4.7% (2020: 4.9%).

There are several lease contracts that include extension options and variable lease payments, which are further discussed below.

The company also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. The company has agreed in principle a land lease in relation to the extension of the Belfast Wing Facility. Planning permission for the extension has been granted. The lease will be signed when work on the site is ready to commence; a small retainer is paid until the lease is signed.

Once the lease is signed the lease liability and right-of-use asset will be recognised in the financial statements in accordance with IFRS 16.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| | <i>Land and Buildings</i> | <i>Plant and Machinery</i> | <i>Other Equipment</i> | <i>Total</i> |
|--------------------------------|-------------------------------|--------------------------------|----------------------------|---------------|
| | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> |
| At 1 January 2020 | 14,869 | 516 | 23,033 | 38,418 |
| Cost - Transfer to PPE | - | - | (45,679) | (45,679) |
| Disposals - Cost | - | - | (1,238) | (1,238) |
| Additions | - | - | 8,133 | 8,133 |
| Depreciation expense | (169) | (443) | (7,688) | (8,300) |
| Disposals - Depreciation | - | - | 601 | 601 |
| Depreciation - Transfer to PPE | - | - | 25,047 | 25,047 |
| At 31 December 2020 | 14,700 | 73 | 2,209 | 16,982 |
| Additions | - | - | 10,250 | 10,250 |
| Depreciation expense | (167) | (71) | (4,139) | (4,377) |
| At 31 December 2021 | 14,533 | 2 | 8,320 | 22,855 |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

25. LEASES (CONTINUED)

Set out below are the carrying amounts of lease liabilities (included under other non-financial liabilities) and the movements during the period:

| | 2021 \$'000 | 2020 \$'000 |
|-----------------------|-----------------|-----------------|
| As at 1 January | (17,550) | (28,133) |
| Additions | (10,250) | (7,714) |
| Disposal | - | 618 |
| Remeasurement | - | (383) |
| Accretion of interest | (1,676) | (1,171) |
| Payments | 2,860 | 19,233 |
| | <u>(26,616)</u> | <u>(17,550)</u> |
| At 31 December | <u>(26,616)</u> | <u>(17,550)</u> |
| Current | (3,674) | (1,271) |
| Non-current | (22,942) | (16,279) |
| | <u>(26,616)</u> | <u>(17,550)</u> |

Maturity analysis of contractual undiscounted payments:

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------|------------------|------------------|
| Within one year | (4,512) | (1,814) |
| Between two and five years inclusive | (14,323) | (7,054) |
| Greater than five years | (126,133) | (127,576) |
| | <u>(144,968)</u> | <u>(136,444)</u> |

The analysis above includes a land lease 93 years.

The following are the amounts recognised in profit or loss:

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Depreciation expense right-of-use assets | 4,377 | 8,300 |
| Interest expense on lease liabilities | 1,676 | 1,171 |
| Expense relating to short-term leases (included in other operating expenses) | - | 646 |
| Expense relating to leases of low value assets (included in administrative expenses) | - | 141 |
| | <u>6,053</u> | <u>10,258</u> |
| Total amount recognised in profit or loss | <u>6,053</u> | <u>10,258</u> |

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

25. LEASES (CONTINUED)

Short-term and low value leases

The company elected to use the recognition exemptions for lease contracts that, at commencement date have a lease term less than 12 months and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is low (low-value assets). Maturity analysis of the amount's payable is as follows:

| | 2021 | 2020 |
|-----------------------|----------|----------|
| | \$'000 | \$'000 |
| Within one year | - | 1 |
| Greater than one year | - | - |
| | <u>-</u> | <u>1</u> |

Extension Options

The company has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and align with the company's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

| | Within five years | More than 5 years | Total |
|--|----------------------|----------------------|--------|
| | \$'000 | \$'000 | \$'000 |
| Extension options expected not to be exercised | 1,792 | - | 1,792 |
| Extension options expected to be exercised | 3,441 | - | 3,441 |

26. GOVERNMENT ASSISTANCE

Due to the coronavirus pandemic, the company utilised the UK Government's Coronavirus Job Retention Scheme ("CJRS") and managed to mitigate a larger number of reductions. In 2021, \$3,578,000 (2020: \$29,179,000) was recognised by the company relating to the UK Government CJRS grant.

The company also availed of the rates holiday for the 20/21 year that was granted as part of emergency support measures agreed by the NI Executive in response to the Covid-19 crisis.

Short Brothers PLC

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

27. POST BALANCE SHEET EVENTS

Russian Invasion of Ukraine

In February 2022, the Russian invasion of Ukraine had a huge impact on many industries. Given the evolving situation, there are unknown factors and events that could impact the company's operations. This major crisis constitutes a post-closing event, with no impact recorded on the value of the company's assets and liabilities in the accounts at 31 December 2021. The company performed an assessment of this situation in the second quarter of 2022 and estimated a potential exposure to the company of \$28,094,000. The charges are included on the Parent Company's Consolidated Statements period ended 30th June 2022.

Repayment of government refundable advance

Subsequent to the year end, the company repaid the government refundable advance relation to the repayable launch investment of \$320,028,000 (note 15). The balance remaining on this loan at the date of signing the financial statements is \$nil.

Issue of share capital

On 12 January 2022, the company issued 1 ordinary share with a nominal value of \$0.20 in return for a capital contribution from the Spirit Group. The company recognised \$nil in share capital and \$26,131,000 in share premium.

On 11 April 2022, the company issued an additional 2 ordinary shares with a nominal value of \$0.20 in return for a capital contribution from the Spirit Group. The company recognised \$nil in share capital and \$290,763,000 in share premium.

There have been no additional material events subsequent to 31 December 2021 that would require adjustment to and/or disclosure in these financial statements.

Extension of the letter of credit facility with Spirit AeroSystems (Europe) Limited.

The letter of credit facility with Spirit AeroSystems (Europe) Limited was extended to \$300,000,000 in September 2022. The current letter of credit covers up to 31 December 2025.

28. CONTROLLING PARTY

At the balance sheet date, the immediate parent undertaking and the ultimate parent undertaking within the United Kingdom is Spirit AeroSystems Global Holdings Limited, a company registered in the United Kingdom.

The ultimate parent undertaking and controlling party is Spirit AeroSystems Holdings, Inc., a company incorporated in USA, which is the parent company of the largest and smallest group for which consolidated financial statements are prepared that include the company. Copies of the consolidated financial statements of Spirit AeroSystems, which include the company, can be obtained from Spirit AeroSystems, 3801 S Oliver Street, Wichita, Kansas, USA, 67210

The ultimate controlling party is Spirit AeroSystems Holdings, Inc.