RNS Number : 8329M
Velocity Composites PLC
26 January 2021

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VELOCITY COMPOSITES PLC
("Velocity", the "Company" or the "Group")

FINAL RESULTS FOR THE YEAR ENDED 31 OCTOBER 2020

Velocity Composites plc (AIM: VEL.L), the leading supplier of advanced composite material kits, announces its audited results for the year ended 31 October 2020 ("FY20").

Highlights

- Revenue down at £13.6m (FY19: £24.3m) impacted by industry-wide effects of Covid-19
- Gross margin decreased to 17.1% for FY20 (FY19: 21.7%) due to provisions made for slow-moving stock reflecting significantly reduced demand on existing contracts
- Operating loss for FY20 of £3.1m (FY19: Loss £0.6m), after charging £0.3m (FY19: £0.7m) of exceptional restructuring costs
- Adjusted EBITDA* loss for FY20 of £1.9m (FY19: Profit £0.8m) due to significant reduction in sales demand of existing contracts and time needed to right-size the business accordingly
- Cash at Bank at 31 October 2020 of £3.3m (FY19: £3.4m)
- Confirmed extension of existing £2.0m Coronavirus Business Interruption Loan (CBIL) term extended from 2 to 6 years (post year-end)
- Appointment of Margaret Amos as an Independent Non-Executive Director and Chris Williams as Chief Financial Officer to the Velocity Board

Andy Beaden, Chairman of Velocity, said:

"2020 was a uniquely challenging time for our industry, however, we have used this period to right-size our own business, develop, refocus our senior management team and consolidate our relationships within the supply chain. This has been done successfully and prepares Velocity well for recovery when the sector begins to improve. The recovery will happen, but realistically this will not be until 2022. Though top-line revenue has been compressed, by the reduction in OEM build rates, we are now securing new business and the long term value of our contracts will grow significantly in the years ahead. The pipeline of new opportunities also remains strong, with our existing customers showing their commitment to Velocity's unique offering."

Summary & Outlook

It has been a challenging year for all in the aerospace sector, including Velocity, but whilst 2020 has seen significant impact due to Covid-19, it is with a cautious optimism we look to 2021, and beyond, for signs of recovery. Since our last trading update, the business has successfully completed the

right-sizing of its cost base in line with latest demand forecasts, whilst continuing its new business focus and maintaining sufficient liquidity for the foreseeable future.

Through a number of new initiatives the business has now reduced the cost-base in line with a £13.5m turnover breakeven business and is in a good position to take advantage of operational gearing as recovery begins, though this is not expected until the second half of 2021.

The new customer proposition is continuing to be rolled and is being received very positively by both new and existing customers. Our major customers have all expressed support through engaging in new contract extensions and the opportunity for additional lines of business, starting in 2021. We will be reporting on the progress of these in the next few months. We remain on track to be achieving a break-even position in adjusted-EBITDA* in the second half of this new financial year, as announced in November 2020. As airline travel returns, the industry then expects increases in production rates going into 2022 and beyond, enabling the opportunity for profitable growth at Velocity.

Velocity finishes the year with relatively strong liquidity. With the final year end numbers reflecting a positive net cash position, resulting from efforts to release cash from slow-moving stock and, through extensive forecasting and scenario testing. Post year-end we have also secured an extension to the term of the existing £2.0m CBIL facility, from 2 to 6 years.

* Adjusted EBITDA defined as earnings before finance charges, tax, amortisation, depreciation, impairment, share based payments and exceptional restructuring costs. During the year the Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. In the adjusted EBITDA for 2019 the rent payments for those assets now accounted for as Right of Use assets under IFRS 16 have been added back so that both years can be compared. The rent payments are not significantly different to the depreciation charge.

CHAIRMAN'S REPORT

We will all remember 2020 as a year of extraordinary events and in the Aerospace industry it has been one of the most challenging in living memory. For Velocity Composites plc, we entered the year with the objectives of securing new business and developing our strategy around being seen as the leading supplier of composite kitting technology in our industry.

Despite the immense challenges, we have still advanced significantly in developing a full package of solutions for the composite aerospace sector around our core offering of Velocity Resource Planning. This has led to us winning new business and developing our relationships with the major composite aerospace manufacturers.

The pandemic has resulted in significant reductions in the manufacturing volumes of all civil aircraft frames by the primary manufacturers Airbus and Boeing. The dramatic impact across the airline industry has resulted in a series of lockdowns and temporary plant closures forced upon our customers and resulted directly to lower order levels for the Company. Revenues in the second half of our financial year were £4.1m, compared to £12.2m in H2 FY2019. As a result revenues for the full year were £13.6m (FY2019: £24.3m).

In response to prevailing macro and industry conditions, Velocity reacted swiftly to right size its business. In doing so, we sadly had to reduce our staffing levels from 132 at the start of the financial year to 70 by the end, and we utilised U.K. government support packages. We have also focussed attention on reducing inventory levels, working closely with both suppliers and customers in this area. While this has resulted in an improvement in working capital, the full benefit of the inventory reduction process will be realised in 2021.

In anticipation of a sharp fall in sales, the Board has been acutely focussed on ensuring that the Company maintained, and continues to maintain, sufficient financial liquidity. In this regard during the year we received support from our bank and the U.K. Government through the Coronavirus Business Interruption Loan scheme and secured £2.0m of new debt funding. This was repayable over two years from July 2020, with repayments starting in August 2021, but with the continued uncertainty we have recently agreed to extend this to a six year period. The interest cost is favourable and covenants are minimal, with no cost to the Company in the first year. The company also secured Government grants under the Coronavirus Job Retention Scheme of £0.4m. This support, plus cost reductions, utilisation of HMRC salary furlough credits and inventory management, have meant we

have controlled our cash position. Even with the new debt, we have retained a net positive cash position and expect to generate further cash through inventory reduction in 2021.

As a result of the effects of the pandemic, customer and Velocity shutdowns and some inventory obsolescence, the Company recorded an adjusted EBITDA loss in the year of £1.9m. Further details can be found in Note 4, with adjusted EBITDA being defined as earnings before finance charges, taxation, depreciation, amortisation, impairment, share-based payments and exceptional restructuring costs. As we enter 2021, the level of these losses has been narrowed, as a result of the cost reduction programme, and the Board anticipates that going forward the Company will be EBITDA break-even at FY2020 levels of revenues. Given the disruption in early 2021, the realistic objective is for the Company to be EBITDA breakeven by the second half of 2021. The Company is now highly operationally geared, such that any significant recovery in activity, even if only to below pre-pandemic levels, will have a strong positive impact on future profitability.

The Board is making no rash assumptions as to the recovery of build rates in the civil aircraft industry to pre-COVID levels, but Velocity is fortunate to have been awarded a series of new programmes with existing customers, who see our technology as a contributor to greater cost efficiency and improved margins in their own front end production processes. This new business, which will take time to qualify and ramp up, is expected to result in a significant improvement in sales for 2022 and beyond. It also means when we eventually do see the upturn in primary aircraft production rates, that upturn should push us above the pre-COVID sales levels. We also continue to pursue a number of further new business opportunities, including in the USA.

We have radically restructured our operations, with a focus on Industry 4.0 technology and customer service, as well as changes to our management team with the introduction of some new highly skilled individuals, particularly strengthening our commercial and financial functions. Colleagues have worked tirelessly in the demanding period and our push towards being seen as a leading engineering technology provider in our sector continues. This has been funded via the EIS money raised at the IPO and everyone at Velocity is energised by the exciting opportunities opening up for the business.

During the period we were also pleased to welcome Margaret Amos and Chris Williams to the Board. Margaret Amos brings with her nearly 30 years aerospace and financial management expertise. She has been appointed as our Audit Chair, along with supporting us in governance and strategy Chris Williams, was appointed as the Company's new permanent CFO in August 2020 and brings a diverse range of systems and commercial finance skills.

In summary, the industry wide demand reductions are disappointing, but with the prudent financial management and strategic re-alignment, we remain very confident of the long-term prospects. The business has gone through a major restructuring and is leaner than before, but better skilled for the future demands in our industry.

The Board is, and I am personally, extremely proud of Velocity's employees and the dedication they have shown throughout 2020 and the Company remains grateful for the ongoing support and backing received by customers and suppliers during the year.

CEO REPORT

Market

The civil aerospace industry has gone through a large amount of uncertainty over the past 10 months as the immediate and severe effects on global flight schedules caused both Airbus and Boeing to reduce aircraft production rates to minimal levels as the long-term effects were understood. This in turn was replicated at the customers of Velocity as they adjusted the production rates of their sub-assemblies and the associated supply chains.

Both Airbus and Boeing publish detailed market outlook forecasts annually, usually with clear correlations between the two companies:

Airbus - www.airbus.com/aircraft/market/global-market-forecast

Boeing - www.boeing.com/commercial/market/commercial-market-outlook

At the time of writing only Boeing has updated its forecast taking into account COVID-19 effects, with both companies expecting to publish detailed updates by summer 2021. From this intermediate report it is clear that despite the picture remaining dynamic and the unprecedented disruption to the industry, the long-term growth drivers and fundamentals for air travel remain. In support of this, Boeing sets out a three-stage outlook for near term, medium term and long term recovery and growth:

Near Term: Demand Focused on Fleet Renewal

Over the last decade, growth in passenger air travel averaged 6.5% per year, well above the long-term average of 5%. In this business environment, many of the world's airlines grew their fleets through deliveries of new airplanes and often delayed airplane retirements to accommodate passenger demand.

The current downturn is likely to lead to the replacement of many older passenger airplanes. This accelerated replacement cycle will position airlines for the future by improving the efficiency and sustainability of today's fleet.

Medium Term: Aviation Has Proven Resilient

While aviation has seen periodic demand shocks since the beginning of the Jet Age, our industry has recovered from these downturns every time. Boeing currently believe it will likely take about three years for air travel to return to 2019 levels, and it will be a few years beyond that for the industry to return to long-term growth trends. Aviation remains an integral part of transportation systems around the world. The maturation of many emerging market economies will further increase consumer spending's share of economic activity, bolstering demand for air travel. In addition, coming out of every crisis, the industry has innovated by improving service and value for the traveling public.

Long Term: Emphasis on Fleet Versatility

The current market disruption will shape airline fleet strategies long into the future as airlines make decisions to renew their fleets and resume growth. Airlines will focus on building versatile fleets that provide future network flexibility, maximizing capability while minimizing risk, and improving efficiency and sustainability as the industry moves towards de-carbonises by electrification and hydrogen power.

What this means for Velocity is that production rates are expected to recover over the next 3 years, led by single aisle platforms (A220, A320, B737) followed by the newer twin aisle platforms (A350, B777X, B787). Capacity has been lost due to the early retirement of predominantly metallic airframes and so airlines will be looking to replace these with newer, more fuel efficient/sustainable aircraft which all utilise higher volumes of composite materials, both now and with future hydrocarbon free power technologies.

Regarding military platforms these have been less effected by rate reductions as they are not subject to the same commercial pressures. The outlook for both production rates and composite content on these platforms remains strong.

Strategy

Taking the market forecasts into account the long-term fundamentals of Velocity remain compelling, albeit subject to short-term disruption caused by production rate demand reductions, customer response to the demand reductions, travel restrictions for business development and general uncertainty in the aerospace market.

What the disruption has demonstrated is that despite the effects of a global pandemic (i.e. immediate one year of flight groundings followed by three years of production rate recovery) not being part of industry planning, the procedures, manufacturing processes and technology of Velocity facilitated an orderly and data driven transition for all customers and suppliers through the disruption in 2020. Once stabilised, the technology, IP and flexible service offering of Velocity has also allowed for newer, more relevant solutions to be developed for customers to help them reduce costs, right-size and manage the disruption through their manufacturing areas until production rates recover. This reaffirms the need of Velocity to remain at the forefront of raw material management, material utilisation and lean manufacturing integration, whilst having the flexibility to adapt to how the customer wants to use Velocity's IP to reduce their own costs. To this end Velocity will utilise the disruption period to focus on the following:

- Continued investment in digital technology, utilising the fully open Advanced Technology Centre on the Burnley, UK site, to further develop in-house Industry 4.0 solutions around material nesting, real time vision system process augmentation, real time material resource planning technology (including AI), real time tracking of all life-managed raw materials using cloud computing and RFID, rapid prototyping using 3D scanning technology.
- The integration of the above technology into the in-house developed "VRP System" managing all aspects of the company's services.

- Development of alternative service models utilising the licensing of the above technology for customers who want a more phased adoption of Velocity's model. This would be controlled by Velocity centrally, but deployed in a more flexible way to permit new customers to transition to Velocity by the sub-licence of Velocity technology and serviced without immediate resource intensive changes to their operational set-up.
- Investigations, with Velocity's industry partners (both supply chain and material suppliers), of alternative markets where the above technology can be deployed e.g. wind energy, surface transport, light weighting for electrification of road transport, medical, personal urban air vehicles and unmanned air vehicles.

The above developments have been planned and budgeted as part of the company's Integrated Business Plan for FY21. Recent headcount changes were structured to protect business development and technology development personnel and bring forward longer term development plans into a focussed and targeted plan for FY21 to deliver the above benefits.

It is expected that accelerated development and completion of the above plans will assist in the potential new-business pipeline of £50m over the next three financial years, by bringing further benefits and flexibility to existing customers, whilst creating a unique system of software tools, manufacturing technology and digital solutions to meet the global need in the advanced composites industry.

So much has changed in the world during the last year that Velocity's annual report unsurprisingly reflects two very distinct periods, being the period before the effects of COVID-19 became globally apparent and the time since. The year started with two key executive recruitment goals, to appoint both a new Customer Programmes Director and full time CFO, the latter of which had previously been filled (by Andrew Hebb) on an interim basis. Despite the onset of the COVID-19 pandemic during these processes, I am pleased to announce that both roles were filled by the preferred candidates, with James Eastbury taking up the position of Head of Customer Programmes in May 2020 and Chris Williams joining as Chief Financial Officer in August 2020. Both James and Chris bring significant and valuable skills and experience to their roles as the Company meets the challenges of the COVID-19 pandemic and plans for the recovery that will follow.

The year also started well in progressing the key strategic targets of working with a focused number of key customers for new business growth and utilising Velocity's technology to drive further efficiencies in the composites supply chain. These targets, however, were impacted by the onset of the COVID-19 pandemic, which led to an immediate and unprecedented reduction in air travel, and in turn, leading to the immediate reduction in aircraft production rates and the associated reduction in demand seen by Velocity's customers.

The response from Velocity was swift, based around the safety of our staff and the need to align the raw material supply chain with the new customer demand, inside of the usual extended lead times. From the onset of the pandemic, and through the summer months, the demand from customers was changing on a daily basis. Our industry sought to respond to the unprecedented circumstances, and the work to align the raw material supply chain with customer demand involved considerable real time planning and dynamic scenario modelling utilising Velocity's bespoke technology. During this period customer manufacturing plants were also closed for several intervals and at different times, as each customer utilised furlough schemes to help with the reduced demand build rates. The immediate reductions also lead to higher raw material stock levels for material that was already purchased by the Company, including stock positions put in place to mitigate any effects of Brexit disruption. As such, the Company continues to work collaboratively with customers to consume these stocks, whilst managing the wider supply chain effects of the COVID-19 pandemic.

During this period of maximum disruption, I am pleased to report that Velocity's sites remained open and responsive to customers along with home working and utilising the furlough scheme. As reported, the Company agreed terms for a £2.0m CBIL during this period to provide further headroom as the disruption was better understood. The term of this loan has since been extended post year-end, from 2 to 6 years. As this period concluded, and the longer term effects of the pandemic were better understood, it became clearer that production rates would not recover in the short-term and government intervention around furlough support was limited in duration, so plans were enacted to right size both the direct and indirect headcount of the business based on the current demand, whilst protecting the delivery of products to current customers and the ability of the business to progress and respond to new business activities. Regrettably, this involved the reduction in headcount from 132 to 70 and I would like to personally thank all staff members involved in these difficult decisions for dealing with this restructuring in a professional and understanding way.

Looking forward there is still not a definitive picture around aircraft production rate recovery as both Boeing and Airbus are awaiting the return of air travel numbers before committing rates to the

market, communicated publicly in their Market Forecast documents. Whilst there has been some recent exciting developments around vaccines and airport testing the industry needs demand to recover in air travel before this translates into new aircraft sales and aircraft part production. What is widely accepted is that single aisle rate recovery will be faster than twin aisle rate recovery and so along with military applications the company continues to review its new customer portfolio to target the higher demand for its services.

During the year the government supported the company with the Coronavirus Job Retention Grants of £0.4m, the company also applied for a £2m Coronavirus Business Interruption Loan which was received in July 2020.

The Company has also worked closely with its existing customers to ensure that the service offering remains compelling during and after the disruption and rate reductions. Clearly this is a challenging time for the whole industry and customers have had to revisit their entire industrial strategy as capacity created during previous growth years becomes available due to rate reductions. Significant work has been undertaken to work with customers to align future service with the new requirements, utilising Velocity's technology to identify enhanced efficiencies to assist customers. This has resulted in an extended long-term agreement with one key customer and additional packages of work with another. Work continues with our third key customer as part of a planned contract renewal exercise.

As the industry stabilises around the new production rates the company has a revised strategy to emerge more resilient from the unprecedented effects of the COVID-19 pandemic. Clearly like for like sales of existing business has been significantly reduced and so our priority in FY21 is to continue the cost reductions and new business growth to return the business to profit during the second half of the year. The company is still working through a new business sales opportunity pipeline of £50m over the next three financial years, and utilising our technology, proven service levels and geared operational capacity we expect the new proposition process to form an important part of our customers response to the new production rates.

The Company has also accelerated activities to utilise our industry partners in both Europe and North America to investigate new composite markets where our technology can be applied, for example ground transportation, urban air vehicles, wind energy, hydrogen power and military and transport electrification. As part of this, the Velocity model will be developed to enable our technology to be licensed or deployed internally at new customers to accelerate the adoption in a cash light way.

Whilst their appears to be a roadmap to undo the physical restrictions of the COVID-19 pandemic, the effects, particularly in aerospace, will be felt for several years to come. At Velocity, the team are focused on dealing with those immediate effects, ensuring the long term sustainability of the business whilst adapting our technology and offering to meet the continued needs of our customers.

FINANCIAL REVIEW

Statement of Comprehensive Income

Revenue for FY20 has understandably been impacted significantly by the impact of COVID-19, as has the wider Aerospace sectors. We have remained operational throughout the period, but with intermittent customer shutdowns and heavily reduced underlying demand on existing programmes, we have finished the period with sales 44% lower year-on-year at £13.6m (FY19: £24.3m) and had to adjust the business accordingly.

This sales decline was nearly all attributable to the last 7 months of the year, as the pandemic hit hard across the industry. As a result, sales for the first 5 months of the year were in-line with management's expectations at £8.7m and continuing to display healthy demand. From March 2020 however, underlying aircraft production rates dropped significantly, flowing directly through into our demand with sales of £4.9m in the final 7 months. International sales and expansion has also paused over this period as international borders were closed and business commuting restricted, though the business is in a positive position to continue this once travel is once again permitted.

Whilst this position has picked up to some extent in the final months of the year, we expect underlying volumes with existing programmes to remain suppressed into FY21 and starting to recover in FY22 and beyond. In addition, the business continues to seek out new contracts to deliver some of the identified pipeline opportunities.

The gross margin has declined to 17.1% (FY19: 21.7%), but this has been driven by one-off stock provisions reflecting a prudent stance regarding slow-moving stock caused by the disruption in the supply chain. Excluding these, the margin is in line with management's expectations given the movement in sales mix during the year. Year-on-year overheads have significantly reduced and the full-year-effect of management's right-sizing efforts will be seen as we go into FY21. This, combined with a strong pipeline of sales will enable Velocity to positively leverage its high operational gearing from H2 FY21 going into FY22 and beyond.

As explained above, increased stock provisions required for slow-moving stock have reduced our overall gross margin to 17.1% (FY19: 21.7%). Discussions are ongoing with customers to resolve these, but with high uncertainty in the current climate, we have taken a prudent position. Excluding the impact of slow-moving stock, and despite the lower volumes, underlying gross margin was in line with management's expectations, with a slight decline reflecting our movement in sales mix. The gross margin can be impacted by the mix between structural composite materials and lower cost process materials, which is 2020 led to a slightly negative margin impact.

The government supported the company with the Coronavirus Job Retention Grants of £0.4m, the company received a £2m Coronavirus Business Interruption Loan in July 2020.

Administrative expenses (excluding depreciation and share based payments) for the year have decreased by £0.4m to £4.3m (FY19: £4.7m) as the business has right-sized its cost base with the latest demand forecast. Despite utilising the government furlough scheme, the business has needed to undertake two rounds of restructuring. As a result people costs have reduced by £0.8m in the year with headcount being reduced 47% from 132 to 70. In addition a Cost Improvement Plan has been successfully implemented, bringing the overhead cost-base of the business down to a £13.5m sales revenue breakeven sales level. Further cost reductions plans are ongoing into FY21 to continue the work done in this area.

The Company has benefitted from being 70% naturally hedged from both US Dollar and Euro foreign exchange movements, with both revenues and direct material purchases now being aligned contractually into the same currency where applicable.

On a consistent basis with last year, adjusted EBITDA amounted to a £(1.9)m loss for the year (FY19: £0.8m profit). This excludes share-based payments and exceptional administrative costs relating to restructuring in response to the pandemic. The adjusted EBITDA has been impacted adversely by the dramatic sales fall, combined by some one-off costs in inventory valuation. The restructuring benefits will start to show through in the first part of 2021, with the full benefit seen by the second half of 2021.

Adjusted EBITDA[(1)]

Reconciliation from Operating Loss	**31 October 2020** £'000	**31 October 2019** £'000
Operating Loss	(3,149)	(594)
Add back:		
Share-based payments	120	66
Depreciation & Amortisation	445	431
Impairment of Intangible assets	72	18
Depreciation on Right of Use assets under IFRS 16 (equivalent 2019 rent payments)	246	221
Exceptional Administrative costs	341	692
Adjusted EBITDA[(1)]	(1,925)	834

(1) Adjusted EBITDA defined as earnings before finance charges, tax, amortisation, depreciation, impairment, share based payments, exceptional restructuring costs. During the year the Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. In the adjusted EBITDA for 2019 the rent payments for those assets now accounted for as Right of Use assets under IFRS 16 have been added back so that both years can be compared. The rent payments are not significantly different to the depreciation charge.

Cashflow and Capital Investment

The year-end cash and cash equivalents reduced by £0.1m to £3.3m (FY19: £3.4m). Cash utilised from operations of £(0.8)m (FY19: £0.3m) in the year was driven by the £(1.9)m EBITDA offset partly by £1.3m favourable working capital position as the business right-sized. Cash used in Investing Activities of £(2.4)m (FY19: £(0.2)m) primarily related to the capitalisation of Right Of Use (leased) assets (£1.4m) as well as property, plant and equipment as the new business premises and Technology R&D centre were completed. Financing activities generated £3m over the period (FY19: £(0.8)m) with the benefit of the £2.0m CBIL facility agreed during the year, offset by £(0.5)m payments towards Hire Purchase commitments and Invoice Discounting arrangements. The Invoice Discounting facility was not being utilised at 31 October 2020.

The cash balance at 31 October 2020 of £3.3m includes £2.0m Coronavirus Business Interruption Loan (CBIL) proceeds and £0.7m remaining EIS funds to be utilised in establishing a production facility in the USA and to invest further in developing our mainland European activities when international travel resumes. Our focussed stock reduction programme is expected to yield additional cash upside as we continue through FY21.
Despite the loss in the year, the business remains in a net cash position at year end, with £0.9m net cash (FY19: £3.1m). This includes Cash at bank, EIS, and CBIL proceeds offset by the outstanding CBIL balance and hire purchase liabilities.

	Year ended 31 October 2020	**Year ended 31 October 2019**
	£'000	£'000
Cash	3,264	3,424
Cash Loans (excluding right to use assets):		
CBIL Loan	(2,000)	-
Hire Purchase	(358)	(290)
Invoice discounting facility	2	(4)
Net Cash/(Debt) (Note 1)	908	3,130

Note 1: The net cash/(debt) calculation is designed to explained the level of financial debt, net of cash at bank. It does not include the IFRS 16 presentation changes around property rental agreements and similar short-term operating rental lease agreements, where the rental liability and an equal asset right are both now recognised for the contract life, on the balance sheet.

Working capital

Inventory levels decreased at the year-end by £(1.3)m to £1.9m (FY19: £3.2m) reflecting our increased stock provision and additional stock reduction efforts in-year as underlying demand has reduced.
Trade and other receivables reduced significantly during the year by £1.7m to £2.5m as a result of the reduced sales and continuing robust controls around debt collection improved monthly routines to manage the collection of debts. Debtor days have therefore decreased slightly to 44 days (FY19: 45 days).

Trade and other payables also reduced during the year by £1.7m to £1.5m due to reduction in Trade Creditors of £1.7m as the business utilises existing material stock.

Going concern

Under the current climate, Management have undergone a significant level of cash flow forecasting and scenario modelling. This work also supported the application for our CBIL and its extension. Detailed financial projections for the following 24 month rolling period were prepared, and then extended annually for a further 5 years. The Aerospace sector lends itself to this kind of long-term planning due to the nature and length of customer programmes, typically a minimum of 3 years, but often 5 years or more. This has enabled the business to fully model the impact of Covid-19 and the expected recovery period. Post year end the CBIL facility term has been extended from 2 to 6 years to better reflect the cash flow needs of the business and ongoing support from our bank.

As the pandemic unfolded and continued to gather pace, our initial forecasts illustrated the need for cost reductions to be made, which unfortunately meant restructuring and several rounds of redundancies, this has put the business once again on a stable footing for FY21, with positive operational gearing to leverage once growth resumes. Further scenario tests included losing major customers, failure to utilise slow-moving stock under new demand levels and not receiving additional CBIL support or extension of terms. Even in the worst of these cases, with all three downside scenarios happening, Management's mitigation plans, meant the business could navigate the forecast

period utilising its net cash position and existing facilities, albeit with some shorter-term decisions needed to be made. This recovery has been made possible by a combination of existing contracts recovering to pre-COVID-19 run rates over the 5 to 7 year period, as well as new contracts being won from the significant pipeline of opportunities being targeted.

Continued monthly monitoring of this forecast model is ongoing over a rolling 36 month period, with the business adopting a new Integrated Business Planning approach in January 2021. As a result, any departures from budget or future requirements for cash flow will be identified early on. Key cash flow projects within this, such as the stock reduction programme, have been flagged as priorities in the Velocity strategy, with project leads, KPIs and reporting mechanisms into the Board. Any gaps against forecast will be caught in this process and a recovery plan put in place to ensure delivery of results.

Having due regard to these projections and available cash at 31 October 2020 of £3.3m, an invoice discount facility where we can borrow up to £5m dependent on debtor levels, and the continued the support of our bank, customers and shareholders during these difficult circumstances, it is the opinion of the Board that the Group has adequate resources to continue to trade as a going concern.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Revenue	3	13,561	24,316
Cost of sales		(11,237)	(19,047)
Gross profit		2,324	5,269
Administrative expenses excluding exceptional costs		(5,132)	(5,177)
Exceptional administrative expenses		(341)	(692)
Other operating income		-	6
Operating loss		(3,149)	(594)
Operating loss analysed as:			
Adjusted EBITDA	4	(1,925)	834
Depreciation & Amortisation		(445)	(431)
Impairment of Intangible assets		(72)	(18)
Depreciation on Right of Use assets under IFRS 16 (equivalent 2019 rent payments)		(246)	*(221)
Share based payments		(120)	(66)
Exceptional administrative expenses	5	(341)	(692)
Finance income and expense		(98)	(58)
Loss before tax from continuing operations		(3,247)	(652)
Income tax income		117	16
Loss for the period and total comprehensive loss		(3,130)	(636)
Loss per share - Basic (£) from continuing operations	6	(£0.08)	(£0.02)
Loss per share - Diluted (£) from continuing operations	6	(£0.08)	(£0.02)

There were no discontinued operations in the current or prior period.

There is no other comprehensive income.

* The consolidated statement of total comprehensive income is not restated but to aid comparability the alternative performance measure adjusted EBITDA has been restated following implementation of IFRS 16 for further details see Note 4.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

	Group	Group	Company	Company
	31 October 2020	**31 October 2019**	**31 October 2020**	**31 October 2019**
	£'000	£'000	£'000	£'000
Non-current assets				
Intangible assets	167	318	167	318
Property, plant and equipment	1,723	1,061	1,723	1,061
Right-of-use assets	1,127	-	1,127	-
Total non-current assets	3,017	1,379	3,017	1,379
Current assets				
Inventories	1,908	3,177	1,908	3,177
Trade and other receivables	2,464	4,149	2,490	4,178
Corporation tax	-	75	-	75
Cash and cash equivalents	3,268	3,424	3,265	3,416
Total current assets	7,640	10,825	7,663	10,846
Total assets	10,657	12,204	10,680	12,225
Current liabilities				
Loans	500	-	500	-
Trade and other payables	1,504	3,223	1,499	3,223
Grant income deferred	-	-	-	-
Net obligations under finance leases	411	121	411	121
Total current liabilities	2,415	3,344	2,410	3,344
Non-current liabilities				
Loans	1,500	-	1,500	-
Deferred tax liabilities	-	-	-	-
Net obligations under finance leases	1,060	169	1,060	169
Total non-current liabilities	2,560	169	2,560	169
Total liabilities	4,975	3,513	4,970	3,513
Net assets	5,682	8,691	5,710	8,712
Equity attributable to equity holders of the company				
Share capital	91	90	91	90
Share premium account	9,727	9,727	9,727	9,727
Share-based payments reserve	490	537	490	537
Retained earnings	(4,626)	(1,663)	(4,598)	(1,642)
Total equity	5,682	8,691	5,710	8,712

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and not presented its own statement of profit and loss in these financial statements. The loss for the year was (£3,123,000).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Retained earnings	Share-based payments reserve	Total equity
	£'000	£'000	£'000	**£'000**	£'000
As at 31 October 2018	89	9,727	(1,091)	536	9,261

Loss for the year	-	-	(636)	-	(636)
	89	9,727	(1,728)	536	8,624
Transactions with shareholders:					
Share-based payments	-	-	-	66	66
Transfer of share option reserve on vesting of options and issue of equity	1	-	65	(65)	1
As at 31 October 2019	90	9,727	(1,663)	537	8,691

	Share capital £'000	**Share premium account** £'000	**Retained earnings** £'000	**Share-based payments reserve £'000**	**Total equity** £'000
As at 31 October 2019	90	9,727	(1,663)	537	8,691
Loss for the year	-	-	(3,130)	-	(3,130)
	90	9,727	(4,793)	537	5,561
Transactions with shareholders:					
Share-based payments	-	-	-	120	120
Transfer of share option reserve on vesting of options and issue of equity	1	-	167	(167)	1
As at 31 October 2020	91	9,727	(4,626)	490	5,682

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	**Share premium account** £'000	**Retained earnings** £'000	**Share-based payments reserve £'000**	**Total equity** £'000
As at 31 October 2018	89	9,727	(1,062)	536	9,290
Loss for the year	-	-	(645)	-	(645)
	89	9,727	(1,707)	536	8,645
Transactions with shareholders:					
Share-based payments	-	-	-	66	66
Transfer of share option reserve on vesting of options and issue of equity	1	-	65	(65)	1
As at 31 October 2019	90	9,727	(1,642)	537	8,712

	Share capital £'000	**Share premium account** £'000	**Retained earnings** £'000	**Share-based payments reserve £'000**	**Total equity** £'000
As at 31 October 2019	90	9,727	(1,642)	537	8,712
Loss for the year	-	-	(3,123)	-	(3,123)

	90	9,727	(4,765)	537	5,589
Transactions with shareholders:					
Share-based payments	-	-	-	120	120
Transfer of share option reserve on vesting of options and issue of equity	1	-	167	(167)	1
As at 31 October 2020	91	9,727	(4,598)	490	5,710

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

	Group	Group	Company	Company
	Year ended 31 October 2020 £'000	**Year ended 31 October 2019** £'000	**Year ended 31 October 2020** £'000	**Year ended 31 October 2019** £'000
Operating activities				
Loss for the year	(3,130)	(636)	(3,123)	(645)
Taxation	(117)	(16)	(117)	(16)
Loss on disposal of assets	-	(11)	-	(11)
Finance costs	98	58	98	58
Amortisation of intangible assets	118	116	118	116
Impairment of Intangible assets	72	18	72	18
Depreciation of property, plant and equipment	327	315	327	315
Depreciation of right to use assets	246	-	246	-
Share-based payments	120	65	120	65
Grant income amortisation	-	(6)	-	(6)
Operating cash flows before movements in working capital	(2,266)	(97)	(2,259)	(106)
Decrease in trade and other receivables	1,685	1,579	1,688	1,588
Decrease/(Increase) in inventories	1,269	(433)	1,269	(433)
Increase/(Decrease) in trade and other payables	(1,526)	(1,363)	(1,531)	(1,363)
Cash generated from operations	(838)	(314)	(833)	(314)
Income taxes received	-	54	-	54
Net cash (Outflow) from operating activities	(838)	(260)	(833)	(260)
Investing activities				
Purchase of property, plant and equipment	(991)	(156)	(991)	(156)
Development expenditure capitalised	(39)	(89)	(39)	(89)
Proceeds from the sale of property, plant and equipment	3	15	3	15
Net cash used in investing activities	(1,027)	(230)	(1,027)	(230)
Financing activities				
Loan received	2,000	-	2,000	-
Finance lease proceeds	211	-	211	-
Finance costs paid	(98)	(58)	(98)	(58)
Increase/(Decrease) in invoice discounting	-	(612)	-	(612)
Repayment of finance lease capital	(404)	(142)	(404)	(142)
Net cash generated from financing activities	1,709	(812)	1,709	(812)
Net (Decrease) in cash and cash equivalents	**(156)**	(1,302)	(151)	(1,302)
Cash and cash equivalents at 01 November	3,424	4,726	3,416	4,718
Cash and cash equivalents at 31 October	**3,268**	3,424	3,265	3,416

Notes

1. General information

Velocity Composites Plc (the 'Company') is a public limited company incorporated and domiciled in England and Wales. The registered office of the Company is AMS Technology Park, Billington Road, Burnley, Lancashire, BB11 5UB, United Kingdom. The registered Company number is 06389233.

In order to prepare for future expansion in the Asia region, the Company established a wholly owned subsidiary company, Velocity Composites Sendirian Berhad, which is domiciled in Malaysia. The subsidiary company commenced trading on 18 April 2018. The Company also established a wholly owned subsidiary company, Velocity Composites Aerospace Inc. to prepare for future expansion in the United States of America. These subsidiaries together with Velocity Composites plc, now forms the Velocity Composites Group ('the Group').

The Group's principal activity is that of the sale of kits of composite material and related products to the aerospace industry.

2. Accounting policies

Basis of preparation
The financial statements have been prepared in compliance with the measurement and recognition criteria of IFRS as adopted by the European Union.

These financial statements have been prepared on a going concern basis and using the historical cost convention, as modified by the revaluation of certain items, as stated in the accounting policies. These policies have been consistently applied to all periods presented, unless otherwise stated. The financial statements are presented in sterling and have been rounded to the nearest thousand (£'000).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and not presented its own statement of profit and loss in these financial statements.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to 31 October 2020. Subsidiaries are consolidated from the date of acquisition, using the purchase method (see "Business combinations" below).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. The Group's subsidiaries have prepared their statutory financial statements in accordance with Adopted IFRS, as from 1 May 2015.

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

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

New Standards adopted at 1 November 2019
IFRS 16 Accounting for leases has become applicable for the current reporting period, and the Group had to change its accounting policy as a result. The impact of the adoption of the leasing standard and the new policies are disclosed below.

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

Going concern
Under the current climate and the business need for CBIL and furlough support, Management have invested a lot of time during the year in cash flow forecasting and scenario modelling. Detailed financial projections for the following 24 month rolling period were prepared, and then extended annually for a further 5 years. The

Aerospace sector lends itself to this kind of long term planning due to the nature and length of customer programmes, typically a minimum of 3 years, but often 5 years or more. This has enabled the business to fully model the impact of Covid-19 and the expected recovery period.

Initial forecasts illustrated the need for further cost reduction, which unfortunately meant additional restructuring, but has put the business once again on a stable footing for FY21, with positive operational gearing to leverage once growth resumes. Further scenario tests included losing major customers, failure to utilise slow-moving stock under new demand levels and not receiving CBIL support or extension of terms. Even in the worst of these cases, with all three downside scenarios happening, Management's mitigation plans, meant the business could navigate the forecast period utilising its net cash position and existing facilities, albeit with some shorter-term decisions needed to be made. This recovery has been made possible by a combination of existing contracts recovering to pre-COVID-19 run rates over the 5-7 year period, as well as new contracts being won from the significant pipeline of opportunities being targeted.

Continued monthly monitoring of this forecast model is ongoing over a rolling 36 month period, with the business adopting the latest Integrated Business Planning approach in January 2021. As a result, any departures from budget or future requirements for cash flow will be identified early on. Key cash flow projects within this, such as the stock reduction programme, have been flagged as key priorities in the Velocity strategy, with project leads, KPIs and reporting mechanisms into Board. Any gaps against forecast will be caught in this process and a recovery plan put in place to ensure delivery of results.

Having due regard to these projections and available cash at 31 October 2020 of £3.3m, an invoice discount facility where we can borrow up to £5m dependent on debtor levels, and continued the support of our bank, customers and shareholders during these difficult circumstances, it is the opinion of the Board that Group has adequate resources to continue to trade as a going concern.

Changes in accounting policies
The Group has applied the following accounting standards and amendments for the first time for their annual reporting period commencing on the 1 November 2019:

IFRS 16 'Leases'
The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. This note explains the impact of the adoption of IFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 November 2019. The Group has adopted IFRS 16 retrospectively from 1 November 2019 but has not restated the comparative for the 2019 reporting period, as permitted under the specific transactional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 November 2019.

On adoption of IFRS, the Group recognised lease liabilities in relation to leases which had previously been Classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as at 1 November 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 November 2019 was 5.2%. In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on the previous assessments on whether leases are onerous;
- the accounting of operating leases with a remaining lease term of less than 12 months as at 1 November 2020 as short term leases;
- the exclusion of initial direct costs for the measurement of the right -of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Impact of transition to IFRS 16

On the transition date of 1 November 2019, the Group recognised the following transactions:

	£'000
Right of use assets:	
Land and buildings	479
Motor Vehicles	13
	492
Lease liability	(492)

Further recognition during the financial year of £885k related to the addition of Unit 5 at the Burnley site.

The change in accounting policy affected the above items in the balance sheet on 1 November 2020. The net impact on retained earnings at 1 November 2020 was £Nil. For the year ending 31 October 2020 operating lease rentals of £307k have been restated as deprecation £246k and finance costs of £47k, EBITDA has increased by £293k whereas profit before tax has reduced by £47k.

Further analysis of the impact of IFRS 16 is provided in note 7.

Further recognition during the financial year of £885k related to the addition of Unit 5 at the Burnley site.

There are no other IFRSs or IFRIC interpretations that are not yet fully effective that could be expected to have a material impact on the Group.

Revenue Recognition
From the 1 November 2019, the Group has applied IFRS 15 "Revenue from Contracts with Customers". The new standard requires clear identification of separate performance obligations and the revenue associated with those obligations with each new contract entered into is reviewed for consistency with the standard.

Revenue arises mainly from the sale of structural and consumable materials for the use within the Aerospace industry.

To Determine whether to recognise revenue, the Group follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligations are satisfied

Performance obligations
Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

The Group provides warranties to its customers to give them assurance that its products and services will function in line with agreed-upon specifications. Warranties are not provided separately and, therefore, do not represent separate performance obligations

Recognition
Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. Contracts are satisfied over a period of time, with the dispatch of goods at a point in time. Revenue is therefore recognised when control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, on delivery.

3. Segmental analysis

The Group supplies a single type of product into a single industry and so has a single reportable segment. The Group's subsidiary company, Velocity Composites Sendirian Berhad, is located in Malaysia. Additional information is given regarding the revenue receivable based on geographical location of the customer. An analysis of revenue by geographical market is given below:

	Year ended 31 October 2020	**Year ended 31 October 2019**
	£'000	£'000
Revenue		
United Kingdom	12,337	21,850
Europe	1,224	2,435
Rest of the World	-	31
	13,561	24,316

During the year four customers accounted for 94.0% of the Group's total revenue for the year ended 31 October 2020. This was split as follows; Customer A - 43.6% (2019: 50.9%), Customer B - 27.2% (2019: 19.9%), Customer C - 12.9% (2019: 16.1%) and Customer D - 10.3% (2019: 9.5%). The majority of revenue arises from the sale of goods. Where engineering services form a part of revenue it is only in support of the development or sale of the goods.

During the current and previous year, the Group operated in Asia. No revenue was generated in Asia during the year ended 31 October 2020 and year ended 31 October 2019 as the site operates as an Engineering Support Office for the Group.

4. Adjusted EBITDA

EBITDA is considered by the Board to be a useful alternative performance measure reflecting the operational profitability of the business. Adjusted EBITDA is defined as earnings before finance charges, taxation, depreciation, amortisation, impairment, share-based payments and exceptional restructuring costs.

Adjusted EBITDA	**31 October 2020**	**31 October 2019**
Reconciliation from Operating Profit	£'000	£'000
Operating Loss	(3,149)	(594)
Add back:		
Share-based payments	120	66
Depreciation & Amortisation	445	431
Impairment of Intangible assets	72	18
Depreciation on Right of Use assets under IFRS 16 (equivalent 2019 rent payments)	246	*221
Exceptional Administrative costs	341	692
	(1,925)	834

* In the adjusted EBITDA for 2019 the rent payments for those assets now accounted for as Right of Use assets under IFRS 16 have been added back so that both years can be compared. The rent payments are not significantly different to the depreciation charge.

5. Exceptional administrative expenses

	Year ended 31 October 2020	**Year ended 31 October 2019**
	£'000	£'000
Restructuring costs	341	692
	341	692

The exceptional items reported in 2020 £0.3m consist of cost of restructuring and redundancy costs in the year due to COVID-19.

Prior year costs £0.7m were in relation to the resignations of the previous chairman and non-executive directors, settlement of a dispute with the founding shareholders, and various other associated costs relating to the restructuring of the board.

6. Loss per share

	Year ended 31 October 2020	**Year ended 31 October 2019**
	£	£
Loss for the year	(3,130,000)	(636,000)
	Shares	**Shares**
Weighted average number of shares in issue	35,995,289	35,860,652

Weighted average number of share options	2,143,440	587,101
Weighted average number of shares (diluted)	38,138,729	36,447,753
Loss per share (£) (basic)	(£0.08)	(£0.02)
Loss per share (£) (diluted)	(£0.08)	(£0.02)

Share options have not been included in the diluted calculation as they would be anti-dilutive with a loss being recognised.

7. Leases

In the current year, the Company adopted IFRS 16 and applied the modified retrospective approach. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 November 2019.

Right-of-use-assets

Group and Company

	Land and property £'000	**Motor Vehicles** £'000	**Total** £'000
Cost			
Balance as at 1 November 2019	-	-	-
Adjustment on transition to IFRS 16 on 1 November 2019	479	9	488
Additions	885	-	885
Balance at 31 October 2020	**1,364**	**9**	**1,373**
Depreciation and amortisation			
Balance as at 1 November 2019	-	-	-
Adjustment on transition to IFRS 16 on 1 November 2019	-	-	-
Depreciation charge for the year	238	8	246
Balance at 31 October 2020	**238**	**8**	**246**
Net book value			
At 31 October 2020	1,126	1	1,127

The associated right-of-use assets for property leases and other assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 October 2020.

There is no impact on deferred tax. From the 1 November 2019, the assets will be classified for capital allowances, with interest based on a discount factor being allowable for corporation tax purposes.

Right-of-use lease liabilities

£'000

At 1 November
2019 488

Repayment
(307)
Additions to right-of-use assets in exchange for increased lease liabilities
885
Other lease
movements 47

At 31 October 2020 1,113

Analysis by length of liability	**Land and property** £'000	**Motor Vehicles** £'000	**Total** £'000
Current	259	-	259
Non-current	854	-	854
Total	**1,113**	**-**	**1,113**
Number of right-to-use assets leased		5	2
Range of remaining term		1-10 years	less than 1 year

Finance leases and right to use
The Group leases plant and equipment under finance leases which are secured against the assets. Future lease payments are due as follows these include the above split of right-of use lease liabilities:

	Minimum lease payments	**Interest**	**Present value**
31 October 2019			
Not later than one year	135	14	121
Later than one year and not later than two years	123	13	110
Later than two years and not later than five years	66	7	59
Later than five years	-	-	-
	324	34	290
31 October 2020			
Not later than one year	480	69	411
Later than one year and not later than two years	317	51	266
Later than two years and not later than five years	899	105	794
Later than five years	-	-	-
	1,696	225	1,471

Operating leases
The Group leases motor vehicles and property, comprising both offices and assembly space, under operating leases. The total value of minimum lease payments due is payable as follows:

Group	**31 October**	**31 October**

	2020	2019
	£'000	£'000
Motor vehicles		
Not later than one year	-	5
Later than one year and not later than two years	-	2
	-	7
Land and buildings		
Not later than one year	23	360
Later than one year and not later than two years	4	360
Later than two years and not later than five years	-	443
Later than five years	-	578
	27	1,741

Company

	31 October 2020 £'000	31 October 2019 £'000
Motor vehicles		
Not later than one year	-	5
Later than one year and not later than two years	-	2
	-	7
Land and buildings		
Not later than one year	23	360
Later than one year and not later than two years	4	360
Later than two years and not later than five years	-	443
Later than five years	-	578
	27	1,741

Operating leases not classed as right of use assets, relate to a building security contract, all other prior year operating leases have been classed as right-to-use asset on transition to IFRS 16.

8. Share capital

	31 October 2020 £	31 October 2019 £
Share capital issued and fully paid		
36,227,379 Ordinary shares of £0.0025 each	90,569	89,791

Ordinary shares have a par value of 0.25p and an exercise price of £0.39 as at 31 October 2020. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. The Company does not have a limited amount of authorised capital.

Options

Information relating to the Velocity Composites plc Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in the Annual Report.

Movements in share capital	Nominal value	Number of shares

		£
Ordinary shares of £0.0025 each		
At the beginning of the year	89,791	35,916,179
Exercising of share options	778	311,200
Closing share capital at 31 October 2020	90,569	36,227,379

On 20 February 2020, the Company issued 70,000 new ordinary shares of £0.0025 each to satisfy the exercise of options granted under the Group's 2017 Share Option Scheme.

On the 15 September 2020, the company issued a further 241,200 new ordinary shares of £0.0025 each to satisfy the exercise of options granted under the Group's 2017 Share Option Scheme.

9. Ultimate controlling party

The Directors do not consider there to be an ultimate controlling party due to no individual party owning a majority share in the Group.

10. Capital commitments

At 31 October 2020 the Group had £nil (2019: £445,369) of capital commitments relating to the purchase of leasehold improvements, plant and machinery and fixture and fittings.

11. Pension commitments

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £131,761 (2019: £115,654) were charged to the Consolidated Income statement. Contributions outstanding at 31 October 2020 were £22,142 (2019: £24,374).

12. Contingent liabilities

At 31 October 2020 the Group had in place bank guarantees of £nil (2019: £nil) in respect of supplier trade accounts

13. Report & Accounts

This preliminary announcement, which has been agreed with the auditors, was approved by the Board of Directors on 26 January 2021. It is not the Group's statutory accounts. Copies of the Group's audited statutory accounts for the year ended 31 October 2020 will be available at the Company's website shortly and a printed version will be despatched to shareholders on the 28 January 2021.

END

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