Short Brothers PLC

Annual Report and Financial Statements

For the year ended 31 December 2019

Registered No. NI 1062

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Registered No. NI 1062

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FOREWORD TO THE FINANCIAL STATEMENTS

The company's parent, Bombardier Inc, took decisive actions during 2019 to address its underperforming aerospace assets, complete its investment cycle and put it on a solid path towards organic growth and margin expansion, whilst prudently managing liquidity and debt.

One of these key actions was to announce on 2nd May 2019 that as part of its global strategy it would be pursuing the divestiture of its Belfast, Casablanca and Dallas aerostructures businesses. This resulted in an announcement on 31st October 2019 that Bombardier Inc and Spirit AeroSystems Holdings Inc had entered into a definitive agreement, whereby Spirit would acquire the shares of Short Brothers plc, the shares of a sister company in Morocco and the assets of the aftermarket facility in Dallas. The transaction is expected to complete in 2020 subject to regulatory approvals and customary closing conditions.

Despite difficult trading conditions in 2019, the company turnover increased by 5% to $890 million, as aerostructure deliveries to Airbus for the A220 aircraft programme started to ramp up.

The business continues to face challenging cost pressures in a difficult overall aerospace context. In 2019, operating profit increased to $13.2 million (2018 - $4.9 million) with strong performance in aftermarket and on mature aerostructures programmes, despite some early additional one-off costs on newer aerostructures programmes and additional research and development investments in the year.

2019 was also a year of many achievements. In July, the company received the Royal Academy of Engineering's MacRobert Award for its advanced composite wing technology. Currently flying on the Airbus A220, the wings reduce the aircraft's environmental impact. The award is the UK's longest running and most prestigious prize for engineering innovation. The company was also recognised for environmental leadership in the 2019 NI Environmental Benchmarking survey, scoring highest for the third consecutive year. Successful audits included both LRQA ISA 14001 Environmental Management and BSI and ISO 45001 Occupational Health & Safety compliance.

In October, part of the RAF's Tucano farewell tour included a flypast over our main Belfast site. Shorts flew the first Tucano T Mk1 in December 1986 and the aircraft entered service with the RAF in June 1988. The programme delivered 130 licence-built aircraft to the UK Ministry of Defence (MoD) between 1988 and 1993. Other Tucanos went to both the Kuwait and Kenya Air Forces.

The Company continues to look towards new markets and opportunities and in April 2019 was contracted as part of a consortium by the Ministry of Defence (MoD) to produce preliminary system designs for a technology demonstrator vehicle. The overall aim of the project is to explore the utility and feasibility of unmanned capability to support existing and future MoD aircraft.

Since early 2020, the COVID-19 pandemic has deeply impacted global aviation markets. Consequently, the company has had to take significant measures to protect its employees' health and wellbeing as well as to adjust its production schedules to meet reduced customer demand. Regrettably, it announced workforce reductions in June and August, relating to just under 500 jobs, to address production requirements into 2021. However, by utilising the government's Coronavirus Job Retention Scheme, the company has managed to mitigate a larger number of reductions and will continue to maximise opportunities afforded by the scheme for as long as it is available.

We acknowledge the impact of the continuing COVID-19 uncertainty on our employees, their families, our suppliers, and our communities, and we are committed to aggressively pursuing all 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 these challenges in ways that safeguard our unique skills base in Northern Ireland. As always, the dedication and hard work of our employees will play a key role in our future success.

STRATEGIC REPORT

The Directors are pleased to present their Strategic Report for the year ended 31 December 2019.

BUSINESS REVIEW

The principal activities of the company are the design, development and manufacture of major aircraft structural components (wings, fuselages, engine nacelles and flight components) and provides aftermarket component repair and overhaul as well as other engineering services for both internal and external clients.

During the second quarter of 2019, Bombardier Inc (Bombardier) announced the strategic formation of Bombardier Aviation, consolidating all aerospace assets and engineering capabilities into a single, streamlined and fully integrated Bombardier Aviation business unit.

Since the launch of Bombardier's five-year turnaround plan, they have addressed underperforming aerospace assets, completed their investment cycle, and set itself on a solid path toward organic growth and margin expansion. With the final phase of the plan in motion, Bombardier is actively pursuing options to accelerate the deleveraging phase of the turnaround plan to position the business for long-term success.

2019 marked a pivotal year for Bombardier Aviation, reshaping its portfolio with increased focus on Business aircraft while addressing underperforming programs. The acquisition and successful integration of the Global 7500 Wing program leveraged technical expertise to support the ramp-up of the new Global 7500 business jet to secure its long-term success. In addition, the successful completion of entry-into-service of the Global 5500 and Global 6500 aircraft, on time, on budget and with better promised performance capabilities significantly strengthened Bombardier's Aviation portfolio.

The previous Bombardier announcement on the sale of the Q Series program assists, including aftermarket operations and assets, to De Havilland Aircraft completed in May 2019.

In June 2019, Bombardier entered into a definitive agreement with Mitsubishi Heavy Industries, Ltd. (MHI) for the sale of its regional jet program. The transaction closed on 1 July 2020.

Bombardier's proposed sale of its aerostructures business to Spirit AeroSystems Holding, Inc (Spirit), supports the strategic decision to reshape its Aviation portfolio with increased focus on Business aircraft. Under the agreement, Spirit will acquire Bombardier's aerostructures activities and aftermarket services operations in Belfast, UK and Casablanca, Morocco, and its aerostructures maintenance, repair and overhaul facility in Dallas, US for a cash consideration of $500 million and the assumption of approximately $700 million of liabilities, including the company's government refundable advances and pension obligations. A cash contribution of $130 million will also be made to the Shorts main pension scheme after closing and a tentative agreement has been reached to delay this contribution until 2021. This makes total cash in relation to closing of $630 million.

The transaction is expected to close in 2020 and is subject to certain consents, regulatory approvals and customary closing conditions. Closing conditions include, but are not limited to, (i) the absence of certain legal impediments to the consummation of the acquisition, (ii) the receipt of specified third party consents and approvals, including consents from Airbus SE and its subsidiaries, (iii) the receipt of applicable regulatory approvals, and (iv) the absence of a material adverse change to the acquired business.

Following the sale, Shorts, as part of Spirit, will continue to supply structural aircraft components and spare parts to Bombardier as a key external customer, to support the production and in-service fleet of Bombardier Aviation's Learjet, Challenger and Global families of aircraft. Spirit have made it clear that they see the acquisition as being complementary to its existing business, bringing opportunity to develop the aftermarket business as well as access to a lower cost footprint. We expect to see continuation of the ongoing Belfast programmes and nature of operations under Spirit ownership given the Airbus content and the need to support key Bombardier programmes.

The company's Profit and Loss Account on page 24 of the financial statements shows a loss for the year, after taxation, of $2.1 million (2018: $4.3 million). The directors do not recommend the payment of a final dividend (2018: $ 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.

STRATEGIC REPORT

BUSINESS REVIEW (CONTINUED)

Our key focus over the short to medium term remains to deliver on major cost reduction initiatives for current sustaining programmes and programmes under development. We have a continuing plan in place which focuses on reduction of procurement costs and labour efficiencies.

During 2019, the net retirement benefits deficit increased by $200 million (2018: $42 million decrease) primarily caused by actuarial losses, driven by decrease in discount rate (2019: 2.0%, 2018: 2.9%) and foreign currency fluctuations somewhat offset by pension costs. During the year, the company recorded a prior period adjustment in relation to pension equalisation (note 29). The adjustment increased the pension deficit by $26.3 million and was recorded as a prior period restatement in the opening reserves comparatives as at 1 January 2018. Bombardier has investment plans in place to achieve long-term investment returns that, in conjunction with contributions, have sufficient assets to pay the projected benefits while maintaining an acceptable level of risk given the tolerance of plan stakeholders. As noted above, post completion of the sale, Spirit have committed to pay an additional cash contribution and to meet deficit repair contributions.

The company's key financial and other performance indicators during the year were as follows:

	2019		*2018*	
Turnover	*$ million*	*% of total*	*$ million*	*% of total*
Bombardier Products:				
Business Aircraft	206	23	204	24
Commercial Aircraft	430	48	201	24
Non-Bombardier Products	67	8	264	31
Aftermarket	187	21	182	21
	890		851	

	2019	*2018*
Deliveries	*Number*	*Number*
Bombardier Products:		
Business Aircraft Fuselages	84	91
Business Aircraft Nacelles	36	36
Commercial Aircraft Fuselages	44	31
Commercial Aircraft Nacelles	15	14
Commercial Aircraft Wings	46	15
Other Bombardier Flight Components	209	180
Non-Bombardier Components	146	350

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

	2019	*2018*
KPIs	*$ million*	*$ million*
Operating profit	13	5
Loss for the financial year after tax	(2)	(4)
Investment in property, plant and equipment	50	8
Research and development costs	5	2

STRATEGIC REPORT

KPIs	*2019 Number*	*2018 Number*
Number of employee H&S incidents (total number of incidents per 200,000 work hours)	4.38	4.37
Number of time lost employee incidents (average number of incidents per 200,000 work hours)	0.16	0.19
Severity of employee incidents (average number of days lost per 200,000 work hours)	9.5	8.0

BUSINESS STRATEGY

The company's business strategy is to be the supplier of choice of innovative aerospace engineering solutions focusing primarily on higher value products such as wings, nacelles and other complex aerostructures.

The company is committed to developing a culture of continuous improvement by deploying & operating the Bombardier 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.

During 2019, the AES focus continued improving performance through ongoing and disciplined use of the system. All teams focused on delivering on a smaller number of key performance metrics, all of which are supported by relevant enabling metrics specific to their areas. An additional focus in 2019 was on further improving alignment of objectives through an enhanced Annual Planning process at all management levels.

Give an amazing customer experience

We endeavour to provide an 'Amazing Customer Experience' within the structure of Customer Scorecards. These scorecards allow each customer to rate our performance on the product and services that we provide, across the following areas: cost/commercial, quality, delivery, responsiveness, aftermarket and customer focus. The information from the scorecards allows our operational and functional/support staff, to work more closely with our customers to improve the customer experience that we provide. The metrics are embedded in the AES framework, increasing the accountability throughout the organisation to provide an Amazing Customer Experience.

It is fundamental that we continue to nurture and maintain good relationships with our customers to ensure continued and new business.

In terms of aftermarket support, we monitor our performance to the customer by measuring our responsiveness to queries and timeliness of fulfilling orders, both in repairs and spares supply. Again, these metrics are embedded in our AES framework.

Optimise our business performance by eliminating waste in everything we do

Lean Techniques
Through the implementation of AES, the company has developed a maturity in the understanding of Lean techniques and continues to deploy these techniques to eliminate waste in all aspects of our business. The elimination of waste is a major contributor to current cost reduction initiatives.

During 2019, a major pilot project was launched 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.

STRATEGIC REPORT

Optimise our business performance by eliminating waste in everything we do (continued)

Investment and Capital Commitments in Fixed and Intangible assets
Capital investment and commitments in the A220 programme in 2019 were $21 million (2018: $13.5 million); investment in primary programmes was $2 million (2018: $2.75 million); and investment in the A320neo thrust reverser programme was $11 million (2018: $0.9 million).

Advance to higher value products and services

Industrial Strategy
The company's industrial strategy seeks to balance higher value-added processes with more competitive, lower cost supply. Utilising supply partners from emerging economies is fundamental to this strategy.

Research and Development ("R&D")

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

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

We continue to execute our five-year strategic technology plan with support from the ATI where we have 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.

This technology plan seeks to address our competitiveness and knowledge and position us for future growth through success in securing new contracts.

Leverage new business

The role of the Business Development team has continued to advance in line with the company's business growth strategy. The team's mandate is to:

- Research, identify and capitalise on new business opportunities;
- Market the company's engineering, manufacturing and aftermarket support capabilities to key airframers and aerospace companies who are global players;
- Develop strategic relationships with current and potential customers that will lead to bid opportunities and new business;
- Focus on emerging UK commercial space launch providers to capture Small Launch Vehicle (SLV) manufacture and assembly, payload fairing and inter-stage adaptor aerostructure work packages;
- Exploit associated technology spin-offs from the space sector to other Bombardier Business and Commercial Aircraft business segments, and
- Secure national and regional space sector funding.

Business development activity and effort continues to be focused on the development, integration and manufacture of aircraft wings and advanced nacelle structures and systems. Continued development of aftermarket support is a key element of the company's business growth strategy.

Successfully transform to create a safe and rewarding workplace for all our people

Health and Safety
During December 2019 the company successfully underwent a transition audit from OHSAS 18001 to ISO 45001 which means that the internal safety management system deployed at Belfast is accredited to an international standard, a tremendous accomplishment for all at the site.

STRATEGIC REPORT

Health and Safety (continued)

Our 2019 Belfast safety audit schedule was completed to plan, namely,

- 13 OHSAS internal audits;
- 13 chemical audits;
- 58 critical risk audits;
- 3 external accreditation audits.

Particular emphasis continues to be placed on auditing the more critical aspects of our risk profile as we continue to seek to minimise both the frequency of occurrences and their potential severity.

We continue to develop the benefits of a bespoke incident management system RAIL (Risk, Audit, Incident, Liability) linking occurrences with existing risk assessment controls. A cascading metric to ensure our managers are focussed on the validity of risk assessments relevant to their areas of responsibility, with onus placed on risk control, continues to be tracked.

The relevant KPIs for frequency of employee incidents continue to compare positively with industry standards. We recorded a slight decrease in reported time lost cases during 2019, however a slight increase in the number of days lost associated with these cases was recorded. The company measures and rigorously investigates all reported incidents, as well as executing a 'safe system of work' to assess and review the competencies of subcontracting companies working on our site.

During 2019 we issued several themed safety alerts to inform and to encourage all employees to play their part in underpinning and sustaining a preventative safety culture.

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 Quality Assurance (LRQA) and is subject to regular external audits. LRQA undertook two surveillance audits in 2019. No non-conformances were raised. These are excellent results which acknowledges the robust arrangements in place for delivering environmental compliance and continual improvement.

During 2019, for the third consecutive year, the company achieved first place in the Business in the Community's Annual Environmental Benchmarking Survey; Northern Ireland's premier environmental awards scheme for business and industry. This provided further recognition of our continual improvement.

The year marked a continuation of a challenging programme of environmental targets, using prior year as a baseline. Each target is supported by action plans 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 several initiatives to cut our energy costs and secure more sustainable sources. Solar and biogas plants are already helping us become less dependent on mains-generated energy and a 15MW "Energy from Waste" facility, located close to our Wing facility, will supply us with power from 2020. When fully operational, we expect 70% of our electrical requirements to come from these alternative sources. All three projects are enabling us to secure supply at consistent rates while reducing our overall environmental footprint.

STRATEGIC REPORT

Communities

In 2019, we made a special donation of £10,000 to Cancer Fund for Children towards the running costs of its Daisy Lodge facility in Newcastle, Co Down. The respite centre offers short therapeutic breaks for children and families living with cancer.

As part of our educational outreach, the company partnered with Sentinus, a not-for-profit STEM-related charity, on the delivery of flight-themed programmes in primary and post-primary schools to help develop young people's interest in these subject areas. We supported the Aisling educational bursary programme for third-level students in West Belfast as well as the annual awards event at social enterprise, Orchardville. We also sponsored Catalyst in Titanic Quarter: community-led and not-for-profit, its focus is the development of local entrepreneurial innovation.

Employees continued their fantastic fundraising activities throughout the year and, together with their own charity society and the company's charitable foundation, donated thousands of pounds to local initiatives. During the Christmas period, employees organised foodbank collections and toy appeals across the company. Our trade unions also ran their annual charity collection: £12,000 was raised for the Northern Ireland Children's Hospice.

PRINCIPAL RISKS AND UNCERTAINTIES

Like most businesses, there are a range of risks and uncertainties facing the company and the matters described below are not intended to be an exhaustive list. We fully apply risk assessment and mitigation practices possible, to reduce the nature and extent of our risk exposure to an acceptable level. The principle risks and uncertainties facing the company are broadly grouped as Coronavirus, Brexit, Treasury and the Aerospace environment.

Coronavirus risk

As the global COVID-19 pandemic took hold in the UK on 11 March 2020, our employees' health and safety remained the company's top priority, combined with the need to ensure business continuity. Where possible, we encouraged home-working and at the end of March, a significant number of employees were placed on furlough utilising the government's Coronavirus Job Retention Scheme. We used the initial furlough period to review our facilities and all reasonable steps were taken to safeguard the health, safety and well-being of employees. This ensured that, as employees returned to work on a phased programme, we were following the current government social distancing and workplace health and safety regulations

We continue to review the impact of COVID-19 on our business, taking into account amendments to government guidelines as well as significant changes in customer requirements, Regrettably, we announced workforce reductions in June and August, relating to just under 500 jobs, to address revisions in production schedules into 2021. However, by utilising the government's Coronavirus Job Retention Scheme, the company has managed to mitigate a larger number of reductions and will continue to maximise opportunities afforded by the scheme for as long as it is available. Homeworking for those employees who can do so, will also carry on for the foreseeable future.

Other mitigation measures have included a global travel ban while visits to, and movements between, our Belfast sites have been restricted. The company's cleaning regime has been reviewed so that employees can continue to practise good hygiene and follow Public Health Agency advice. Future workplace rotations are being considered post COVID-19, to continue to minimise the employee population across our sites. The company continues to facilitate arrangements for employees who need to observe isolation and quarantine periods and to support those with childcare needs. As a priority sector business, we have access to the COVID-19 testing programme, which allows us to register employees and household members showing symptoms for testing at three drive-through testing sites in Northern Ireland. The company continues to consult with central and regional government, and our industry trade bodies, on the way forward through this crisis.

STRATEGIC REPORT

Business risk - Coronavirus

Revenues during Q2 2020 reflect a lower level of production activity and deliveries as operations were temporarily suspended due to the global COVID-19 pandemic. Revenues from services proved more resilient during this period. Starting in the last weeks of April and through the month of May, global operations safely and successfully resumed with new safety measures in place. With production rates and workforce realigned to current market conditions and customer requirements, the delivery outlook is expected to accelerate and peak seasonally in the fourth quarter.

The industry is expected to recover in the medium term and the long-term prospects are good. The financial projections used in the going concern assessment are based on revised master schedules considering the impact COVID-19 has had on the industry. Management's best estimate regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized immediately.

The company's engagement with Spirit remains ongoing. The current circumstances are managed in a way to prioritise employees' health and safety and to give the company the best possible opportunity to meet the current challenges.

Brexit risk

On 31 January 2020, the UK formally left the European Union and entered a transition period until 31 December 2020.

Brexit could result in increased geographical and economic risks including disruptions and uncertainty around our business. Customer, supplier and employee relationships could be impacted, which in turn could have an adverse effect on our financial results and operations. There is also the possibility of greater restrictions on imports and exports between the UK and EU countries and increased regulatory complexities. The Directors are confident that the business is in a strong position to react quickly at the appropriate time when the future UK/EU relationship becomes clear, in order to continue to provide the highest levels of services to our customers.

Treasury risks

These include credit risk, liquidity risk, cash flow and price risks, and currency risk.

Credit risk
Most of the company's revenues are derived from contracts with entities within Bombardier, which the directors of the company have assessed as having limited, if any, credit risk. Credit risk arises principally on third party derived revenues. Company policy is aimed at minimising such 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.

The credit risk in relation to the key third party customers, Rolls-Royce and Airbus, has been reviewed by the directors considering the current economic conditions. Cash flows of our third-party customers have been significantly impacted by Covid-19 pandemic, strong liquidity underpins business resilience and flexibility and mitigating actions in the first half of 2020 will help secure the long-term future of these customers.

STRATEGIC REPORT

Treasury risks (continued)

Liquidity risk
The company manages liquidity risk through Bombardier's centralised treasury department, with whom it shares banking arrangements. The company's operations are primarily funded through advances from other related parties, specifically a $1 billion letter of credit facility with Bombardier Hungary Capital Group through Bombardier Aerospace (UK) Limited. The current letter of credit has been extended to 30th September 2020 and will continue to be extended until the proposed sale to Spirit completes. This provides significant headroom to operational requirements.

Subject to approval at Bombardier, the company may also manage its liquidity risk using leasing arrangements and government assistance packages.

Cash flow and price risks
The company is exposed to cash flow risk arising from movements in variable rate finance lease arrangements. As with the company's liquidity risk, this risk is managed through Bombardier's centralised treasury function. The company has no other significant variable rate external borrowings.

Since the company has no commodity based financial instruments the directors do not believe that the company has significant exposures arising from price risks.

Currency risk
The company assesses currency risk based on transactional cash flows, identifying naturally offsetting positions and purchase hedging instruments to protect anticipated exposures, centrally managed in conjunction with other Bombardier entities.

Aerostructures environment

Key drivers of the aerostructures market are strongly linked to factors such as economic growth (GDP per capita), political stability, air passenger traffic and aircraft retirement rates. More specifically, the market is driven by the number of new products in development or upgrades to existing platforms as well as growth in production rates and backlogs in various aircraft sectors.

The following key indicators are used to monitor the health of the aerostructures and engineering services industry in the short term:

- *Original equipment manufacturers production rates / units delivered*
  The order backlogs of commercial aircraft original equipment manufacturers in the industry remain at strong levels. The business aircraft market is expected to continue its stabilisation.

- *Maintenance, repair and overhaul (MRO) growth*
  The commercial aircraft global MRO demand is expected to grow from $82 billion to approximately $116 billion by 2029 at a CAGR of 3.5%. The growth mainly comes from the global fleet which is expected to grow at an average of 3.6% per year from over 27,000 aircraft to over 39,000 aircraft by 2029.

Given that the aerostructures industry revenues are generated from original equipment manufacturers in the aerospace market, it is subject to the same industry and economic driver as Business aircraft and Commercial aircraft.

Despite the short-term global shock caused by the COVID-19 pandemic, the business aviation industry is expected to grow in the long term due to strong demand combined with the introduction of new aircraft models and technologies.

STRATEGIC REPORT

Section 172 (1) (a) to (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.

Engagement with our shareholders and wider stakeholder groups plays a vital role throughout the business. By understanding our stakeholders, the board factors into boardroom discussions the potential impact of our decisions on each stakeholder group and considers their broad range of interests.

Bombardier Inc

Bombardier Inc, the company's parent and shareholder is a key stakeholder of our business. Bombardier Inc is a global leader in the transportation industry, creating innovative and game-changing planes and trains. Bombardier has two key divisions, Bombardier Aviation and Bombardier Transportation. The company is held within the Bombardier Aviation division and supports key investment, bids and strategic decisions. The company engages with Bombardier on a regular basis through support of their governance processes. Bombardier provide the company with head office functions such as financial consolidation, legal, pension, treasury and insurance services. In addition, Bombardier is the primary source of funding for the Company's operational needs. This requires the company to provide regular cash and currency forecasts of inflows and outflows. In 2019 the company had particularly close collaboration with Bombardier's mergers and acquisitions team during the process to sell the company to Spirit AeroSystems.

Colleagues

Our people are our most valuable assets, their knowledge and expertise make a critical difference to our success and our investment in them protects and strengthens our culture. 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 monthly 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. In addition, there are quarterly engagement and alignment forums cascaded to every employee in the company to update on performance and other key matters. Through two-way weekly communications process, employees are regularly updated on company progress and current topics.

Employee recognition and the celebration of achievements are also key to engagement. As part of its employee recognition processes, the company celebrated the long service of employees at a dinner in October. Earlier in the year, in July, some employees attended a Royal Academy of Engineering (RAE) event, where Bombardier was awarded the Royal Academy's MacRobert Award – the most prestigious prize in UK engineering. The prize was awarded for the company's innovative advanced composite wings for the A220 aircraft, which help reduce the environmental impact of air travel. Follow-up events were organised by the RAE and involved members of the Bombardier engineering team. The achievement was promoted through internal communications channels across Bombardier, as well as in wider external traditional media and social media.

The re-accreditation process for the Investors in People (IIP) award got under way in November, with assessors carrying out interviews with a random selection of employees in January and February 2020. In

STRATEGIC REPORT

Colleagues (continued)

March 2020, the company was informed it had been awarded Gold standard, yet again, a tremendous achievement given the challenges faced by the company and its workforce during 2019.

The company is committed to safeguarding the health and safety of its employees and continue to compare favourably with industry standard KPI's. During December 2019 the company successfully underwent a transition audit from OHSAS 18001 to ISO 45001. Implementing this standard protects the health, safety and wellbeing of employees, visitors and anyone affected by the company's activities.

Suppliers

Our suppliers add real value to our aircraft solutions and our customer services. Together we share a commitment to excellence and focus on providing an 'amazing customer experience'. The procurement team maintains close relationships and regularly meet with suppliers. Supplier performance is measured through KPI's and is reviewed continually by management to maintain a high-quality standard. We are a signatory to ADS 21st Century Supply Chain and we work with other members of that Partnership to synchronise how supply chain performance is measured and relationships improved. The company encourages suppliers to raise any issues or concerns they have about their relationship with the company, their contracts or the workforce.

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: cost/commercial, quality, 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. 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 the UK Government principally the Department of Business, Energy & Industrial Strategy (BEIS) and Invest Northern Ireland (INI). The Company engages with both on a very regular basis to give business updates and to lobby on initiatives. With regards to our launch investment on the A220 program, formal meetings with BEIS take place twice each year. This provides an opportunity to present current program milestones and performance. On an ongoing basis, formal lines of communication are open with BEIS with regards to levy repayments which commenced in January 2020. Quarterly monitoring reports are also sent to INI with regards to grant funding received.

With respect to ongoing grant support for R&D projects and training from INI, the company is required to complete formal monitoring reports on a quarterly basis. These reports include updates on employment, financial performance, sales and marketing news, including customer satisfaction levels, operations, R&D, including any new products/services planned, and legal actions.

The company is represented on the joint government and industry Aerospace Growth Partnership (AGP) both 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 monthly. The various working group meetings 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.

The company is represented on the BEIS Aerospace EU Exit & Trade Sector Panel, which meets regularly and allows government to update industry on its approach/policies in relation to Brexit, as well as enabling industry to raise matters of concern directly with government. Officials from HMRC, the Department for Transport, and the Department for International Trade also take part in these meetings.

STRATEGIC REPORT

Government and Regulators (continued)

Other Government engagement during the year included meetings and calls with various Ministers (including the PM), members of the Shadow Cabinet, MPs and officials, as well as local councillors. The meetings covered a wide range of matters, including Brexit, workforce reductions, future opportunities, the proposed acquisition by Spirit AeroSystems, the Future Flight Programme, and key business interests in which we may need support.

The company also hosted a visit earlier in the year by the new UK Heads of Mission (Ambassadors and Consul Generals), providing them with a general overview of our capabilities and interests, as well as ongoing business challenges.

Environment

The Board recognize the important responsibility we have to minimize the adverse impact of our products and operations on the environment and continue 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 Quality Assurance (LRQA) and is subject to regular external audits. LRQA undertook two surveillance audits in 2019. No non-conformances were raised. These are excellent results which acknowledges the robust arrangements in place for delivering environmental compliance and continual improvement.

In 2019, for the third consecutive year, the company achieved first place in the Business in the Community's Annual Environmental Benchmarking Survey; Northern Ireland's premier environmental awards scheme for business and industry. This provided further recognition of our continual improvement.

2019 saw a continuation of a challenging programme of environmental targets, using 2018 as a baseline. Each target is supported by action plans 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 cut our energy costs and secure more sustainable sources. Solar and biogas plants are already helping us become less dependent on mains-generated energy and a 15MW "Energy from Waste" facility, located close to our Wing facility, will supply us with power from 2020. When fully operational, we expect 70% of our electrical requirements to come from these alternative sources. All three projects are enabling us to secure supply at consistent rates while reducing our overall environmental footprint.

Communities

We are making a positive difference in our local communities through education, sustainable development, stakeholder engagement and social inclusion. These areas fit with our business and enable us to maximize our investments, as well as the skills and expertise of our employees.

In 2020, together with our charitable foundation, we have been responding to a number of COVID-19 appeals from local charities. These vary from our provision of personal protection equipment to St John Ambulance (NI), a volunteer organisation which supports our Northern Ireland Ambulance Service, to financial assistance for a wide range of community initiatives such as foodbanks and residents' associations, who are delivering meals and support to those must vulnerable as a result of the COVID-19 impact.

STRATEGIC REPORT

Section 172 (2) Principal Decisions

Communication on Sale to Spirit AeroSystems

The Directors recognise that important announcements require a more structured approach, with a communications plan around engaging key stakeholders, both internal and external. The announcements by Bombardier during 2019 of its intention to sell its Northern Ireland and Morocco operations, and subsequently the proposed acquisition of those businesses by Spirit AeroSystems, required the development and implementation of a detailed communications plan, which adhered to market trading rules and regulations. In both instances, key stakeholders were identified, a detailed timeline and action plan was drawn up, and key messages and Q&A documents for use with government ministers, politicians, officials and industry bodies, as well as media. Phone calls were made to identified key political stakeholders, and letters were drafted and sent to senior GB Ministers and local political parties, in the absence of a Northern Ireland Executive. Employee communications included memos, face-to-face briefings and Q&As for managers to use with their teams. Our trade unions were also briefed. Following both announcements, employees, key political stakeholders and media have been when appropriate, although communication remains restricted until the transaction is completed.

Proposed Extension to Wing Manufacturing and Assembly Facility

Our Belfast Wing Manufacturing and Assembly facility accommodates the manufacture and assembly of composite wings for the Airbus A220 aircraft family. In preparation for a ramp-up of the A220 program, the company received Planning Permission in Q1, 2020 for an extension to the existing facility. At full production the A220 program will sustain around 1,000 jobs at our Belfast site and up to 2,000 jobs in our supply chain. Spend approvals to commence the extension are in line with strategic timelines and site preparation works are under way. The management team are regularly monitoring key milestones to ensure timelines are respected.

Space and Defence Activity

During 2019, the company actively pursued new activity in the Space and Defence sectors. Several contracts signed to date have the potential to generate substantial revenue and earnings for the company. These new contracts will require some investment in R&D and will have a positive impact on the local economy from both a labour and supply chain point of view. The company has plans to further develop in these areas of business to secure future substantial revenue. This is also aligned to Spirit's growth intentions.

By order of the board

Colin Thompson
Director
Date: 29 September 2020

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2019.

Directors of the company
The current directors are shown on page 3.

Under the terms of the company's Articles of Association, one third of the directors must retire by rotation at the Annual General Meeting. The longest serving director, Colin Thompson, is deemed to have retired by rotation, and being eligible, offers himself for re-election at the AGM.

Dividends
The directors do not recommend the payment of a final dividend (2018: $ nil).

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 opportunities which exploit our current technology within the space and defence sectors.

The proposed sale to Spirit will help to create security for the long-term future of the company's operations, and drive growth in both the Airbus related programs and the aftermarket segment of the business. The sale which was due to complete in the first half of 2020 has been delayed due to the impact of Covid-19. The transaction is fully expected to complete by the end of 2020 subject to regulatory approvals and customary closing conditions.

It is expected that the industry will recover in the medium term, from the Covid-19 outbreak, and the long-term prospects are good.

Financial instruments
The company finances its activities with 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. The methods and assumptions are disclosed in the financial instruments note 20. The company uses 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.

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 disabled persons applying for vacancies, having regard to their aptitudes and abilities 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 structure 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 and their views sought on matters that affect them as employees.

Post balance sheet events
The company's post balance sheet events are discussed in note 30.

Going concern
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.
The financial projections for the next two years show that the company is expected to generate positive free cash flow from operating activities on its own account. The company will continue to invest in development programmes and there will be an incremental funding requirement. The company's free cash flow after investing activities is expected to be negative in 2020 and will return to being positive in 2021. The company's funding requirement is administrated through its parent company, Bombardier Inc.'s, centralised treasury function and drawdowns are kept to a minimum level as a result of the continuous monitoring of the company's cash position. The letter of credit from Bombardier Inc. has been extended to 30 September 2020, and we have received confirmation from it that this will be extended further, if applicable, until the sale transaction closes. Given the net liabilities position at 31 December 2019 of $223.0 million (2018 restated: $88.9 million), as shown on page 26, the company has received written confirmation from Bombardier Inc. that until the sale transaction closes they will provide the company with the necessary financial support to fulfil its obligations and continue its operations without substantial disposition of assets or similar action. This letter of support covers the 12-month period following the signing date of the 2019 statutory accounts. Based on the 2019 Bombardier Inc. results and 2020 and 2021 projections, the group is able to support the company under the terms of that letter.

There are material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of the business. The material uncertainties are as follows:

- There are material uncertainties related to the market conditions over the coming months given the impact of the COVID-19 virus on aerospace markets and the demand for the company's aerostructures products and services, leading to reduced cash-flows. A revised financial forecast has been prepared to support the going concern assessment to reflect the latest current demand information from our customers. At the same time, the company has taken significant actions already to mitigate its cash outflows relating to this revised demand; and

- Until the sale of the company to Spirit completes, the Directors cannot obtain a letter of support on funding from Spirit. As a result, the Directors are unclear on the funding structure of Shorts within the Spirit group, however, it is expected that Spirit will provide the required funding to support the company in its growth plans which gives rise to a material uncertainty relating to going concern.

Under the terms of the agreement Spirit will acquire Atlantic for cash considerations of $500 million and will assume liabilities with a total carrying value in excess of $700 million, which includes government refundable advances and pension obligations. A cash contribution of $130 million will also be made to the Shorts main pension scheme, making total cash of $630 million.

Following the sale, Spirit and Shorts will continue to supply structural aircraft components and spare parts to Bombardier as a key external customer, to support the production and in-service fleet of Bombardier Aviation's Learjet, Challenger and Global families of aircraft. Spirit has communicated in its earnings call in August 2020, that it sees the long-term strategic value in the acquisition of the company.

The Trustees of the Short Brothers Pension Scheme (the Trustees) were intensively involved with the sale negotiations. The Trustees have assessed the future business plan and believe the sale will provide a stronger financial footing for the company and that the terms of the sale represent the best deal in the interests of the scheme members.

Going concern (continued)

On the basis of their assessment of the company's financial position, the letter of credit extension and the letter of support provided by Bombardier, and the reasonable expectation that Spirit will continue to provide adequate funding following the Bombardier-Spirit transaction, the Company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, the financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Auditors

In accordance with Section 485 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 person who was a director at the date of approving this report 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 he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board

Colin Thompson

Colin Thompson
Director

Date: 29 September 2020

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.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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.

AUDITOR'S REPORT

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

We have audited the financial statements of Short Brothers PLC for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, Statement of Changes in Equity and the related notes 1 to 30, 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 below. 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.

Material uncertainties related to going concern
We draw attention to Note 1 in the financial statements, which indicated that the ability of the Company to continue as a going concern is subject to the following material uncertainties.

- The market conditions in light of the impact of the COVID-19 pandemic on the aerospace industry and the demand for the company's aerostructures products and services, leading to reduced cash flows; and
- The acquisition of the company by Spirit AeroSystems Holdings Inc., which is expected to complete in 2020, until the sale of the Company, the Directors cannot obtain a letter of support in respect of the funding of the Company's ongoing operations. The Directors do not have visibility of the future funding and operating structure of Shorts within the Spirit AeroSystems Holdings Inc. on completion of the acquisition.

As stated in Note 1, these events or conditions, indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Opinion 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 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 20, 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.

Auditors 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

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/auditorsreponsibilities. 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.

Ruth Logan (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
Date: 30 September 2020

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2019

	Note	*2019* *$'000*	*2018* *$'000*
TURNOVER	2	890,259	850,536
Cost of sales		(840,782)	(772,210)
GROSS PROFIT		49,477	78,326
Administrative expenses		(35,618)	(27,419)
Research and development		(6,452)	(4,103)
Other operating income/(expense)		9,124	(1,849)
Exceptional items	4	(3,321)	(40,099)
OPERATING PROFIT	3	13,210	4,856
Interest payable and similar charges	5	(37,812)	(41,565)
Other finance cost – retirement benefits	22	(6,071)	(4,797)
LOSS BEFORE TAXATION		(30,673)	(41,506)
Tax on loss	7	28,558	37,227
LOSS FOR THE YEAR		(2,115)	(4,279)

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
LOSS FOR THE YEAR		(2,115)	(4,279)
OTHER COMPREHENSIVE INCOME:			
Items that can be reclassified to profit or loss			
Cash flow hedges			
Net gains/(losses) on derivative financial instruments designated as cash flow hedges		530	(28,614)
Net gains/(losses) on cash flow hedges reclassified to income		24,061	(10,869)
Deferred tax (charge)/credit arising on cash flow hedges	7	(4,180)	6,713
		20,411	(32,770)
Items that cannot be reclassified to profit or loss			
Retirement benefits			
Net actuarial (losses)/gains recognised in respect of retirement benefits	22	(173,856)	90,549
Foreign exchange (losses)/gains on retirement benefits	22	(10,076)	9,338
Deferred tax credit/(expense) arising on retirement benefits	7	31,268	(16,985)
		(152,664)	82,902
Total other comprehensive (loss)/income for the year		(132,253)	50,132
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(134,368)	45,853

Short Brothers PLC

Registered No.NI 1062

BALANCE SHEET
as at 31 December 2019

	Note	2019 $'000	2018 (Restated[1]) $'000
Fixed assets			
Intangible assets	8	41,618	40,740
Tangible assets	9	264,687	209,362
Investment property	10	-	6
Investments	11	431	431
		306,736	250,539
Current assets			
Stocks	12	275,921	270,894
Contract assets	2	-	269
Debtors	13	338,195	296,617
Cash at bank and in hand	14	40,580	116,189
		654,696	683,969
Creditors			
Amounts falling due within one year	15	(371,332)	(242,846)
Contract liabilities	2	(39,377)	(32,545)
Net current assets		243,987	408,578
Total assets less current liabilities		550,723	659,117
Creditors			
Amounts falling due after more than one year	16	(332,882)	(480,342)
Provisions for liabilities	17	(440,826)	(267,668)
NET LIABILITIES		(222,985)	(88,893)
Capital and reserves			
Called up share capital	23	143,374	143,374
Share premium account	23	614	614
Cash flow hedge reserve	23	1,992	(18,419)
Retained losses	23	(368,965)	(214,462)
TOTAL CAPITAL AND RESERVES		(222,985)	(88,893)

[1] Restated, refer to note 29 for the impact of prior year restatement.

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

Colin Thompson

Colin Thompson
Director
Date: 29 September 2020

STATEMENT OF CHANGES IN EQUITY
as at 31 December 2019

	Share capital *$'000*	*Share premium account* *$'000*	*Cash flow hedge reserve* *$'000*	*Retained losses (Restated[1])* *$'000*	*Total* *$'000*
At 1 January 2018 (Restated[1])	143,374	614	14,351	(292,699)	(134,360)
Loss for the year	-	-	-	(4,279)	(4,279)
Net other comprehensive income for the year	-	-	(32,770)	82,902	50,132
Total comprehensive income for the year	-	-	(32,770)	78,623	45,853
Share based payment: charge for the year	-	-	-	1,536	1,536
Share based payment: recharge from parent	-	-	-	(1,922)	(1,922)
At 31 December 2018 (Restated[1])	143,374	614	(18,419)	(214,462)	(88,893)
Loss for the year	-	-		(2,115)	(2,115)
Net other comprehensive loss for the year	-	-	20,411	(152,664)	(132,253)
Total comprehensive loss for the year	-	-	20,411	(154,779)	(134,368)
Share based payment: charge for the year	-	-	-	2,177	2,177
Share based payment: recharge from parent	-	-	-	(1,901)	(1,901)
At 31 December 2019	143,374	614	1,992	(368,965)	(222,985)

[1] Restated, refer to note 29 for the impact of prior year restatement.

1. ACCOUNTING POLICIES

Corporate information
The financial statements of the company for the year ended 31 December 2019 were authorised for issue by the board of directors on 29 September 2020. Short Brothers PLC 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 5.

The company's immediate parent undertaking is Bombardier Aerospace (UK) Limited and the ultimate parent undertaking within the United Kingdom is Bombardier Aerospace (Holdings) UK Limited. The company's ultimate parent undertaking and controlling party is Bombardier., a company incorporated in Canada, 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 Bombardier, which include the company, can be obtained from Bombardier, 29th Floor, 800 René-Lévesque Blvd. West, Montréal, Québec, Canada, H3B 1Y8.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and in accordance with applicable accounting standards.

A prior year adjustment has been recorded to reflect the impact of an adjustment to the pension obligation due to equalisation for an Aviation plan in the UK. The adjustments of $4,483,000 to the deferred tax asset and $26,368,000 to the pension scheme deficit were recorded as a prior period restatement in the opening reserves comparatives as at 1 January 2018. Further details are provided in note 29.

A summary of the disclosure exemptions adopted are presented below. Equivalent disclosures for share-based payments, financial instruments, fair value measurements and impairment of assets are included in the group consolidated financial statements allowing the exemptions to be applied.

Area	*Disclosure exemption*
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, investment property as well as exemption from presentation of a 2017 balance sheet.
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).

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

1. ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)
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. The financial statements are presented in US Dollars and all values are rounded to the nearest thousand ($'000) except when 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 Bombardier Aerospace (Holdings) UK Limited, which in turn is a wholly owned subsidiary of Bombardier, a company registered in Canada 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 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.

The financial projections for the next two years show that the company is expected to generate positive free cash flow from operating activities on its own account. The company will continue to invest in development programmes and there will be an incremental funding requirement. The company's free cash flow after investing activities is expected to be negative in 2020 and will return to being positive in 2021. The company's funding requirement is administrated through its parent company, Bombardier Inc.'s, centralised treasury function and drawdowns are kept to a minimum level as a result of the continuous monitoring of the company's cash position. The letter of credit from Bombardier Inc. has been extended to 30 September 2020, and we have received confirmation from it that this will be extended further, if applicable, until the sale transaction closes. Given the net liabilities position at 31 December 2019 of $223.0 million (2018 restated: $88.9 million), as shown on page 26, the company has received written confirmation from Bombardier Inc. that until the sale transaction closes they will provide the company with the necessary financial support to fulfil its obligations and continue its operations without substantial disposition of assets or similar action. This letter of support covers the 12-month period following the signing date of the 2019 statutory accounts. Based on the 2019 Bombardier Inc. results and 2020 and 2021 projections, the group is able to support the company under the terms of that letter.

There are material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of the business. The material uncertainties are as follows:

- There are material uncertainties related to the market conditions over the coming months given the impact of the COVID-19 virus on aerospace markets and the demand for the company's aerostructures products and services, leading to reduced cash-flows. A revised financial forecast has been prepared to support the going concern assessment to reflect the latest current demand information from our customers. At the same time, the company has taken significant actions already to mitigate its cash outflows relating to this revised demand; and

- Until the sale of the company to Spirit completes, the Directors cannot obtain a letter of support on funding from Spirit. As a result, the Directors are unclear on the funding structure of Shorts within the Spirit group, however, it is expected that Spirit will provide the required funding to support the company in its growth plans which gives rise to a material uncertainty relating to going concern.

Under the terms of the agreement Spirit will acquire Atlantic for cash considerations of $500 million and will assume liabilities with a total carrying value in excess of $700 million, which includes government refundable advances and pension obligations. A cash contribution of $130 million will also be made to the Shorts main pension scheme, making total cash of $630 million.

1. **ACCOUNTING POLICIES (CONTINUED)**

Going Concern (continued)

Following the sale, Spirit and Shorts will continue to supply structural aircraft components and spare parts to Bombardier as a key external customer, to support the production and in-service fleet of Bombardier Aviation's Learjet, Challenger and Global families of aircraft. Spirit has communicated in its earnings call in August 2020, that it sees the long-term strategic value in the acquisition of the company.

The Trustees of the Short Brothers Pension Scheme (the Trustees) were intensively involved with the sale negotiations. The Trustees have assessed the future business plan and believe the sale will provide a stronger financial footing for the company and that the terms of the sale represent the best deal in the interests of the scheme members

On the basis of their assessment of the company's financial position, the letter of credit extension and the letter of support provided by Bombardier, and the reasonable expectation that Spirit will continue to provide adequate funding following the Bombardier-Spirit transaction, the Company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, the financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Changes in accounting policies and disclosures

In January 2016, the IASB released IFRS 16 *Leases* ('IFRS 16'), to replace the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor.) IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 was adopted effective 1 January 2019, and the Company elected to use the modified retrospective approach whereby comparative periods were not restated. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The company applied the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application and did not reassess contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. In addition, the Company elected to apply recognition exemptions available in the standard for lease contracts where the lease term ends within 12 months of the date of initial application or lease commencement date and that do not contain a purchase option, and lease contracts for which the underlying assets is of low value.

On initial application the Company also applied other practical expedients on translation. These were to apply a single discount rate to a portfolio of leases with reasonably similar characteristics, apply the short-term leases exemptions to leases with lease term that ends within 12months at the date of initial application, to exclude initial direct costs from the measurement of the right-of-use asset at the date of application and use hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Where the Company is a lessee, IFRS 16 resulted in on-balance sheet recognition of most of its leases that were considered operating leases under IAS 17. This resulted in the gross-up of the balance sheet through the recognition of a right-of-use asset, adjusted for lease incentives received and a lease liability for the present value of the remaining future lease payments, discounted using the incremental borrowing rate at the date of initial application. Depreciation expense on the right-of-use asset and interest expense on the lease liability replace the previously recognised operating lease expense. The impact of adopting this standard on the cash flow statement is neutral, however the principal repayment of the lease liabilities will be presented in financing activities under IFRS 16, whereas previously it was presented in operating activities. Refer to note 28 for further details on the impact of adopting IFRS 16.

1. ACCOUNTING POLICIES (CONTINUED)

Translation of foreign currencies
The company's financial statements are presented in US Dollars, which is also the company's functional currency. Transactions denominated in foreign currencies are initially recorded in the functional currency of the company using the hedged rate for the year. Revenues and expenses are translated using the average exchange rates for the year or the exchange rate at the date of the transaction for significant unhedged items.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date. Any resulting exchange differences are recognised in the profit and loss account except for exchange differences related to retirement benefits assets and liabilities, which are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies and measured at historical cost are translated using historical exchange rates, and those measured at fair value are translated using the exchange rate in effect at the date the fair value is determined.

Revenue recognition
The company is in the business of design, development and manufacture 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.

a) Sale of goods – Production & Aftermarket
Revenues from the sale of aircraft components and spare parts are generally considered a single performance obligation and are 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 form revenue at the time revenue is recognized. The normal credit term is 30 to 60 days following delivery.

b) Design of aircraft components
Revenues arising from the designing, engineering or manufacturing specifically designed aircraft components are generally recognized 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 recognized 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 recognized 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.

1. ACCOUNTING POLICIES (CONTINUED)

Contract balances (continued)
Trade receivables
A receivable represents the company's right to an amount of consideration that is unconditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to a customer, a contract liability is recognised when the payment is made, or the payment is due. Contract liabilities are recognised as revenue when the company satisfies the performance obligations.

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 directly attributable to the acquisition, construction or production of a qualifying asset that take a substantial period to get ready for its intended use or sale. Borrowing costs are capitalised on property plant and equipment and investment property during construction and capitalised 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.

Investment Property
Investment property is recorded at cost less accumulated depreciation or any accumulated impairment losses. Depreciation is applied to reduce the cost of assets to their estimated residual value at the end of their useful lives. It is provided by equal annual instalments over the following periods:

Freehold land and buildings	40 years

The carrying values of investment property are reviewed for impairment on an annual basis or when events or changes in circumstances indicate the carrying value may not be recoverable.

Investment properties are derecognised when either they have been disposed of or when the property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit and loss account in the period of derecognition.

1. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment
Property, plant and equipment assets are recorded at cost less accumulated depreciation or any accumulated impairment losses. This 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 applied to reduce the cost of assets to their estimated residual value at the end of their useful lives. It is provided on a straight-line basis over the following periods:

Freehold land	Nil
Freehold buildings and long leasehold property	10 - 40 years
Plant, equipment and vehicles	3 - 10 years

The depreciation method and useful lives are reviewed on an annual basis and changes are accounted for prospectively. Depreciation of assets under construction begins when the asset is ready for its intended use.

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 derecognition 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 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
a) Research and development expenditure
Research costs are written off as incurred. Development costs mostly in relation to aircraft design and testing are similarly written off as incurred until the point where the company can demonstrate all the following criteria have been met:

(a) The technical feasibility of completing the aircraft development to ensure that the aircraft will be available for sale;
(b) The company's intention to complete the aircraft development;
(c) The company's ability to use or sell the asset;
(d) How the tooling will generate probable future economic benefits including the existence of a market for the aircraft;
(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
(f) 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, 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.

Development costs that have been capitalised are 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. The amortisation is recognised in the profit and loss account as research and development. The amortisation method and useful lives are reviewed on an annual basis and changes are accounted for prospectively.

1. ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

b) Computer software

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

c) 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.

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 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 as per the depreciation of property, plant and equipment and amortisation of development expenditure accounting policies. Government grants of a revenue nature, other than that receivable based upon employment levels, are credited to revenue to match them with the expenditure to which they relate. Government grants of a revenue nature that have been received based upon employment levels are contingent upon fulfilling conditions over a subsequent qualifying period.

1. ACCOUNTING POLICIES (CONTINUED)

Government grants (continued)
Such grants are credited to a deferred revenue account in 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 recorded in interest payable and similar charges in the profit and loss account.

Income taxes
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 enforcement 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.

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. Leases are recognised as a right-of-use asset in tangible assets and a corresponding lease liability in other non-financial liabilities at the date at which the leased asset is available for use by the Company.

The lease liability is measured at the present value of lease payments to be made over the term, discounted using the incremental borrowing rate at lease commencement date if the interest rate in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or rate and amounts expected to be paid under residual value guarantees. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to profit and loss over the lease period and is recorded in financing expense. Payments associated with short-term leases and leases of low-value assets are recognised in financing expense. Payment associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the profit and loss account.

1. ACCOUNTING POLICIES (CONTINUED)

Leases (continued)
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, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any 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. Refer to significant accounting judgments, estimates and assumptions, section (b) Estimates and assumptions, section (iii) Impairment of non-financial assets.

The Company applies the short-term lease recognition exemption to its short-term leases consistently across each class of underlying asset (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). It also applies the lease of low-value assets recognition exemption to leases consistently on a lease by lease basis. Lease payments on short-term leases and leases of low value are recognised as an expense on a straight-line basis over the lease term. Treatment is as for current operating leases with increased disclosure requirements.

Prior to the adoption of IFRS 16 leases were accounted for under IAS 17 and IFRIC 4.

Prior year lease policy:
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception of the lease date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. When substantially all risks and rewards of ownership are transferred from the lessor to the lessee, lease transactions are accounted for as finance leases. All other leases are accounted for as operating leases

A leased asset is depreciated over the useful life of the asset.

Leases of assets classified as finance leases are presented in the balance sheet. The asset value and the amount of the obligation recorded at the beginning of the lease term is the fair value of the leased asset, or if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The interest element of the lease payment is recognised over the term of the lease based on the effective interest rate method and is included in interest payable and similar charges. Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

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
Provisions for restructuring costs are recognised when the company is demonstrably committed to a particular course of action, through a formal plan without possibility of withdrawal. The associated costs are estimated based on past experience and legal advice. These estimates are reviewed annually and adjusted as appropriate through other expenses.

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.

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,

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

1. ACCOUNTING POLICIES (CONTINUED)

Share based payments
Certain employees of the company are granted share options and performance share units in respect of the company's ultimate parent undertaking Bombardier Inc. These awards are granted by Bombardier Inc., which accounts for these share-based transactions as equity settled in its own financial statements. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in capital and reserves in respect of the deemed capital contribution made by Bombardier Inc.

Recharges levied by Bombardier Inc. in respect of share-based transactions are charged directly to equity on the basis that this represents a return of the deemed capital contribution recorded in respect of the share-based payments charge.

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

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.

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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) Financial assets at fair value through other comprehensive income

The company has designated favourable 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.

ii) 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.

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.

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 purpose of hedge accounting, hedges are classified as cash flow hedges 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 probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the company, through the central treasury function of Bombardier Group, formally designates and documents the hedge relationship to which the company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

1. **ACCOUNTING POLICIES (CONTINUED)**

Financial instruments (continued)
In a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognised as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the profit and loss account. The amounts recognised as other comprehensive income are reclassified to the profit and loss account when the hedged item affects profit or loss. However, if the hedged items are in relation to development expenditure which has been capitalised or included in inventory, the amounts recognised as other comprehensive income are reclassified to the carrying amount of the related asset.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

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).

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 tis 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.

1. ACCOUNTING POLICIES (CONTINUED)

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 judgments, estimates and assumptions

The preparation of the company's financial statements requires management to make judgments, 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.

a) *Judgments*
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 applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

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.

b) *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 22.

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.

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments, estimates and assumptions (continued)

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.

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 and this value may vary depending on a number of factors. The assumptions used in the calculation are reviewed by management on a regular basis.

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.

2. REVENUE

a) Revenue streams

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

	2019	*2018*
	$'000	*$'000*
Revenue from contracts with customers	890,259	850,536
Total revenue	890,259	850,536

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.

	2019	*2018*
	$'000	*$'000*
Types of goods or service:		
Business aircraft	205,849	203,581
Commercial aircraft	430,003	201,009
Non-Bombardier Products	67,142	264,085
Aftermarket	187,265	181,861
Total revenue from contracts with customers	890,259	850,536

2. REVENUE (CONTINUED)

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

	2019 $'000	2018 $'000
Geographical markets		
Canada and United States	696,520	591,447
Rest of the world	193,739	259,089
Total revenue from contracts with customers	890,259	850,536

	2019 $'000	2018 $'000
Market or customer type		
Sale of production goods	702,994	668,675
Sale of aftermarket goods	187,265	181,861
Total revenue from contracts with customers	890,259	850,536

	2019 $'000	2018 $'000
Timing of revenue recognition		
Goods transferred at a point in time	885,519	842,917
Services transferred over time	4,740	7,619
Total revenue from contracts with customers	890,259	850,536

b) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers for which revenue is recognised over time.

	2019 $'000	2018 $'000
Trade debtors (note 13)	37,178	31,787
Amounts due from related parties (note 13)	149,698	173,607
Contract assets	-	269
Contract liabilities	(39,377)	(32,545)

3. OPERATING PROFIT

This is stated after charging / (crediting):

	Note	2019 $'000	2018 $'000
Depreciation of property, plant and equipment	9	21,995	29,965
Depreciation of right of use assets	9	6,706	-
Amortisation of deferred development expenditure (recognised within research and development)	8	1,832	2,058
Amortisation of software (recognised within administration expenses)	8	349	1,191
Amortisation of deferred revenue (recognised within turnover)	21	(360)	(2,460)
Amortisation of government grants received	21	(1,859)	5,373
Research and development costs expensed as incurred		4,620	2,045
Minimum lease payments due under operating leases		1,188	5,673
Profit/(loss) on disposal of tangible assets		(3,550)	(53)
Profit on disposal of program		(3,326)	-
Cost of inventory recognised as an expense		788,788	740,713
Net foreign currency exchange differences		5,772	(19,055)
Government grants recognised directly to income		(3,842)	(2,961)
Costs in respect of construction contracts		9,811	19,496
Rental income		-	10
Restructuring (credit)/charge	4	(3,279)	15,893
Contract exit costs	4	6,600	-
Expected credit losses of trade receivables and contract assets	13	2,630	912
Auditors' remuneration:			
Audit of the financial statements		203	201
Other services:			
Taxation compliance services		22	22
Non statutory audit services		103	38
		125	60

4. EXCEPTIONAL ITEMS

Exceptional items were as follows:

	2019 *$'000*	*2018* *$'000*
Restructuring charge	(3,279)	15,893
Contract exit costs	6,600	-
Past service costs	-	24,206
	3,321	40,099

During 2019, the were no announcements in relation to workforce reductions (2018: 490 heads). The company did not therefore record a restructuring charge for the year (2018: $15,893,000). There was a severance release in 2019 of $3,453,000 (note 18), a loss as a result of foreign currency translation to the average transaction rate of $174,000 (2018: $1,121,000) and a curtailment gain of $nil (2018: $6,178,000) (note 22).

On June 25, 2019 Bombardier Inc, and Mitsubishi Heavy Industries Ltd (MHI) announced they had entered into a definitive agreement, whereby MHI acquired the Corporations regional jet program. The Bombardier exit from the CRJ programme gave rise to a constructive obligation for the costs associated with exiting. The costs to exit the programme have been provisioned at $6,600,000.

On 26 October 2018 the High Court handed down its judgement on a long standing unresolved issue affecting defined benefit pension schemes. The High Court has ruled UK pension schemes that have contracted out of the State Earnings Related Pension Scheme (SERPS) will need to equalise benefits for the effect of unequal Guaranteed Minimum Pension (GMP) between men and women. This ruling has direct implications for the company, and as a result, the company recorded a past service cost charge of $24,206,000 (2017: Nil), representing payments due to members in order to correct past under payments of benefits (note 22).

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 *$'000*	*2018* *$'000*
Interest on inter-group loans	10,329	12,986
Finance charges payable	1,416	995
Other interest payable	19	4
Accretion on other financial liabilities	25,949	27,448
Accretion on provisions	99	132
	37,812	41,565

6. STAFF COSTS

	2019 $'000	2018 $'000
Wages and salaries	164,776	165,419
Social security costs	17,644	19,655
Pension costs	38,766	44,457
Share based payment transaction expense (note 24)	2,177	1,536
	223,363	231,067

Included in other pension costs are $37,420,000 (2018: $43,925,000) in respect of defined benefit schemes (note 22) and $217,000 (2018: $143,000) in respect of the defined contribution schemes.

	2019 $'000	2018 $'000
Directors' remuneration:		
Short term employee benefits	703	602

	2019 No.	2018 No.
Number of directors accruing benefits under defined benefit schemes	3	3

	2019 $'000	2018 $'000
Highest paid director:		
Remuneration	380	259
Accrued pension at 31 December	150	154

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

	2019 No.	2018 No.
Operations	3,256	3,500
Administration	226	299
	3,482	3,799

7. TAX ON LOSS

	2019 $'000	2018 $'000
(a) Tax credited in the profit and loss account		
Current income tax		
Foreign exchange on tax balance	69	170
Total current tax expense	69	170
Deferred income tax		
Origination and reversal of temporary differences in current year	(5,235)	(7,226)
Origination and reversal of temporary differences in respect of prior periods	(23,392)	(30,171)
Total deferred tax credit	(28,627)	(37,397)
Total tax credit in the profit and loss account	(28,558)	(37,227)

(b) Tax relating to items in other comprehensive income

	2019 $'000	2018 $'000
Deferred tax		
Tax expense/(credit) on cash flow hedges	4,180	(6,713)
Tax (credit)/expense on retirement benefits	(31,268)	16,985
Total tax (credit)/expense in the statement of comprehensive income	(27,088)	10,272

The corporation tax rate in the UK is 19%. The 17% statutory rate of corporation tax was enacted in full on 6 September 2016, and this is the rate at which deferred tax has been provided. A corporation tax rate of 19% was substantively enacted on 20 March 2020. The impact of this rate change on the closing deferred tax asset has been outlined in note 7(d).

New rules restricting the availability of loss relief and deductibility of interest charges have been enacted and so have been considered when calculating deferred tax.

7. TAX ON LOSS (CONTINUED)

(c) Reconciliation of the total tax credit

The tax credit in the profit and loss account is higher (December 2018: higher) than the standard rate of corporation tax in the UK of 19% (December 2018: 19%).

The differences are reconciled below:

	2019 *$'000*	*2018* *$'000*
Loss before tax	(30,673)	(41,506)
Accounting loss multiplied by the blended statutory rate of corporation tax in the UK of 19% (December 2018: 19.25%)	(5,828)	(7,886)
Effects of:		
Adjustable items for tax purposes	(73)	(166)
Foreign exchange on tax balance	69	170
Deferred tax movement at 17% rather than 19%	666	826
Adjustments to current and deferred tax charge in respect of prior periods	(23,392)	(30,171)
Total tax credit in the profit and loss account	(28,558)	(37,227)

7. TAX ON LOSS (CONTINUED)

(d) Deferred tax

Net deferred tax assets of $129,876k were recognised as at 31 December 2019. Based on the level of historical taxable income, projections for future taxable income and prudent tax planning strategies, management believes it is probable the Company will recognise the benefits of these deductible differences and operating tax losses carried forward. The net deferred tax asset position may be impacted in future periods by the impact of COVID-19 on the future forecast results - see note 30 for further information.

The impact of the corporation tax rate change, to 19%, on the opening 2020 deferred tax asset in the balance sheet will be to increase it by $15,942k.

	2019	2018 (Restated[1])
	$'000	$'000
The net deferred tax included in the balance sheets is as follows:		
Deferred tax liability		
Temporary differences in respect of development expenditure	(5,444)	(4,751)
Other temporary differences	(6,030)	(29,506)
Accelerated capital allowances	(4,907)	(538)
	(16,381)	(34,795)
Deferred tax asset		
Pensions and post-retirement healthcare benefits	70,202	36,123
Corporate interest restriction	16,812	10,027
Tax losses carried forward	59,191	58,070
Share based payment	460	333
Revaluation of cash flow hedges	(408)	3,772
	146,257	108,325
Net deferred tax asset	129,876	73,530

[1] Restated, refer to note 29 for the impact of prior year restatement.

	2019	2018
	$'000	$'000
The deferred tax credit included in the profit and loss account is as follows:		
Pensions and post-retirement healthcare benefits	(2,811)	(5,400)
Accelerated capital allowances	4,369	(5,196)
Temporary differences in respect of development expenditure	694	182
Corporate interest restriction	(6,785)	(10,027)
Tax losses carried forward	(1,121)	13,538
Share based payment	(127)	(99)
Other temporary differences	(22,846)	(30,395)
Deferred tax credit	(28,627)	(37,397)

8. INTANGIBLE ASSETS

	Development expenditure $'000	*Software $'000*	*Carbon emissions $'000*	*Total $'000*
Cost:				
At 1 January 2019	271,995	38,900	727	311,622
Additions	4,553	242	-	4,795
Disposals	(8,440)	(1,808)	(227)	(10,475)
At 31 December 2019	268,108	37,334	500	305,942
Amortisation:				
At 1 January 2019	233,073	37,309	500	270,882
Charge for the year	1,832	349	-	2,181
Disposals	(6,931)	(1,808)	-	(8,739)
At 31 December 2019	227,974	35,850	500	264,324
Net book value:				
At 31 December 2019	40,134	1,484	-	41,618
At 31 December 2018	38,922	1,591	227	40,740

There were no borrowing costs incurred on qualifying development expenditure to be capitalised within development expenditure additions (2018: nil).

The net book value of software includes $nil (December 2018: nil) in respect of assets under construction.

9. *TANGIBLE ASSETS*

	Right of Use Assets $'000	*Assets in the course of construction $'000*	*Long leasehold land and buildings $'000*	*Plant and equipment $'000*	*Total $'000*
Cost:					
At 1 January 2019	-	103	330,341	448,185	778,629
Additions	21,301	33,891	-	16,617	71,809
Transfers	37,529	13,267	-	(37,529)	13,267
Disposals		-	(8,009)	(34,516)	(42,525)
At 31 December 2019	*58,830*	*47,261*	*322,332*	*392,757*	*821,180*
Depreciation:					
At 1 January 2019	-	-	162,554	406,713	569,267
Charge for the year	6,706	-	8,815	13,140	28,661
Transfers	13,706	-	-	(13,706)	-
Disposals	-	-	(7,335)	(34,100)	(41,435)
At 31 December 2019	20,412	-	164,034	372,047	556,493
Net book value:					
At 31 December 2019	38,418	47,261	158,298	20,710	264,687
At 31 December 2018	-	103	167,787	41,472	209,362

At 1st January 2019, the Company adopted the new lease accounting standard IFRS16. This resulted in a transfer of finance leases with a NBV of $23,823,000 (cost $37,529,000 and depreciation $13,706,000) from plant and equipment to right of use assets.

During the year additions to right of use assets was $21,301,000 (2018: $nil) which included land $14,728,000, equipment $5,342,000, vehicles $1,025,000 and land and buildings $206,000. Further information on right of use assets can be found in note 28.

There were borrowing costs capitalised during 2019 of $364,000 (December 2018: $nil). Borrowing costs were capitalised at the company's general rate of borrowing of 5.99%.

There were assets under construction of plant and equipment $33,591,000 and land and buildings $300,000 (2018: plant and equipment $103,000 and land and buildings $nil) in relation to fixed assets.

10. INVESTMENT PROPERTY

	Total
	$'000
Cost:	
At 1 January 2019	14
Disposal	(14)
At 31 December 2019	-
Depreciation:	
At 1 January 2019	(8)
Disposal	8
At 31 December 2019	-
Net book value:	
At 31 December 2019	-
At 31 December 2018	6

11. INVESTMENTS

	Total
	$'000
Cost:	
At 31 December 2018 and 31 December 2019	431

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

Name of company	*Address of registration (or incorporation) and operation*	*Holding*	*Proportion shares held*	*Nature of business*
Principal subsidiary undertakings				
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
Bombardier (UK) CIF Trustee Ltd	Airport Road, Belfast, Co Antrim BT3 9DZ Northern Ireland	Ordinary shares	100%	Non trading company
Bombardier Aerospace Shorts Executive Benefits Trustee Ltd	Airport Road, Belfast, Co Antrim BT3 9DZ Northern Ireland	Ordinary shares	100%	Non trading company
Bombardier Aerospace Marketing Russia LLC	Denisovskiy Pereulok 26, Moscow, 105005, Russian Federation	Ordinary shares	70%	Sales and marketing
Bombardier Aerospace Services Russia LLC	Denisovskiy Pereulok 26, Moscow, 105005, Russian Federation	Ordinary shares	70%	Regional support hub

12. STOCKS

	2019 $'000	2018 $'000
Raw materials	24,105	26,252
Work in progress	162,085	155,712
Finished goods	89,731	88,930
	275,921	270,894

The write-down of inventories recognised in cost of sales is $9,085,000 (2018: $168,000).
This includes a provision of $1,900,000 following the exit from the CRJ program, NRV provisions of $5,085,000 for Wing components and $2,100,000 of other write-downs.

13. DEBTORS

	2019 $'000	2018 (Restated[1]) $'000
Amounts falling due within one year:		
Trade and other receivables:		
Trade debtors	41,082	33,061
Less: provision for expected credit losses	(3,904)	(1,274)
Net trade debtors	37,178	31,787
Amounts due from related parties	149,698	173,607
Other debtors	861	258
Financial Assets:		
Derivative financial instruments (note 20)	1,821	-
Other assets:		
VAT receivable	3,710	3,290
Income tax credit receivable	1,424	2,140
Prepayments	11,060	11,773
	205,752	222,855
Amounts falling due after more than one year:		
Deferred tax asset (note 7)	129,876	73,530
Financial assets:		
Derivative financial instruments (note 20)	2,567	139
Other assets:		
Prepayments	-	93
	132,443	73,762
Total debtors	338,195	296,617

[1] Restated, refer to note 29 for the impact of prior year restatement.

14. CASH AT BANK AND IN HAND

	2019 *$'000*	*2018* *$'000*
Cash at bank and in hand	40,580	116,189

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

The company's cash at bank and in hand balance is denominated in US Dollars, Sterling and Euro.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 *$'000*	*2018* *$'000*
Trade and other payables:		
Trade creditors	106,178	91,331
Amounts due to related parties	133,526	41,493
Accruals	74,644	44,651
Financial liabilities:		
Amounts due to related parties	18,353	12,625
Obligations under finance leases (note 19)	-	5,146
Vendor non-recurring liability	6,919	6,946
Derivative financial instruments (note 20)	2,203	20,047
Other liabilities:		
Payroll related liabilities	17,874	16,574
Contract liabilities (note 21)	4,036	4,033
Lease liability (note 28)	7,599	-
	371,332	242,846

Included in payroll related liabilities above is an amount of $4,171,000 (December 2018: $4,199,000) for other taxes and social security costs.

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

	2019 *$'000*	*2018* *$'000*
Financial liabilities:		
Amounts due to related parties	-	186,533
Obligations under finance leases (note 19)	-	10,484
Government refundable advances	293,576	256,080
Vendor non-recurring liability	-	2,837
Derivative financial instruments (note 20)	15	3,088
Other liabilities:		
Contract liabilities (note 21)	18,757	21,067
Carbon emissions credit	-	253
Lease liability (note 28)	20,534	-
	332,882	480,342

Amounts due to related parties
Loan balances due to other related parties are unsecured and bear interest at the rate of 3-month US LIBOR plus 2% to 4% per annum.

Leases
The company has a number of finance leases which are guaranteed by Bombardier Inc. and are repayable over various terms of which details can be seen at note 28. The leases bear interest based on US LIBOR plus margin.

Government refundable advances
The government refundable advances relate to repayable launch investment provided 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 a levy linked to aircraft sales on the related programmes. Bombardier Inc. has guaranteed certain obligations of the company under this agreement.

	Total *$'000*
Government refundable advances:	
At 1 January 2018	236,332
Movement during the year	19,748
At 31 December 2018	256,080
Movement during the year	37,496
At 31 December 2019	293,576

Vendor non-recurring liability
The vendor non-recurring liability relates to unsecured vendor contributions which will be repaid in full within 10 years. Contributions are discounted and non-interest bearing.

17. PROVISIONS FOR LIABILITIES

	2019 $'000	2018 Restated[1] $'000
Other provisions (note 18)	27,868	55,176
Retirement benefits (note 22)	412,958	212,492
	440,826	267,668

[1] Restated, refer to note 29 for the impact of prior year restatement.

18. OTHER PROVISIONS

	Termination agreements $'000	Product warranties $'000	Liability and damage claims $'000	Restructuring $'000	Total $'000
At 1 January 2018	-	21,596	1,830	27,041	50,467
Created	-	5,152	308	31,882	37,342
Released	-	(47)	(37)	(8,691)	(8,775)
Utilised	-	(4,316)	(177)	(17,549)	(22,042)
Movement due to discounting	-	132	-	-	132
Exchange adjustment	-	(328)	(98)	(1,522)	(1,948)
At 31 December 2018	-	22,189	1,826	31,161	55,176
Created	4,700	2,138	1,220	-	8,058
Released	-	(1,121)	(703)	(3,453)	(5,277)
Utilised	-	(5,055)	(241)	(27,586)	(32,882)
Movement due to discounting	-	98	-	-	98
Exchange adjustment	-	292	33	2,370	2,695
At 31 December 2019	4,700	18,541	2,135	2,492	27,868

Termination agreements

The exit from the CRJ program has given rise to a constructive obligation for the costs associated with the exit. A provision of $1,900,000 has also been recognised within inventory, the total exit cost recognised for the CRJ program is $6,600,000.

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 15 years.

18. 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 5 years.

19. OBLIGATIONS UNDER LEASES

Prior year obligations under finance leases

In some instances, the company uses finance leases secured from commercial lenders to finance property, plant and equipment expenditure. These leases have an average duration of 3 years.

	2018
	$'000
The future minimum lease payments under finance leases were as follows:	
Amounts payable:	
Within one year	5,561
Between two and five years inclusive	10,227
Total minimum lease payments	15,788
Less amounts representing finance charges	(158)
	15,630
The present value of minimum lease payments is analysed as follows:	
Amounts payable:	
Within one year	5,146
Between two and five years inclusive	10,484
	15,630

Operating lease agreements where the company is lessee

The company has entered into commercial leases on certain properties, motor vehicles and items of machinery. These leases have an average duration of between 2 and 5 years. These leases contain an option for renewal before the expiry of the lease terms at rentals based on market prices at the time of renewal. There are no restrictions placed upon the lessee by entering into these leases.

19. OBLIGATIONS UNDER LEASES (CONTINUED)

The future minimum lease payments under non-cancellable operating leases was as follows:

	2018
	$'000
Expiring:	
Within one year	4,005
Between two and five years inclusive	3,055
In more than five years	505
	7,565

The disclosures in this note have been superseded by IFRS 16 in the year, 2019 disclosure of lease liabilities can be seen at note 28.

20. 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 foreign currency contracts generally reflects the estimated amounts that the company would receive to sell favourable contracts i.e. taking into consideration the counterparty credit risk, or pays to transfer unfavourable contracts i.e. 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 market data such as foreign exchange spot rates.

21. DEFERRED REVENUE

	Government grants	*Deferred income*	*Total*
	$'000	*$'000*	*$'000*
At 1 January 2018	25,482	4,500	29,982
Received	381	-	381
Reclassification	(8,176)	-	(8,176)
Released to profit and loss account	5,373	(2,460)	2,913
At 31 December 2018	23,060	2,040	25,100
Received	106	-	106
Reclassification	(194)	-	(194)
Released to profit and loss account	(1,859)	(360)	(2,219)
At 31 December 2019	21,113	1,680	22,793

21. DEFERRED REVENUE (CONTINUED)

	2019	2018
	$'000	$'000
Analysed as:		
Creditors: amounts falling due within one year	4,036	4,033
Creditors: amounts falling due after more than one year	18,757	21,067
	22,793	25,100

22. RETIREMENT BENEFITS

The company's principal pension scheme is a defined benefit scheme, which is funded by the payment of contributions to a separately administered trust fund. 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 $28.3 million (December 2018: $28.2 million), with regular contributions being 12.1% of pensionable earnings (excluding employee salary sacrifice contributions).

In the year ended 31 December 2020, the company expects to contribute $35.3 million to the scheme.

The company also provides certain additional post-retirement healthcare benefits to senior employees. These benefits are unfunded.

The actuarial valuation conducted as at 31 December 2015 has been updated using the major assumptions as set out below.

	2019	2018
Major assumptions: pension benefits		
Rate of general increase in salaries	3.00%	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	2.98%	2.98%
Inflation up to 2.5% p.a. for service between October 2005 and October 2015	1.96%	1.96%
Inflation up to 2.5% p.a. service for post October 2015	1.69%	1.69%
Discount rate for scheme liabilities	2.00%	2.90%
Inflation:		
RPI	2.95%	3.20%
CPI	2.10%	2.20%
Proportion of members commuting maximum allowable pension for cash at retirement	75.00%	75.00%
Average expected future life at age 65 for:		
Male currently aged 65	21.2	21.2
Female currently aged 65	23.0	23.0
Male currently aged under 65	22.3	22.3
Female currently aged under 65	24.3	24.3

22. *RETIREMENT BENEFITS (CONTINUED)*

Major assumptions: other benefits	*2019*	*2018*
Rate of increase in healthcare benefits	6.40%	6.40%
Discount rate for scheme liabilities	2.00%	2.90%
Average expected future life at age 65 for:		
Male currently aged 65	21.2	21.2
Female currently aged 65	23.0	23.0
Male currently aged under 65	22.3	22.3
Female currently aged under 65	24.3	24.3

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:

	Pension benefits *$'000*	*Other benefits* *$'000*	*Total retirement benefits* *$'000*
At 31 December 2019			
Total fair value of scheme assets	2,007,843	-	2,007,843
Present value of scheme liabilities	(2,420,014)	(787)	(2,420,801)
Scheme deficit	(412,171)	(787)	(412,958)
At 31 December 2018 (Restated)			
Total fair value of scheme assets	1,710,838	-	1,710,838
Present value of scheme liabilities	(1,922,643)	(687)	(1,923,330)
Scheme deficit	(211,805)	(687)	(212,492)

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

	2019 %	*2018* %
Equities	44.10	43.29
Bonds	45.28	47.99
Cash	10.62	8.72

22. RETIREMENT BENEFITS (CONTINUED)

Analysis of the amount recognised in the profit and loss account

	Pension benefits $'000	*Other benefits $'000*	*Total retirement benefits $'000*
Year ended 31 December 2019			
Current service costs	37,351	69	37,420
Administrative expenses	12,089	-	12,089
Recognised in arriving at operating profit	49,440	69	49,509
Net interest on defined benefit liability	6,051	20	6,071
Year ended 31 December 2018			
Current service costs	43,854	71	43,925
Past service costs (exceptional)	24,206	-	24,206
Curtailment gain	(6,178)	-	(6,178)
Administrative expenses	5,214	-	5,214
Net costs recognised in arriving at operating profit	67,096	71	67,167
Net interest on defined benefit liability	4,778	19	4,797

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

In fiscal year 2019, the company adjusted the pension obligation related to equalisation for an Aviation plan in the UK. The adjustment of $26,368,000 was recorded as a prior period restatement in the opening balances as at 1 January 2018. The provision will be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. For more information on the impact of the prior period restatement refer to note 29.

In the year ended 31 December 2019, $nil (2018: $6.2m) curtailment gain resulting from the restructuring of the company, was recognised within other exceptional items.

22. RETIREMENT BENEFITS (CONTINUED)

Analysis of the amount recognised in the statement of comprehensive income

	Pension benefits	*Other benefits*	*Total retire ment benefits*
	$'000	*$'000*	*$'000*
Year ended 31 December 2019			
Return on scheme assets (excluding amounts included in net interest expense)	214,721	-	214,721
Actuarial changes from changes in assumptions	(388,884)	(52)	(388,936)
Actuarial changes from experience adjustments	353	6	359
Net actuarial losses recognised in the statement of comprehensive income	(173,810)	(46)	(173,856)
Foreign exchange losses	(10,052)	(24)	(10,076)
	(183,862)	(70)	(183,932)
Year ended 31 December 2018			
Return on scheme assets (excluding amounts included in net interest expense)	(116,559)	-	(116,559)
Actuarial changes from changes in assumptions	133,591	17	133,608
Actuarial changes arising from changes in assumptions	66,473	61	66,534
Actuarial changes from experience adjustments	6,495	471	6,966
Net actuarial gains recognised in the statement of comprehensive income	90,000	549	90,549
Foreign exchange gains	9,297	41	9,338
	99,297	590	99,887

22. RETIREMENT BENEFITS (CONTINUED)

Changes in the fair value of scheme assets

	Pension benefits $'000	*Other benefits $'000*	*Total retirement benefits $'000*
At 1 January 2018	1,896,069	-	1,896,069
Interest income on scheme assets	48,689	-	48,689
Actuarial losses on scheme assets	(116,559)	-	(116,559)
Administrative expenses	(5,214)	-	(5,214)
Employers' contributions	40,141	61	40,202
Members' contributions	1,497	-	1,497
Benefits paid	(56,962)	(61)	(57,023)
Foreign exchange movement	(96,823)	-	(96,823)
At 31 December 2018	1,710,838	-	1,710,838
Interest income on scheme assets	49,361	-	49,361
Actuarial gains on scheme assets	214,721	-	214,721
Administrative expenses	(12,089)	-	(12,089)
Employers' contributions	38,987	56	39,043
Members' contributions	1,298	-	1,298
Benefits paid	(57,385)	(56)	(57,441)
Foreign exchange movement	62,112	-	62,112
At 31 December 2019	2,007,843	-	2,007,843

Changes in the present value of the scheme liabilities (Restated)

	Pension benefits $'000	*Other benefits $'000*	*Total retirement benefits $'000*
At 1 January 2018	(2,175,437)	(1,273)	(2,176,710)
Current service cost	(43,854)	(71)	(43,925)
Pension service cost	(24,206)	-	(24,206)
Curtailment gain	6,178	-	6,178
Interest on scheme liabilities	(53,468)	(18)	(53,486)
Actuarial gains on scheme liabilities	206,559	574	207,133
Members' contributions	(1,497)	-	(1,497)
Benefits paid	56,962	61	57,023
Foreign exchange movement	106,120	40	106,160
At 31 December 2018	(1,922,643)	(687)	(1,923,330)
Current service cost	(37,351)	(69)	(37,420)
Past service cost	-	-	-
Interest on scheme liabilities	(55,412)	(20)	(55,432)
Actuarial losses on scheme liabilities	(388,531)	(46)	(388,577)
Members' contributions	(1,298)	-	(1,298)
Benefits paid	57,385	59	57,444
Foreign exchange movement	(72,164)	(24)	(72,188)
At 31 December 2019	(2,420,014)	(787)	(2,420,801)

22. RETIREMENT BENEFITS (CONTINUED)

	31 December 2019	*31 December 2018 (Restated)*	*31 December 2017 (Restated)*	*31 December 2016 (Restated)*	*31 December 2015 (Restated)*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Pension benefits					
Fair value of scheme assets	2,007,843	1,710,838	1,896,070	1,587,330	1,650,462
Present value of scheme liabilities	(2,420,014)	(1,922,643)	(2,175,437)	(1,951,998)	(1,736,580)
Scheme deficit	(412,171)	(211,805)	(279,367)	(364,668)	(86,118)
Experience adjustments on liabilities	353	6,966	(2,056)	(21,256)	251
Experience adjustments on assets	214,721	(116,559)	118,755	186,597	(51,414)

	31 December 2019	*31 December 2018*	*31 December 2017*	*31 December 2016*	*31 December 2015*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Other benefits					
Present value of scheme liabilities	(787)	(687)	(1,272)	(1,159)	(1,572)
Scheme deficit	(787)	(687)	(1,272)	(1,159)	(1,572)
Experience adjustments on liabilities	6	574	55	343	20

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 2019	*Retirement benefit liability as at 31 December 2019*
	$'000	*$'000*
Discount rate	(5,442)	(129,339)
Rate of compensation increase	1,977	33,906
Inflation rate	1,870	47,632

A one-year additional life expectancy as at 31 December 2019 would increase the net retirement benefit liability by $77 million and the retirement benefit cost for the year 2019 by $3 million, all other actuarial assumptions remaining unchanged.

22. RETIREMENT BENEFITS (CONTINUED)

The cumulative amount of actuarial losses recognised since 1 February 2010 in the company's statement of comprehensive income is $275.7 million (December 2018: $101.8 million). The company is unable to determine how much of the pension scheme deficit recognised on transition to IFRS 9 of $191.3 million 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.

23. SHARE CAPITAL AND RESERVES

Share capital

	2019 *No.*	*2018* *No.*	*2019* *$'000*	*2018* *$'000*
Authorised shares:				
Ordinary shares of £0.20 each	450,000,000	450,000,000	163,904	163,904
Ordinary shares issued and fully paid:				
Ordinary shares of £0.20 each	393,635,000	393,635,000	143,374	143,374

The company's Sterling denominated share capital has been translated at a rate of £1 = US$1.82116, the rate applied to convert the balance sheet of the company on adoption of the US Dollar as the functional and presentation currency on 1 February 2004.

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.

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

24. SHARE BASED PAYMENTS

Certain employees of the company are granted share options and performance share units in respect of the company's ultimate parent undertaking Bombardier Inc. These awards are granted by Bombardier Inc. Details of each scheme are given below.

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

The significant terms and conditions of the current plan are:

- The exercise price is 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.

In respect of share options outstanding at 31 December 2019, the weighted average remaining contractual life is 4.79 years (December 2018: 5.06 years).

There were no share options exercised during the year ended 31 December 2019 and year ended 31 December 2018.

All stock options are settled with equity in the ultimate parent undertaking. As the company does not have an obligation to settle the share-based payment award, the company accounts for this transaction as an equity settled award.

Performance share unit plan
Bombardier Inc. approved a performance share unit plan under which performance share units (PSUs) may be granted to designated employees including certain employees of the company. The PSUs give recipients the right, upon vesting, to receive a certain number of Class B shares (Subordinate Voting) in Bombardier Inc. PSUs granted vest three years after award based upon the fulfilment of certain financial performance thresholds. The conversion ratio for vested PSUs ranges from 50% to 100%. At the employee's discretion, PSUs can be 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 does not have an obligation to settle the share-based payment award, the company accounts for this transaction as an equity settled award.

25. CONTINGENT LIABILITIES

The company has a global supply base with numerous supporting contracts in place. The company reviewed its significant contracts and believes 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.

26. CAPITAL AND OTHER COMMITMENTS

Amounts contracted for but not provided in the financial statements at 31 December 2019 amounted to $20,595,000 (December 2018: $7,733,000). These commitments relate to property, plant and equipment.

27. OFF-BALANCE SHEET ARRANGEMENTS

Under IFRS 16 the company applies the short-term lease recognition exemption to its short-term leases consistently across each class of underlying asset (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). It also applies the lease of low - value assets recognition exemption to leases consistently on a lease by lease basis. Lease payments on short-term and low-value leases are recognises as an expense on a straight-line basis over the lease term. The lease rental expense for short-term and low-value leases for the year is disclosed in note 3 and the annual commitments under these arrangements are disclosed in note 28. There are no other material off balance sheet arrangements.

28. 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 5.4%.

There are several lease contracts that include extension and termination 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. The lease is subject to satisfactory planning permission for the extension. Plans have been submitted and a small retainer is paid until planning has been granted. Once planning is granted the lease liability and the 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:

	Land and Buildings $'000	*Plant and Machinery $'000*	*Other Equipment $'000*	*Total $'000*
At 1 January 2019	-	-	-	-
Transfer from PPE	-	-	37,529	37,529
Additions	14,934	1,025	5,342	21,301
Depreciation expense	(65)	(509)	(6,132)	(6,706)
Depreciation Transfer from PPE			(13,706)	(13,706)
At 31 December 2019	14,869	516	23,033	38,418

28. LEASES (CONTINUED)

As disclosed in both note 19 and 28, the company implemented IFRS 16 at 1 January 2019. Therefore, disclosure table below shows the reconciliation between operating lease commitments at 31 December 2018 to the lease liabilities under IFRS 16 at 1 January 2019:

	2019
	$'000
Operating lease commitments disclosed as at 31 December 2018	7,565
Weighted average increased borrowing rate at 1 January 2019	5.4%
Discounted using incremental borrowing rate at date of initial application	7,353
Add: finance leases recognised as at 31 December 2018	15,630
(Less): short-term leases not recognised as a liability	(1,269)
(Less): low-value leases not recognised as a liability	(97)
Lease liability recognised as at 1 January 2019	21,617

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

	2019
	$'000
As at 1 January 2019	(21,617)
Additions	(15,314)
Accretion of interest	(1,416)
Payments	10,214
At at 31 December 2019	(28,133)
Current	(7,599)
Non-current	(20,534)

Maturity analysis of the amounts payable detailed above is as follows:

	2019
	$'000
Within one year	(7,599)
Between two and five years inclusive	(5,963)
Greater than five years	(14,571)
	28,133

28. LEASES (CONTINUED)

The following are the amounts recognised in profit or loss:

	2019 *$'000*
Depreciation expense right-of-use assets	6,706
Interest expense on lease liabilities	1,416
Expense relating to short-term leases (included in cost of sales)	747
Expense relating to leases of low value assets (included in administrative expenses)	51
Total amount recognised in profit or loss	8,920

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 amounts payable is as follows:

	2019 *$'000*
Within one year	420
Greater than one year	1
	421

29. PRIOR YEAR RESTATEMENT

In fiscal year 2019, following review of historical pension documents the company adjusted the pension obligation relating to equalisation for an Aviation plan in the UK. The adjustments of $4,483,000 to the deferred tax asset and $26,368,000 to the pension scheme net deficit were recorded as a prior period restatement in the opening reserves comparatives as at 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2019

29. ***PRIOR YEAR RESTATEMENT (CONTINUED)***

RESTATED BALANCE SHEET AS AT DECEMBER 2018:

	2018 *$'000*	*Impact* *$'000*	*2018 (restated)* *$'000*
Fixed assets			
Intangible assets	40,740	-	40,740
Tangible assets	209,362	-	209,362
Investment property	6	-	6
Investments	431	-	431
	250,539	-	250,539
Current assets			
Stocks	270,894	-	270,894
Contract assets	269	-	269
Debtors	292,134	4,483	296,617
Cash at bank and in hand	116,189	-	116,189
	679,486	4,483	683,969
Creditors			
Amounts falling due within one year	(242,846)	-	(242,846)
Contract liabilities	(32,545)	-	(32,545)
NET CURRENT ASSETS	404,095	4,483	408,578
TOTAL ASSETS LESS CURRENT LIABILITIES	**654,634**	**4,483**	**659,117**
Creditors			
Amounts falling due after more than one year	(480,342)	-	(480,342)
Provisions for liabilities	(241,300)	(26,368)	(267,668)
NET LIABILITIES	**(67,008)**	**(21,885)**	**(88,893)**
Capital and reserves			
Called up share capital	143,374	-	143,374
Share premium account	614	-	614
Cash flow hedge reserve	(18,419)	-	(18,419)
Retained earnings	(192,577)	(21,885)	(214,462)
TOTAL CAPITAL AND RESERVES	**(67,008)**	**(21,885)**	**(88,893)**

29. *PRIOR YEAR RESTATEMENT (CONTINUED)*

RESTATED RETAINED EARNINGS AS AT DECEMBER 2018:

	Total Equity
	$'000
Equity as previously reported 1 January 2018	**(112,475)**
Impact to retained earnings	(21,885)
Equity restated at 1 January 2018	**(134,360)**
Loss for the year	(4,279)
Net other comprehensive income for the year	50,132
Share based payment: charge for the year	1,536
Share based payment: recharge from parent	(1,922)
Equity as at 31 December 2018 (Restated)	**(88,893)**

30. NON-ADJUSTING POST BALANCE SHEET EVENTS

In March 2020, the company repatriated the manufacture of a Wing component to the original supplier. As a result, the company recorded a provision of $17.9 million in March 2020.

In March 2020, the company announced a four-week factory closure due to the COVID-19 outbreak in Northern Ireland in order to ready the workplace to support social distancing and appropriate hygiene measures. Where possible employees were encouraged to work from home to minimise the employee attendance physically on site. Social distancing measures have been put in place and a phased return process is underway.

Due to the impact of COVID-19 on the global economy, and aerospace industry, the company is experiencing reduced volume demand across all programs. Subsequently in order to protect the business, the company announced an extension to the furlough period for some of its employees and in June 2020, announced a workforce reduction of 400 core employees. The company has recorded a severance provision of $32 million in the post year end period. In August 2020 the company announced a further workforce reduction of 95 core employees which increased the severance provision by a further $5.3million. Every opportunity is being explored to mitigate the number of redundancies, including the use of government support through the Coronavirus Job Retention Scheme and the Job Support Scheme.

In May 2020, the company experienced a fire in the treatments facility of the main Belfast factory. The damage has been fully assessed and is covered by insurance.

In June 2020, Bombardier closed the sale of the CRJ Series aircraft program to Mitsubishi Heavy Industries, Ltd. As a result, the company recorded a gain of disposal of $7.8 million in the post-year end period.

Company Number: NI001062

Company Name:

SHORT BROTHERS PLC

Administrative Removal:

UNNECESSARY MATERIAL WAS ADMINISTRATIVELY REMOVED ON 28/10/2020.