

Spirit AeroSystems (Europe) Limited

Annual report and financial statements

for the year ended 31 December 2020

Registered number: 05663660

Spirit AeroSystems (Europe) Limited

Annual report and financial statements for the year ended 31 December 2020

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Spirit AeroSystems (Europe) Limited

Directors, advisers, and auditors for the year ended 31 December 2020

Company secretary

Stacy Cozad (resigned 1 January 2021)

Colin Thompson (appointed 2 January 2021)

Directors

Scott McLarty

Thomas H Cowan

Marco Paparoni

John Gilson (resigned 29 January 2020)

Damon Ward (appointed 29 January 2020)

Leslie Carey (appointed 21 May 2020)

Registered office

Tower Bridge House

St Katherine's Way

London

E1W 1AA

Independent auditors

Ernst & Young LLP

5 George Square

Glasgow

G2 1DY

Tax advisers

PricewaterhouseCoopers LLP

141 Bothwell Street

Glasgow

G2 7EQ

Bankers

Citibank, NA

Citigroup Centre

Canary Wharf

London

E14 5LB

Legal advisers

Brodies LLP

2 Blythswood Square

Glasgow

G2 4AD

Pension advisers

Mercer Human Resource Consulting

Clarence House, Clarence Street

Manchester

M2 4DW

Spirit AeroSystems (Europe) Limited

Strategic report for the year ended 31 December 2020

The directors present their strategic report on the Company for the year ended 31 December 2020.

Principal activities

The Company's principal activity during the financial year was the design, development, manufacture and assembly of airframes, which consist principally of wing structure components.

Business review

Our business financial results and prospects are dependent on global aviation demand. The COVID-19 pandemic has had, and is expected to continue to have, a significant negative impact on aviation demand, our business and our industry. In response to the pandemic, we and our customers implemented production suspensions and our customers adjusted production rates. During the year ended 31 December 2020 there was, and continues to be, significant management focus around preserving and enhancing liquidity and reducing costs to mitigate the impacts of the COVID-19 pandemic.

The results on page 17, reflecting the trading for the year to 31 December 2020, show turnover of £365.7m, a decrease of (£248.1m) from 2019, resulting in a gross loss of (£4.4m) a decrease of (£87.8m) from 2019 and operating loss of (£25.2m), a decrease of (£94.9m) from 2019. The operating loss includes (£7.7m) of restructuring costs in respect of workforce reductions.

Key Performance Indicators (KPI's)

Measure	2020	2019	Definition and analysis
Turnover (£m)	365.7	613.8	Decreased unit deliveries driven by the impact of the COVID-19 pandemic on customer demand
Gross margin (£m)	(4.4)	83.4	Reduced customer demand due to COVID-19 pandemic drives lower unit deliveries in 2020 and creation of loss provision due to schedule reductions in future years. Excess capacity costs due to reduced throughput were partially mitigated by cost savings achieved.
Gross margin (%)	(0.77%)	13.6%	
Aircraft unit sales: - Airbus A320 - Airbus A330 - Airbus A350 - Airbus A380 - Boeing 767	 466 20 57 - 30	 682 35 107 1 33	Aircraft unit sales represent the number of aircraft component sets sold. Reduction in Aircraft Unit sales due to customer schedule reductions in light of COVID-19 pandemic.
Employee retention %	96.5	93.8	Employee retention is the proportion of employees who were with the Company on 1 January and remained with the Company as at 31 December, expressed as a percentage (excluding the impact of workforce reductions).

Spirit AeroSystems (Europe) Limited

Strategic report for the year ended 31 December 2020 (continued)

Business environment

The strategic direction of Original Equipment Manufacturers (OEMs) has demonstrated continued focus on final assembly and support services for their customers. The benefit to the business environment in which the Company operates is an increasing level of demand for design, engineering and manufacturing work on aerostructures.

Demand for commercial aerostructures is directly correlated to demand for new aircraft. Demand for new aircraft is a function of several factors such as demand for commercial air transport and freight capacity, financial health of aircraft operators, and general economic conditions.

The current economic environment has affected the order books of all aircraft OEMs and Spirit executives, both in the UK and at Spirit's global headquarters, continue to take a very proactive approach to understanding any impact on Spirit's future build rates through the quarterly planning cycles.

The Company currently enjoys the benefit of exclusive long-term supply agreements with both Boeing and Airbus.

Strategy

The Company's overriding strategy is to provide industry-leading aerostructures and systems, achieved through competitive pricing and product leadership.

There are four key elements critical to the delivery of this strategy:

(i) Engineering application

Our Engineering capability represents the first stage in the aircraft life cycle and is fully integrated into all key business operations.

(ii) Project management

Dedicated project management capability has been embedded within each of the operational business streams and provides a key interface between the customer and the business operation.

(iii) Global operations

Through a network of strategic suppliers operating within a partnership agreement framework, the Company identifies, develops and manages a global supply chain operation.

(iv) Strategic customer relations

The Company has developed strong customer relationships with major aircraft manufacturers.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are formally reviewed by the Senior Leadership Council (SLC), consisting of the Managing Director and head departmental managers, and appropriate processes are put in place to monitor and mitigate them. A formal process of risk reviews is also undertaken to identify specific programme risks and to ensure they are understood, monitored and where possible eliminated.

Spirit AeroSystems (Europe) Limited

Strategic report for the year ended 31 December 2020 (continued)

Principal risks and uncertainties (continued)

The key business risks affecting the Company are set out below:

- (i) The civil aircraft business is cyclical and sensitive to commercial airlines' profitability. The business of commercial airlines is, in turn, affected by general economic conditions and global safety considerations.

Our business is affected indirectly by the financial condition of the commercial airlines and other economic factors that affect the demand for air transportation. Demand for our product is closely tied to the worldwide airline industry's ability to finance the purchase of new aircraft and the industry's forecasted demand for seats, flights and routes. Similarly, the size and age of the worldwide commercial aircraft fleet affects the demand for new aircraft and consequently for our product.

- (ii) The COVID-19 pandemic continues to have a material impact on the aviation industry, our customers and our business globally. In response to the pandemic, we have implemented production suspensions and our customers have adjusted production rates. We expect the pandemic and its effects to continue to have a significant negative impact on our business for the duration of the pandemic, and for an indeterminate time thereafter until demand grows closer to 2019 levels.

- (iii) The Company depends on Airbus and, to a lesser extent, Boeing, being our largest customers. Financial performance will therefore be directly affected if either Airbus or Boeing reduces the number of products they purchase or if either experience financial difficulties.

Currently Airbus is our largest customer, representing 97% of turnover (2019: 97%), whilst Boeing contributes 3% (2019: 3%).

- (iv) Interruptions in deliveries of components or raw materials, or increased prices for components or raw materials used in our products could adversely impact our financial performance.

We are dependent on regular deliveries from suppliers. Interruptions or stoppages in such deliveries could adversely affect our operations until arrangements with alternative suppliers, to the extent such suppliers exist, could be made. If any of our suppliers were unable to deliver materials to us for an extended period of time, or if we were unable to negotiate acceptable terms with alternative suppliers, our business could suffer.

Spirit AeroSystems (Europe) Limited

Strategic report for the year ended 31 December 2020 (continued)

Financial risk management

The Company's operations expose it to a variety of financial risks. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring financial risks to the business.

The directors have delegated the responsibility of monitoring financial risk management to the SLC. The policies set by them are implemented by the Company's finance department. The department has a policy that sets out specific guidelines to manage credit risk and liquidity is managed through a structure of frequent management review meetings. Interest rate and foreign currency cash flow risks are managed by the corporate treasury department of the Company's parent.

Price risk

The Company is exposed to materials price risk as a result of its operations and manages certain key materials via contract variation clauses.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers to be made before sales contracts are entered into. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed periodically.

Liquidity risk

The Company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, which earn interest at a floating rate. The Company's debt is also maintained at a floating rate, and the exposure is reviewed periodically by the corporate treasury department of the Company's parent.

Foreign currency cash flow risk

The Company operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign currency exchange risk arises from future commercial transactions, plus recognised assets and liabilities in foreign currencies.

The corporate treasury department of the Company's parent has set up a policy which requires group companies to manage their foreign currency exchange risk against their functional currency. The Company currently does not use any hedging arrangements, and all foreign currency exchange gains and losses are absorbed by the Company and included in the income statement.

Spirit AeroSystems (Europe) Limited

Strategic report for the year ended 31 December 2020 (continued)

Environmental Report

As a business, we are committed to reducing emissions and protecting the environment. As our industry recovers from the COVID-19 pandemic, we will take advantage of the opportunity to build towards a more environmentally friendly future.

Spirit AeroSystems (Europe) Ltd emissions and underlying energy use

Our emissions reporting is carried out in accordance with the UK Government's Environmental Reporting Guidelines and WBCSD/WRI's GHG Protocol Corporate Standard.

	2020	2019
Greenhouse Gas Emissions (tonnes CO₂e)		
Combustion of fossil fuels	3,467	3,502
Electricity purchased for own use	2,521	3,024
Total	5,988	6,526
Intensity ration (tonnes of CO₂e/£000 turnover)		
Total	0.016	0.011
Underlying Energy Use (kWh)		
Total	29,868,000	31,126,000

Energy Efficient Actions

As part of Spirit's approach to technological advancement and innovation, we will officially open our Aerospace Innovation Centre (AIC) in Prestwick, during 2021. The AIC will showcase Spirit's distinctive capabilities as a global centre for design and digital manufacturing of current and future aircraft. This facility is one of two buildings on the Prestwick site with rooftop solar arrays to supplement our electricity demand.

Staff are encouraged to:

- adopt digital working practices in order to reduce paper usage;
- recycle waste items such as paper and plastic where possible, and;
- use online meetings where possible to reduce emissions from travel.

Independent Assurance Statement

Spirit AeroSystems Holdings Inc. ("Spirit") appointed iCompli Sustainability, a division of BPA Worldwide, Inc to provide independent third party assurance of specific sustainability performance data from its business during the period 1 January 2020 to 31 December 2020.

Verification has been undertaken using the principle in ISO 14064-3 Greenhouse Gases and reported in accordance with the requirements of the WBCSD/WRI Greenhouse Gas Protocol.

Spirit AeroSystems (Europe) Limited

Strategic report for the year ended 31 December 2020 (continued)

Section 172(1) statement

This statement contains an overview of how the directors have performed their duty, as set out in section 172(1) of the Companies Act 2006, to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regards (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interest of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operation on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

In pursuant of the above duty, the directors have put in place the following 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.

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.

The directors of the Company contribute to the preparation of a strategic plan and 5 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. In discharging these requirements, the directors have regard to a variety of matters including the interests of various stakeholders, the consequences of their decisions in the long term, and the reputation of the Company and the wider group.

Employees

Consultation with employees or their representatives takes place at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. The Company has an effective partnership with our trade unions and regularly engages with senior trade union representatives and their Committee on topical issues and future developments. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report and financial statements. The Company reviews its remuneration policy on a regular basis to ensure that it effectively encourages the involvement of employees in the Company's performance.

Fostering business relationships with suppliers, customers and others

The directors recognise that fostering business relationships with key stakeholders, such as customers and suppliers, is essential to the Company's success.

Spirit AeroSystems (Europe) Limited

Strategic report for the year ended 31 December 2020 (continued)

Section 172(1) statement (continued)

Customers

The Company has developed strong customer relationships with major aircraft manufacturers, and has exclusive long-term supply agreements with both Boeing and Airbus. Strong and collaborative relationships with our customers help us to identify their requirements and position the Company as a trusted partner. Dedicated project management capability is embedded within each of the operational business streams, and provides a key interface between the customer and business operations. Furthermore, the Company has an established cadence of governance and review meetings with customers, with daily and weekly meetings to discuss operational topics, and monthly and quarterly reviews to discuss strategic topics to drive value for the Company. The directors recognise that leveraging the Company's strong customer relationships and history of delivering high quality products is key to further increasing our sales and continuing to partner on new programs going forward.

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 Program 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.

Research & Development Partners

The directors believe that a world class research and development focus helps maintain our position as an advanced partner to our customers' new product development teams. Through our research, we strive to develop unique intellectual property and technologies that will improve our products and our customers' products, as well as position the Company to win work on new products. As well as collaborating with our customers, research and development activities include collaboration with universities, research facilities and technology partners. The Company is continually expanding these strategic partners with the introduction of the new on-site innovation campus, the Aerospace Innovation Centre, which will be an open access research and development centre to foster collaboration across the supply chain network in Scotland and the UK.

Community and the environment

The directors recognise the importance of leading a company that not only generates value for shareholders, but also contributes to the wider society by helping, growing and connecting our communities. We believe in the power of innovative solutions, partnerships and programs that bring communities together. Employees of the Company give in a variety of ways, collectively and individually, lending their time and talents to strengthen our communities. These activities form part of the Company's implementation of Spirit's group-wide Corporate Social Responsibility processes and policies which are available at: www.spiritaero.com/company/corporate-social-responsibility/social-responsibility-overview

Spirit conducts business in a manner that protects the environment and promotes the health, safety and well-being of employees and surrounding communities. Spirit complies with applicable legal, regulatory and other requirements related to preventing pollution, injury and ill health. Spirit employs industry-leading, technologically sound and economically feasible control mechanisms, procedures and processes and provides training, education, safety monitoring and auditing, health-awareness programs and ergonomic support in Spirit offices and factories. These activities form part of the Company's implementation of Spirit's group-wide Environment, Health and Safety processes and policies which are available at: www.spiritaero.com/company/ethics-compliance/environment-health-safety

Spirit AeroSystems (Europe) Limited

Strategic report for the year ended 31 December 2020 (continued)

Section 172(1) statement continued

Maintaining a reputation for high standards of business conduct

The directors consider it fundamental to maintain a culture focused on upholding the highest ethical standards and complying with all laws and regulations applicable to the business. Each employee of the Company is required to abide by the Spirit AeroSystems Code of Conduct, which applies to everyone involved in Spirit's business, including all employees, officers, directors and affiliates. Spirit is committed to doing business only with suppliers, contractors, consultants and other business contacts who share Spirit's high standards of ethical business conduct. The Spirit AeroSystems Code of Conduct is available at: www.spiritaero.com/company/ethics-compliance/ethics-overview.

On behalf of the Board:



Mr M Paparoni
Director
24 September 2021

Spirit AeroSystems (Europe) Limited

Directors' report for the year ended 31 December 2020

The directors present their annual report and the audited financial statements of the Company, a private company limited by shares, for the year ended 31 December 2020.

Results

The results for the year to 31 December 2020 are set out in the income statement on page 17. The results for the year have been discussed in the strategic report on pages 3 to 10.

Future outlook

The Company is continually reviewing opportunities to grow the business and continues to seek and evaluate opportunities on potential new work packages from both new and existing customers. Cost reduction programmes will continue through future years to enable a competitive cost structure within the Company.

The COVID-19 pandemic has had a significant negative impact on the aviation industry, our customers and our business globally. In response to the pandemic, we have implemented production suspensions and our customers have adjusted production rates. We expect the pandemic and its effects to continue to have a significant negative impact on our business for the duration of the pandemic, and during the subsequent economic recovery.

Dividends

The directors do not recommend the payment of a dividend (2019: £Nil).

Research and development

New product development includes design, development and materials research which will properly position the Company to compete in this market place. Research and development is concentrated on the development of improved manufacturing processes and improved final product.

Financial instruments

The Company finances its activities through its other financial assets and liabilities, such as trade debtors and trade creditors, which arise directly from the Company's operating activities. The Company also has a revolving credit facility with its parent company, as disclosed in Note 17.

Financial instruments give rise to foreign currency, interest rate, credit, price and liquidity risk. Information on how these risks arise is set out in the Strategic Report, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Directors

The directors of the Company since 1 January 2020 and up to the date of approving these financial statements are as follows:

Scott McLarty
Thomas H Cowan
John Gilson (resigned 29 January 2020)
Marco Paparoni
Damon Ward (appointed 29 January 2020)
Leslie Carey (appointed 21 May 2020)

Spirit AeroSystems (Europe) Limited

Directors' report for the year ended 31 December 2020 (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Going concern

The directors of the Company are required to state whether it is appropriate to adopt the going concern basis of accounting in preparing the financial statements over a period of at least 12 months from the date of approval of the financial statements.

The Company is in a net asset position of £241m as at the financial year end, but made a loss for the year to 31 December 2020 of £20.6m. The directors have assessed the cash and funding position of the Company along with cash flow forecasts covering a period to 31 December 2022.

The ultimate parent company, Spirit AeroSystems Holdings Inc. has provided a letter of support confirming it will provide financial support through to 31 December 2022, where required.

The Group going concern assessment performed by the parent was performed using financial forecasts for the period to 31 December 2022 and considering a wide range of downside scenarios and included consideration of the potential continued impact of the COVID-19 pandemic. These forecasts indicate that the Group is projected to operate within its cash balances and available facilities for the going concern period.

The directors have reviewed the parent's going concern assessment, which considers the position of the parent and the wider Spirit AeroSystems group and are satisfied that the parent has the ability to provide this support, where required, and therefore that the Company will remain funded for the foreseeable future. The directors have therefore concluded that it is appropriate for the financial statements to be prepared on a going concern basis.

Employee engagement

Engagement with employees has been considered within the Strategic Report on page 8.

Engagement with suppliers, customers and others

Engagement with suppliers, customers and others has been considered within the Strategic Report on page 9.

Auditors

A resolution to reappoint Ernst & Young LLP will be put to the members at the Annual General Meeting.

Spirit AeroSystems (Europe) Limited

Directors' report for the year ended 31 December 2020 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the company for that financial year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement as to disclosure of information to auditors

Each director, as at the date of this report, has confirmed that, insofar as they are aware, there is no relevant audit information (that is, information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Registered Number

05663660

On behalf of the Board



Mr M Paparoni

Director

24 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT AEROSYSTEMS (EUROPE) LIMITED

Opinion

We have audited the financial statements of Spirit Aerosystems (Europe) Limited for the year ended 31 December 2020 which comprise the income statement, statement of comprehensive income, statement of financial position, the statement of changes in equity and the related notes 1 to 25, 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 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 2020 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, 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.

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 of 12 months from when the financial statements are authorised for issue.

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 there is 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, 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.

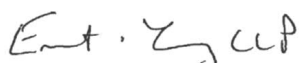
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the UK Companies Act 2006, the reporting framework (FRS101) and the relevant direct and indirect tax regulations in the UK.
- We understood how Spirit Aerosystems (Europe) Limited is complying with those frameworks by, making enquiries of management, reviewing significant contracts, reviewing for potential adverse media reports and testing manual journal entries
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by obtaining an understanding of the environment in which the entity operates, reviewing the group structure and understanding the policies put in place by management to prevent and detect fraud.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved performing a detailed review over journal entries, reviewing significant contracts and making enquiries of management.

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
29 September 2021

Spirit AeroSystems (Europe) Limited

Income statement for the year ended 31 December 2020

	Notes	2020 £000s	2019 £000s
Turnover	4	365,730	613,782
Cost of sales		(370,094)	(530,418)
Gross (loss)/profit		(4,364)	83,364
Administrative expenses		(13,133)	(13,659)
Restructuring costs		(7,702)	-
Operating (loss)/profit	5	(25,199)	69,705
Interest receivable and similar income	7	149	389
Interest payable and similar charges	8	(1,330)	(2,207)
Other financial income/(expense) - net	9	1,476	2,068
(Loss)/profit on ordinary activities before taxation		(24,904)	69,955
Tax on (loss)/profit on ordinary activities	10	4,263	(13,199)
(Loss)/profit for the financial year		(20,641)	56,756

All results, for both financial years, arise from continuing operations.

Spirit AeroSystems (Europe) Limited

Statement of comprehensive income for the year ended 31 December 2020

	Notes	2020 £000s	2019 £000s (restated)
(Loss)/Profit for the financial year		(20,641)	56,756
Actuarial loss on pension scheme	23	(603)	(628)
Deferred taxation on items relating to components of other comprehensive income	20	10	78
Total comprehensive (loss)/income for the year		(21,234)	56,206

Spirit AeroSystems (Europe) Limited

Statement of financial position as at 31 December 2020

	Notes	2020 £000s	2019 £000s
Fixed assets			
Tangible assets	11	97,684	84,695
Investment in subsidiary	12	81	81
		97,765	84,776
Current assets			
Stocks	13	99,596	81,098
Debtors	14	169,646	195,022
Cash at bank		45,578	81,209
		314,820	357,329
Creditors - amounts falling due within one year	15	(103,842)	(114,403)
Net current assets		210,978	242,926
Total assets less current liabilities		308,743	327,702
Creditors - amounts falling due after more than one year	16	(62,935)	(61,031)
Provisions for liabilities and charges	18	(4,312)	(4,743)
Net assets		241,496	261,928
Capital and reserves			
Called up share capital	21	2	-
Share premium account		39,952	39,754
Profit and loss account		201,543	222,174
Total shareholders' funds		241,496	261,928

The financial statements on pages 17 to 50 were approved by the Board and signed on its behalf by:



Mr M Paparoni
Director
24 September 2021

Spirit AeroSystems (Europe) Limited

Statement of changes in equity for the year ended 31 December 2020

	Notes	Called up share capital £000s	Share premium account £000s	Profit and loss account £000s (restated)	Total £000s (restated)
At 31 December 2018		-	39,754	165,396	205,150
Profit for the financial year		-	-	56,756	56,756
Actuarial (loss)/gain on pension scheme	23	-	-	(628)	(628)
Deferred taxation on items relating to components of other comprehensive income	20	-	-	78	78
Total comprehensive income for the year		-	-	56,206	56,206
Equity compensation charge	22	-	-	572	572
At 31 December 2019		-	39,754	222,174	261,928
Loss for the financial year		-	-	(20,641)	(20,641)
Actuarial (loss)/gain on pension scheme	23	-	-	(603)	(603)
Deferred taxation on items relating to components of other comprehensive income	20	-	-	10	10
Total comprehensive income for the year		-	-	(21,234)	(21,234)
Capital contribution from the parent company	21	2	198	-	200
Equity compensation charge	22	-	-	602	602
At 31 December 2020		2	39,952	201,542	241,496

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Spirit AeroSystems (Europe) Limited (the “Company”) for the year ended 31 December 2020 were authorised for issue by the board of directors on 24 September 2021 and the statement of financial position was signed on the board’s behalf by Mr Marco Paparoni. Spirit AeroSystems (Europe) Limited is registered in England and Wales with company registration number 05663660 and domiciled in Scotland.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company’s financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£’000s) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group financial statements as it is included by full consolidation in the consolidated financial statements of its ultimate parent Spirit AeroSystems Holdings Inc. The results of Spirit AeroSystems Holdings Inc. are available from 3801 South Oliver, Wichita, Kansas, USA, 67210. Accordingly, these financial statements present information about the Company as an individual undertaking and not as a group.

The principal accounting policies adopted by the Company are set out in Note 2.

2. Accounting policies

2.1 Basis of preparation

The financial statements are prepared in accordance with Financial Reporting Standard 101, “Reduced Disclosure Framework” (FRS101).

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirement of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraph 45(b) and 46 to 52 of IFRS 2 “Share-based payment” (details of the number and weighed average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7 “Financial Instruments: Disclosures”.
- Paragraph 91 to 99 of IFRS 3, “Fair value measurement” (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2.1 Basis of preparation (continued)

- Paragraph 38 of IAS 1 “Presentation of financial statements” – comparative information requirements in respect of:
 - Paragraph 79(a)(iv) of IAS 1;
 - Paragraph 73(e) of IAS 16, “Property, plant and equipment”; and
 - Paragraph 118(e) of IAS 38, “Intangible assets” (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1 “Presentation of financial statements”:
 - 10(d) (Statement of cash flows);
 - 16 (Statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).
- IAS 7, “Statement of cash flows”
- Paragraph 30 and 31 of IAS “Accounting policies, changes in accounting estimates and errors” (requirement for the disclosure information when an entity has not applied a new IFRS than has been issued but not yet effective).
- Paragraph 17 of IAS 24 “Related party disclosures” (key management compensation).
- The requirements of IAS 24, “related party disclosures”, to disclose related party transactions entered into between two or more members of the group.

The principal accounting policies are set out below. The accounting policies have been applied consistently for all years presented.

The financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable UK accounting standards.

Going Concern

The directors of the Company are required to state whether it is appropriate to adopt the going concern basis of accounting in preparing the financial statements over a period of at least 12 months from the date of approval of the financial statements.

The Company is in a net asset position of £241m as at the financial year end, but made a loss for the year to 31 December 2020 of £20.6m. The directors have assessed the cash and funding position of the Company along with cash flow forecasts covering a period to 31 December 2022.

The ultimate parent company, Spirit AeroSystems Holdings Inc. has provided a letter of support confirming it will provide financial support through to 31 December 2022, where required.

The Group going concern assessment performed by the parent was performed using financial forecasts for the period to 31 December 2022 and considering a wide range of downside scenarios and included consideration of the potential continued impact of the COVID-19 pandemic. These forecasts indicate that the Group is projected to operate within its cash balances and available facilities for the going concern period.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2.1 Basis of preparation (continued)

The directors have reviewed the parent's going concern assessment, which considers the position of the parent and the wider Spirit AeroSystems group and are satisfied that the parent has the ability to provide this support, where required, and therefore that the Company will remain funded for the foreseeable future. The directors have therefore concluded that it is appropriate for the financial statements to be prepared on a going concern basis.

2.2 Principal accounting policies

Turnover

Revenue is recognised in accordance with the requirements of IFRS 15 *Revenue from Contracts with Customers* and is also dependent on the Company's right to receive consideration, and provided the outcome of the contract can be assessed with reasonable certainty. Losses on contracts are recognised in the financial year in which the loss first becomes foreseeable. Contract losses are determined to be the amount by which estimated direct and indirect costs of the contract exceed the estimated total revenues that will be generated by the contract.

Performance obligations

Once agreed with the customer, the contract is reviewed in order to identify the key deliverables to the customer. Each key deliverable is accounted for as a separate performance obligation in the contract if the customer can benefit from them either on their own or together with other resources that are available to the customer provided they are separately identifiable in the contract.

Transaction Price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Company is entitled in exchange for transferring the goods to the customer, excluding VAT. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices.

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied as control of the goods is transferred to the customer. For each performance obligation within the contract, the Company determines whether it is satisfied over time or at a point in time. Performance obligations are deemed to be over time if one of the following criteria is met:

- the customer simultaneously received and consumes the benefits provided by the Company's performance as it performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2.2 Principal accounting policies (continued)

Turnover (continued)

The Company has determined that some of its contracts satisfy the over-time criteria because the Company's performance does not create an asset with alternative use to the Company and it has an enforceable right to payment for performance completed to date.

For each performance obligation to be recognised over-time, the Company recognises revenue using an input method, based on costs incurred in the period. Revenue and attributable margin are calculated by reference to reliable forecasts of transaction price and costs after taking account of technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired.

If the over-time criteria for revenue recognition are not met, revenue is accounted at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Costs to obtain a contract

The Company expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded. The Company does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded, such as sales commission.

Costs to fulfil a contract

Contract fulfilment costs in respect of over-time contracts are expensed as incurred. Contract fulfilment costs in respect of point in time contracts are accounted for under IAS2 Inventories.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Foreign currency translation

Trading activities denominated in foreign currencies are recorded in Sterling at the exchange rate ruling at the date of the 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 statement of financial position date or at a forward contractual rate if applicable. Exchange gains and losses are taken to the income statement.

Restatement

The directors in preparing the financial statements for the Company have restated comparative figures for the year ended 31 December 2019 to reflect the correct accounting treatment of Equity Compensation Charges. The impact of the restatement is to remove the Equity Compensation Charge from the Statement of Comprehensive Income reducing total comprehensive income for the year by £572k. There is no impact to the Statement of Financial Position or Income Statement for the year ended 31 December 2019. This has no impact on the current year's Statement of Financial Position or Income Statement.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

Pensions

The Company operates a pension scheme providing benefits based on final pensionable pay, a defined benefit pension scheme (DBPS). The assets of the scheme are held separately from those of the Company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent it is considered recoverable) or deficit is recognised in full and presented on the face of the statement of financial position. The movement in the scheme surplus or deficit is split between operating charges, financing items and, in the statement of comprehensive income, actuarial gains or losses.

The Company operates a defined contribution pension scheme (DCPS). The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge disclosed in note 23 represents contributions payable by the Company to the scheme.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the income statement over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature or relating to development projects are credited to the income statement so as to match them with the expenditure to which they relate. During the year Coronavirus Job Retention Scheme ("CJRS") income was received and accounted for under the Accruals model and classified as grants. Grant income is disclosed within the Operating Profit note (note 5).

Leases

All leases in which the Company is lessee are recognised as right of use assets and a corresponding lease liability at the date at which the lease asset is available for use by the Company. Each lease liability is allocated between repayment of the lease liability and finance cost. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

The lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease. Where this rate is not determinable, the Company's incremental borrowing rate is used, which is the interest rate the Company would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment with similar terms and conditions.

The right-of-use asset is initially measured at cost, comprising the initial value of the lease liability, any lease payments made (net of any incentives received from the lessor) before the commencement of the lease, any initial direct costs and any restoration costs.

The carrying amounts of the Company's right-of-use assets are reviewed at each balance sheet date to determine where there is any indication of impairment. Payments in respect of short-term leases and low-value leases are charged to the income statement on a straight-line basis over the lease term.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2.2 Principal accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives. The estimated useful lives for depreciation purposes are as follows:

Buildings	45 years
Plant and machinery	2 - 14 years
Land is not depreciated.	

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Research and development expenditure

Expenditure on research and development is written off to the income statement in the financial year in which it is incurred, unless it is incurred on an existing contractual project with defined future revenue streams. Such expenditure incurred on existing projects is included within the long-term contract balances and amortised over the life of the contract.

Investments in subsidiary undertakings

Investments are carried at cost less provision for any permanent diminution in value where this is considered necessary.

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 2020 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.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2.2 Principal accounting policies (continued)

Deferred taxation

Full provision is made for deferred taxation on all timing differences that are not permanent which have arisen but not reversed at the statement of financial position date. Deferred taxation is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Assets are recognised to the extent that they are considered recoverable. Provisions are not discounted.

3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for turnover and costs during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred taxation assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. These decisions are made based on estimates of future contract profitability, which in themselves are dependent on management judgement, estimates and assumptions. Details of the composition of the tax charge are contained in note 10.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

Pension and other post-employment benefits

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions reflect historical experience and current trends. Further details are given in note 23.

Turnover and profit recognition

Revenue is recognised when, or as, control of promised products or services transfer to a customer and the amounts recognised reflects the consideration that the Company is expected to receive in exchange for those products or services (see 2.2 Principal Accounting Policies – Turnover). In determining our profits and losses in accordance with this method, we are required to make significant judgements regarding our future costs, variable elements of revenue, the standalone selling price, and other variables. We continually review and update our assumptions based on market trends and our most recent experience. If we make material changes to our assumptions, we may have positive or negative cumulative catch-up adjustments related to revenue previously recognised.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

4. Turnover

All turnover originates in the United Kingdom, and analysis of destination is below:

	2020 £000s	2019 £000s
Turnover by geographical market is analysed as follows:		
- United Kingdom	347,244	591,921
- United States	15,603	18,161
- Malaysia	2,883	3,700
	365,730	613,782

No revenue was derived from exchanges of goods or services (2019: £nil). All turnover in the current and prior financial year was derived from the sale of goods and services.

5. Operating profit

	2020 £000s	2019 £000s
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	5,183	4,736
Operating lease charges		
- plant & machinery	269	403
Auditor's remuneration		
- audit services	256	188
Research and development costs written off	3,607	5,054
Cost of stocks recognised as an expense (included in cost of sales)	300,640	433,667
Rental income	(132)	(138)
Government grants	(2,857)	(3,280)
CJRS grant	(4,180)	-
Exchange (gain)/loss	(1,048)	1,216

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

6. Staff costs and directors' emoluments

(a) Staff costs

	2020 £000s	2019 £000s
Wages and salaries	40,972	44,973
Social security costs	4,666	5,016
Other pension costs (Note 23)		
Defined contribution pension scheme	3,394	3,686
Defined benefit pension scheme	754	732
Equity compensation charge (Note 22)	602	572
Staff costs	50,388	54,979

The average monthly number of persons (excluding directors) employed by the Company during the financial year was:

	2020	2019
Production	548	570
Administration, sales and management	432	451
Average number of employees	980	1,021

(b) Directors' emoluments

Directors' emoluments	2020 £000s	2019 £000s
Aggregate emoluments	1,503	1,705

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

6. Staff costs and directors' emoluments (continued)

During the year four directors (2019: four) received emoluments from the Company including share awards. Damon Ward and John Gilson receive their emoluments through the parent company, and their time spent as a director does not warrant a recharge of costs between the companies.

Retirement benefits are accruing to no directors under the DBPS (2019: None). Payments of £46,582 (2019: £53,230) were made on behalf of four directors (2019: four) to the DCPS.

Highest paid director:

	2020 £000s	2019 £000s
Total emoluments	784	942
Defined benefit pension scheme: accrued pension at end of year	-	-

Included in the highest paid director's emoluments are share awards.

7. Interest receivable and similar income

	2020 £000s	2019 £000s
Interest receivable	149	389
Interest receivable and similar income	149	389

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

8. Interest payable and similar charges

	2020 £000s	2019 £000s
Interest payable to group undertakings	(1,313)	(2,207)
Other interest payable	(17)	-
Interest payable and similar charges	(1,330)	(2,207)

9. Other financial income/(expense) - net

	2020 £000s	2019 £000s
Finance cost relating to pension scheme (Note 23)	7	10
Finance cost relating to sale of Trade Debtors	(83)	(99)
Exchange gains/(losses) on foreign currency denominated group loans	1,552	2,157
Other financial income/(expense) - net	1,476	2,068

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

10. Tax on profit on ordinary activities

Tax charged in the income statement

	2020 £000s	2019 £000s
Current taxation:		
UK Corporation tax on profit for the financial year	(6,649)	10,545
Adjustments in respect of prior periods	(172)	54
Current taxation charge	(6,821)	10,599
Deferred taxation:		
Origination and reversal of timing differences	2,004	2,931
Adjustments in respect of prior periods	89	(53)
Change in taxation rates	465	(279)
Deferred taxation (Note 20)	2,558	2,599
Total taxation on profit on ordinary activities	(4,263)	13,199

Tax relating to items charged or credited to other comprehensive income

	2020 £000s	2019 £000s
Deferred taxation:		
Origination and reversal of timing differences	10	78
Deferred taxation (Note 20)	10	78
Taxation on profit on ordinary activities	10	78

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

10. Tax on profit on ordinary activities (continued)

The table below reconciles tax calculated at the UK standard rate on the profit on ordinary activities before tax to the actual taxation charge recognised in the income statement.

	2020 £000s	2019 £000s
Profit on ordinary activities before taxation	(24,904)	69,955
Profit on ordinary activities multiplied by standard rate in the UK 19.00% (2019: 19.00%)	(4,732)	13,291
Effects of:		
Income not taxable for tax purposes	(121)	(66)
Expenses not deductible for tax purposes	208	252
Tax rate changes	465	(279)
Adjustment to tax charge in respect of prior periods	(83)	1
Taxation charge for the financial year	(4,263)	13,199

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, the proposal to increase the rate to 25% had not been substantively enacted (substantive enactment occurred on 24 May 2021). The effects of the rate increase are therefore not included in these financial statements. Had it been substantively enacted by the balance sheet date, and if the deferred tax balance was recognised in full at 25%, the effect of this change would be to increase the tax expense for the period by £2,013,404 and to increase the deferred tax liability by £2,013,404.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

11. Tangible fixed assets

	Land and buildings £000s	Assets under construction £000s	Plant and machinery £000s	Total £000s
At 31 December 2019	48,862	28,983	57,893	135,738
Additions	950	16,697	525	18,172
Disposals	-	-	(3,581)	(3,581)
At 31 December 2020	49,812	45,680	54,837	150,329
Accumulated depreciation				
At 31 December 2019	12,597	-	38,446	51,043
Charge for the financial year	1,236	-	3,947	5,183
Disposals	-	-	(3,581)	(3,581)
At 31 December 2020	13,833	-	38,812	52,645
Net book amount				
At 31 December 2019	36,265	28,983	19,447	84,695
At 31 December 2020	35,979	45,680	16,025	97,684

Freehold land included in the above and not depreciated amounts to £7,795,813 (2019: £7,795,813). All land and buildings owned by the Company are freehold. Assets under construction included in the above and not depreciated amounts to £45,680,000 (2019: £28,983,000). At the statement of financial position date, the Company is contracted to incur additional costs of £6,032,408 (2019: £16,218,917) on assets under construction.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

12. Investment in Subsidiary

	£000s
At 31 December 2019	81
Additions	-
At 31 December 2020	81
Allowances for impairment	
At 31 December 2019	-
Written off	-
Written back	
At 31 December 2020	-
Net book amount	
At 31 December 2019	81
At 31 December 2020	81

Name	Place of incorporation (or registration) and operation	Nature of business	Proportion of ownership interest %	Proportion of voting power held %
Spirit AeroSystems (Hangzhou) Enterprise Management Consulting Co., Ltd.	China	Management Consultancy	100	100
Spirit AeroSystems (Europe) Pension Trustees Limited	UK	Pension Trustee	100	100

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

13. Stocks

	2020 £000s	2019 £000s
Raw materials and consumables	82,414	63,572
Work in Progress	6,447	5,713
Finished goods and goods for resale	10,735	11,813
Stocks	99,596	81,098

14. Debtors

	2020 £000s	2019 £000s
Trade debtors	118,642	157,368
Contract Asset	22,120	30,673
Amounts owed by fellow group undertakings - Trade	1,167	1,024
Amounts owed by fellow group undertakings - Funding	14,631	-
Right of use assets	28	124
Prepayments	1,565	3,196
Corporation tax receivable	8,935	-
Prepayments due after more than one year	2,558	2,637
Debtors	169,646	195,022

No trade debtor amounts fall due after more than one year. Amounts owed by group undertakings - Trade are unsecured, interest free and repayable on demand.

The Company has an agreement to sell, on a revolving basis, certain Trade Debtor balances to a third party financial institution. Transfers under this agreement are accounted for as sales of receivables resulting in the Trade Debtors being derecognised from the Company's Statement of Financial Position. As at 31 December 2020 £nil (2019 £37.2m) of Trade Debtors were sold via this arrangement. The recorded finance cost on sale of Trade Debtors was £83,000 for the year ended 31 December 2020 (2019 - £99,000) and is included in other finance income and expense (Note 9).

The Company has made available a \$200m unsecured revolving credit facility to a fellow group undertaking which provides liquidity for both trading and financing activities. At 31 December 2020 \$20m had been drawn down on this facility (2019: \$nil). The average interest rate on the revolver loan in the year to 31 December 2020 was 6% (2019: nil%). Interest payable in respect of this facility is included within Interest receivable and similar income in the Income Statement.

Notes to the financial statements for the year ended 31 December 2020 (continued)

Spirit AeroSystems (Europe) Limited

15. Creditors:- amounts falling due within one year

	2020 £000s	2019 £000s
Trade creditors	26,554	46,930
Trade amounts owed to fellow group undertakings	27,693	39,431
Contract liability	-	35
Corporation tax payable	-	3,650
Provisions for liabilities and charges (Note 18)	7,840	356
Taxation and social security	28,778	12,008
Accruals and deferred income	12,418	11,494
Lease liability	559	499
Creditors	103,842	114,403

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. Other amounts owed to parent company are explained in Note 17.

Taxation and social security includes £23m in respect of deferred VAT under the UK Government COVID-19 business support measures.

16. Creditors:- amounts falling due after more than one year

	2020 £000s	2019 £000s
Loans due to parent company (Note 17)	51,208	52,759
Lease liability > 1 year	1,281	1,540
Deferred income	4,155	2,989
Deferred taxation	6,291	3,742
	62,935	61,030

Loans due to parent company are explained in Note 17.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

17. Loans and other borrowings

	2020 £000s	2019 £000s
Revolver loan	-	-
Term loan	51,208	52,759
	51,208	52,759
Maturity of financial liabilities:		
In one year or less, or on demand	-	-
In more than two years but not more than five years	51,208	-
Greater than five years	-	52,759
	51,208	52,759

The Company has a \$175m unsecured revolving credit facility with its parent company which provides liquidity for both trading and financing activities. At 31 December 2020 \$nil had been drawn down on this facility (2019: \$nil). The average interest rate on the revolver loan in the year to 31 December 2020 was nil% (2019: 4.31%). Interest payable in respect of this facility is treated as a contract cost and is taken to cost of sales in the Income Statement.

The term loan is repayable on 31 December 2025. The average rate of interest on the term loan in the year to 31 December 2020 was 2.21% (2019: 3.95%). Interest payable on the term loan is shown as interest payable in the Income Statement.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

18. Provisions for liabilities and charges

	Onerous Contracts provision £000s	Warranty provision £000s	Total £000s
At 31 December 2019	-	5,099	5,099
Charged to the income statement	7,889	-	7,889
Utilised during the financial year	(175)	(230)	(405)
Released to the income statement	-	(432)	(432)
At 31 December 2020	7,714	4,437	12,151

Analysis as follows:

Amounts due within one year	7,714	125	7,840
Amounts due after more than one year	-	4,312	4,312
At 31 December 2020	7,714	4,437	12,151

Warranty

The Company holds a provision for the potential cost of providing after sales repair or re-work services on its design and build programmes, as well as specific accepted claims. This provision is based on qualifying sales for the warranty period, and is reviewed quarterly and utilised when claims are received and costs incurred on the respective programmes

Onerous contracts provision

The Company holds a provision for the future losses on onerous contracts where the revenue per unit will be lower than the costs to the Company to meet its obligations. The provision is based on current estimated future orders and estimated unit costs and is most sensitive to the forecast in the total unit orders and the timing of these orders. The provision is reviewed quarterly based off of estimates from updated forecasts and utilised when contract losses are incurred.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

19. Leases

The Company leases equipment and motor vehicles under non-cancellable lease arrangements. The leases have varying terms, none of which represent unusual arrangements or create material onerous or beneficial rights or obligations.

	31 December 2020		31 December 2019	
	Plant and machinery £000s	Total £000s	Plant and machinery £000s	Total £000s
Additions	403	403	1,530	1,530
Depreciation	694	694	213	213
Net book value	1,406	1,406	1,696	1,696

The net book value of leased plant and machinery above is split between Plant and Machinery in Fixed Assets (Note 11) £1,378k (2019 - £1,572k) and Right of Use Assets within Debtors (Note 14) £28k (2019 - £124k).

Lease Liabilities

A Maturity analysis of the future undiscounted lease payments in respect of the Company's lease liabilities is presented in the table below.

	Total 2020 £000s	Total 2019 £000s
Payments due:		
Within one year	559	499
Between one and five years	1,281	1,540
Later than five years	-	-

The total cash outflow for leases in the year ended 31 December 2020, including short-term leases and low-value leases amounted to £728,000 (2019 - £534,000). The depreciation of right of use assets included in operating costs totals £681,000 (2019 - £213,000) and associated interest charges amounted to £78,000 (2019 - £30,000).

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

20. Deferred taxation

	2020 £000s	2019 £000s
Deferred taxation liability		
Accelerated capital allowances	(6,713)	(4,061)
Other timing differences	337	318
Losses	-	-
R&D Expenditure credit	85	-
Total deferred taxation liability	(6,291)	(3,743)
	2020 £000s	2019 £000s
At 1 January	(3,743)	(1,221)
Deferred tax (charge) in the income statement (Note 10)	(2,004)	(2,932)
Deferred tax credit in the statement of comprehensive income (Note 10)	10	78
Prior year adjustment (Note 10)	(89)	53
Change in tax rates or laws (Note 10)	(465)	279
At 31 December	(6,291)	(3,743)

The deferred taxation liability relating to the pension scheme asset of £Nil (2019 liability: £Nil) has been deducted in arriving at the net pension scheme on the statement of financial position.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

21. Called up share capital

	2020 £	2019 £
Authorised, allotted, issued and full paid:		
Ordinary shares of £1 each	2,100	100

On 31 October 2020, Spirit AeroSystems Global Holdings Limited purchased 2,000 new ordinary shares of £1 nominal value in the capital of the Company for an aggregate issue price equal to £2,000 and an aggregate share premium of £198,000.

22. Restricted share options

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.

Restricted share units outstanding during the year

	2020 Number	2019 Number
Outstanding at 1 January	21,613	26,598
Granted	40,706	9,470
Exercised	(11,017)	(14,455)
Outstanding at 31 December	51,302	21,613

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 was £601,275 to 31 December 2020 (2019: £571,727) which included £Nil (2019: £Nil) for compensation cost of purchase of common stock from Spirit AeroSystems International Holdings Inc. at discount from fair market value.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

23. Pension commitments

The Company operates a hybrid pension scheme in the UK called the Spirit AeroSystems (Europe) Limited Pension Scheme ("the Scheme"). The defined benefit section of the Scheme was established with effect from 31 March 2006, providing a final salary pension for members in that section and a 'top up' benefit in respect of pensions accrual in the BAE Systems Pension Scheme. An interim actuarial valuation was carried out at 5 April 2007 by the Scheme Actuary to value the benefits in the Scheme and to determine the cost of accruing benefits. This interim valuation was updated to 31 December 2014 by a qualified independent actuary. During 2013 the decision was made to close the Company's DBPS, and this was closed for future accruals at 31 December 2013. All employees who were members of this scheme have now transferred to the DCPS.

Trustees have the primary responsibility for governance of the Scheme. Benefits payments are from trustee-administered funds and Scheme assets are held in trusts which are governed by UK regulation. Responsibility for governance of the Scheme, including setting contribution rates, and investment decisions are the responsibility of the Trustees. The Trustee directors are comprised of nominations from the Company and members in accordance with the trust deed and rules.

During the financial year, the Company contributed £1.35m (2019: £1.35m) to the Scheme, and expects to contribute £1.35m in 2021.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

23. Pension commitments (continued)

The major assumptions used by the actuary were (in nominal terms) to determine the benefit obligations at 31 December were:

	2020	2019
Rate of increase in salaries	0.00%	0.00%
Rate of increase of pensions in payment – for pre 1 April 2006 ‘top up’	2.95%	2.95%
Rate of increase of pensions in payment – for post 1 April 2006 benefits	2.00%	2.00%
Rate of increase of pensions in deferment – pre April 2009	2.40%	2.15%
Rate of increase of pensions in deferment – post April 2009	2.40%	2.15%
Discount rate	1.45%	2.10%

The major assumptions used by the actuary (in nominal terms) to determine the net pension costs for the year ended 31 December were:

	2020	2019
Rate of increase in salaries	0.00%	0.00%
Rate of increase of pensions in payment – for pre 1 April 2006 ‘top up’	2.95%	3.15%
Rate of increase of pensions in payment – for post 1 April 2006 benefits	2.00%	2.10%
Rate of increase of pensions in deferment	2.15%	2.40%
Discount rate	2.1%	3.00%

The sensitivities regarding the principal assumptions used to measure the benefit obligation are set out below:

Assumption	Change in assumption	Impact on benefit obligation
Discount rate	Increase by 0.25%	Increase by 16.7%
Inflation assumption	Decrease by 0.25%	Increase by 16.3%
Post retirement mortality	Increase by one year	Decrease by 10.25%

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

23. Pension commitments (continued)

Weighted average life expectancy for mortality tables used to determine benefit obligations at age 65:

	2020 Years	2019 Years
Longevity at age 65 for current pensioners:		
Men	21.6	21.5
Women	23.3	23.2
Longevity at age 65 for future pensioners:		
Men	22.8	22.7
Women	25.1	25.0

Life expectancies as at 31 December 2020 based upon an average year of birth of 1976 (2019: 1975) for non-retired members and 1956 (2019: 1955) for retired members of the Scheme.

The weighted average asset allocation at 31 December was:

	2020	2019
Equities	9%	14%
Bonds	86%	82%
Other	5%	4%
Total	100%	100%

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

23. Pension commitments (continued)

Reconciliation of the present value of the benefit obligation:

	2020 £000s	2019 £000s
1 January	50,290	46,971
Movement in financial year:		
Current service cost	739	732
Past service cost	15	-
Interest cost	993	1,369
Actuarial loss/(gain)	9,095	7,468
Benefits paid	(5,983)	(2,654)
Expenses paid	(739)	(732)
Effect of experience adjustments	748	(258)
Effect of changes in demographic	360	(2,606)
31 December	55,518	50,290

Reconciliation of the fair value of Scheme assets:

	2020 £000s	2019 £000s
1 January	69,066	62,402
Movement in financial year:		
Interest income	1,394	1,842
Employer contributions	1,350	1,350
Actuarial gain/(loss)	10,358	6,858
Benefits paid	(5,983)	(2,654)
Expenses paid	(739)	(732)
31 December	75,446	69,066

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

23. Pension commitments (continued)

Pension liability in the statement of financial position at 31 December	2020 £000s	2019 £000s
Fair value of Scheme assets	75,446	69,066
Benefit obligation	(55,518)	(50,290)
Effect of asset limit	(19,928)	(18,776)
Surplus/(deficit) in Scheme	-	-
Related deferred taxation liability	-	-
Net pension asset/(liability)	-	-

Under FRS 101, any surplus in the Scheme can generally only be recognised as an asset on the Company's statement of financial position to the extent that it could be used to offset the Company's share of the cost of providing future service benefits. Following the closure of the final salary sections to further accrual of benefits with effect from 31 December 2013, there will be no cost of providing future service benefits so this means that no statement of financial position asset can be recognised.

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. This resulted in the selection of the 2.7% p.a. assumption at 31 December 2020 (2019 – 2.7%).

The actual return on the Scheme assets in the financial year was a gain of £10,358,000 (2019: £6,858,000).

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

23. Pension commitments (continued)

Analysis of the amounts charged to income statement are as follows:

	2020	2019
	£000s	£000s
Current service cost	739	732
Past service cost	15	-
Total operating cost	754	732
Expected return on pension scheme assets	(1,394)	(1,842)
Interest on pension liabilities	993	1,369
Interest expense on effect of onerous liability	394	463
Finance costs relating to pension scheme (Note 9)	(7)	(10)
Total pension costs recognised in the income statement	747	722

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

23. Pension commitments (continued)

Actuarial gains and losses

The current amount of actuarial losses recognised in the statement of comprehensive income is (£603,000) (2019: £628,000 loss). The cumulative amount of actuarial losses recognised in the statement of comprehensive income is (£9,315,000) (2019: £8,712,000). This cumulative loss is since the inception of the scheme in 2006.

Amounts for current and previous four years:

	2020	2019	2018	2017	2016
Defined benefit obligation	(55,518)	(50,290)	(46,971)	(56,931)	(66,490)
Plan assets	75,446	69,066	62,402	71,679	77,972
Surplus	19,928	18,776	15,431	14,748	11,482
Experience adjustments in plan assets:					
Amount (£'000)	748	(258)	1,230	1,732	(4,634)
Effect on asset limit following closure of scheme					
Amount (£'000)	-	-	-	-	-
Loss on closure of scheme					
Amount (£'000)	-	-	-	-	-
Experience adjustments on plan liabilities:					
Amount (£'000)	-	-	-	-	-
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£'000)	603	628	279	(1,049)	(732)

Defined contribution section

The Company contributed £3,394,419 (2019: £3,686,369) to the defined contribution section of the scheme in the year to 31 December 2020.

Spirit AeroSystems (Europe) Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

24. Other related party transactions

In accordance with the provisions of FRS 101, the Company, being a wholly owned subsidiary undertaking, has claimed exemption from disclosing related party transactions with other group undertakings.

25. Ultimate parent undertaking and controlling party

The Company's immediate parent company is Spirit AeroSystems Global Holdings Limited. Within the meaning of the Companies Act 2006 Spirit AeroSystems Holdings Inc. ("Spirit Inc.") is regarded by the directors of the Company as being the Company's ultimate parent undertaking and controlling party. Spirit Inc. is incorporated under the laws of Delaware, USA.

Copies of the Spirit Inc. annual reports are available from: 3801 South Oliver, Wichita, Kansas, USA, 67210.