velocity composites plc

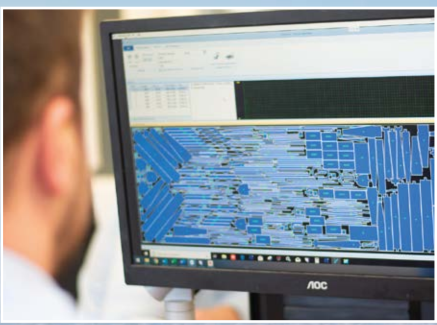
2021 Annual Report & Financial Statements

For the year ended 31 October 2021

Contents

Our Mission

To revolutionise aerospace composites manufacturing by enabling our customers to reduce waste/costs whilst meeting increased global demand by creating a lean and scalable supply chain in a more-for-less era, delivering real value for all stakeholders.



Financial Highlights and Group Key Performance Indicators

Revenue
£9.8m

Gross Margin %
26%

Adjusted EBITDA [1]
£(0.5m)

Cash at Bank
£3.5m

Operating Profit / Loss
£(1.4)m

[1] Earnings before Interest, Tax, Depreciation, Amortisation, Impairment, adjusted for exceptional administrative costs and share based payments. The business uses this Alternative Performance Measure to appropriately measure the underlying business performance, as such it excludes costs associated with non core activity. Workings are provided in Note 29 of the financial statements. Share based payments are added back to make the share based payment charge clear to stakeholders.

Chairman's Report

Andy Beaden Executive Chairman

> "The need to improve fuel efficiency is one aspect which opens the door for even greater use of composites as manufacturers look to reduce the weight of various machines."

Overview

In the global storm of the pandemic, our innovative technology and engineering skills have shone through and our competitive edge remains solid. As a digitally enabled business, we have invested throughout this period to develop what we believe are the most advanced integrated solutions for front end composite material preparation for manufacturing in the world. Over the last twelve months, the team has worked tirelessly with all our major customers to renew and extend our valuable long-term contracts, building deeper technical relationships with new and existing clients. This has laid the foundations for both our recovery and future growth.

Financial Performance

While we have a positive view of the future because of the team's hard work over the last twelve months, the challenging environment has meant tough decisions had to be taken to protect the Company's financial position.

Revenue for the year was £9.8m (2020: £13.6m), reflecting the nadir of suppressed civil aircraft OEM volume productions. Sadly, this meant we had to take the difficult decision to reduce our workforce from approximately 122 to 75, enabling us to break-even at an adjusted EBITDA level from the second half of FY21. As a result, the full year adjusted EBITDA is in-line with our expectations announced at H1 FY21, at £0.5m loss. This represents an operating loss of £1.4m reflecting the very difficult start to the year.

We have benefited from our supply chain management team's ability to reduce our inventory levels, protecting our cash position and that of our customers. This has not been easy given the limited life of most materials we use due to expiration dates of the material. We are grateful to our suppliers and customers for their collaboration. Inventory levels reduced by £1.0m in the financial year. As at 31 October 2021, the Company had gross cash balances of £3.5m and £1.0m of net cash.

Improved Customer Proposition

Although sales volumes were lower during the period, we have continued to invest in and develop our customer proposition. The pandemic and the pressures it has placed on the end industries the Company serves has reinforced the ability of the Company to add value to our customers. Our technology and services have served us well in navigating recent global supply chain issues. They offer real benefits to our customers and their respective industries, reducing material wastage to minimal levels, which reduces costs and makes composite technology more commercially viable, as well as having a major environmental benefit. Our systems reduce labour time and provide greater efficiency and faster outputs, hence our name Velocity Composites.

Over the last twelve months, we have integrated our services into one key package, called Velocity Resource Planning ("VRP"). VRP can be provided via a traditional fully outsourced model of manufacturing kits for the customer, onsite, or as a managed serviced model adopted by the customer. We can tailor each solution to the customers manufacturing facility needs. Through this innovation, Velocity is better positioned to expand into new markets and territories and maximise the return on capital for both Velocity and the customer.

By adopting VRP, customers and suppliers can quickly transform a relatively inefficient element of the front-end material management process into a digitally enhanced modern process. Smart technology reduces waste and provides the right data to manage the supply chain effectively. This technology is transferable into other sectors, especially as advanced material-based industries, like automotive OEMs, are looking to find smarter ways to manufacture, reduce waste, and digitise their production processes.

Market Recovery and Sustainability

As the effects of the pandemic have become clear, the core aerospace industry has stabilised and pressures to retire older environmentally unfriendly aircraft remain. The industry's recovery will be marked by the ever-increasing use of lightweight carbon fibre materials. This trend means the opportunities for Velocity Composites are better than ever.

We believe it will take time for civil aircraft build rates to recover fully, potentially three to four years, before we return to, or exceed, the long-term growth trends. However, new aircraft as they are built, (including those designed to be electrically powered) will be more composite intensive. Velocity's growth will come from new business and the recovery in our current contracted business volumes. That recovery will start in 2022 and we expect it to accelerate into 2023.

Furthermore, it is clear that governments and businesses worldwide are becoming ever more focused on sustainability. The recent COP26 conference has put in place different strategies and targets to help limit the impact of climate change. The need to improve fuel efficiency is one aspect that opens the door for even greater use of composites as manufacturers look to reduce the weight of various machines. Also, the shift to electric power means the need to make lighter vehicles and to maximise range, is expected to further increase the demand for composites in other sectors. We are already in discussions with a variety of new potential customers outside of aerospace, creating long-term opportunities for the Company.

Board

On behalf of the Board, I would like to thank Dr Margaret Amos for being our Audit Chair over the last twelve months and we wish her well in her new endeavours. To replace Margaret in the coming year, we will be seeking a new Non-Executive Director who has the financial and governance experience to support the Company.

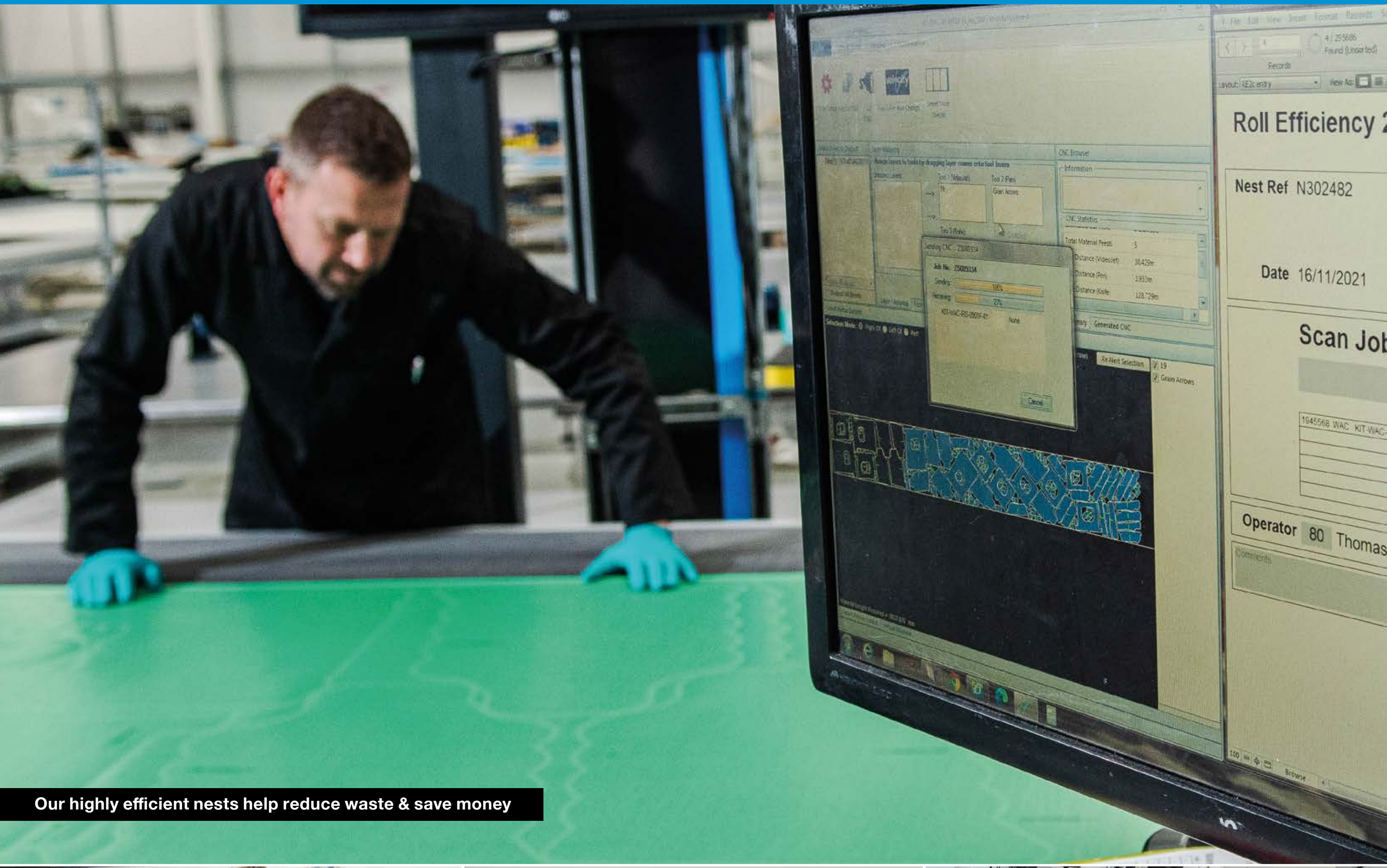
Outlook

We enter 2022 in positive spirits. Having been able to maintain investment in the Company's technology and engineering capabilities in the last year, the Board feel confident in Velocity's ability to capture future growth opportunities, as we monitor the implications of the pandemic.

I would like to thank all our staff from the shop floor to board for their tireless work in the last twelve months, along with our shareholders, customers, and suppliers for their support. Everyone at Velocity Composites is focused on the exciting opportunities ahead.

Andy Beaden
Chairman
23 January 2022

Burnley HQ Production Complex

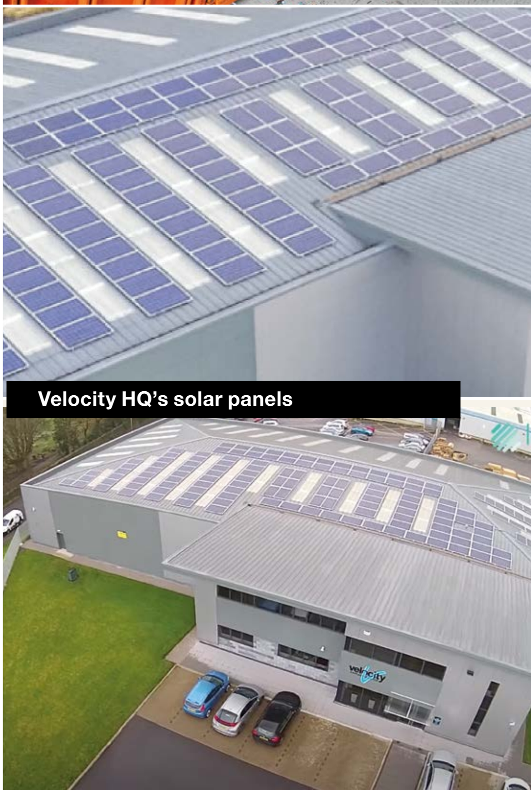


Our highly efficient nests help reduce waste & save money

Sustainable waste management processes

Reducing material waste entering landfill

Recycling practices



Velocity HQ's solar panels

Market Outlook

Historically, the civil aerospace industry has been resilient to global shocks and has seen the air travel market double every 10 years or so, with even the previous largest shock (the travel reductions caused by the tragic events of 9/11) leading to a two year flattening of growth before the upwards curve resumed.

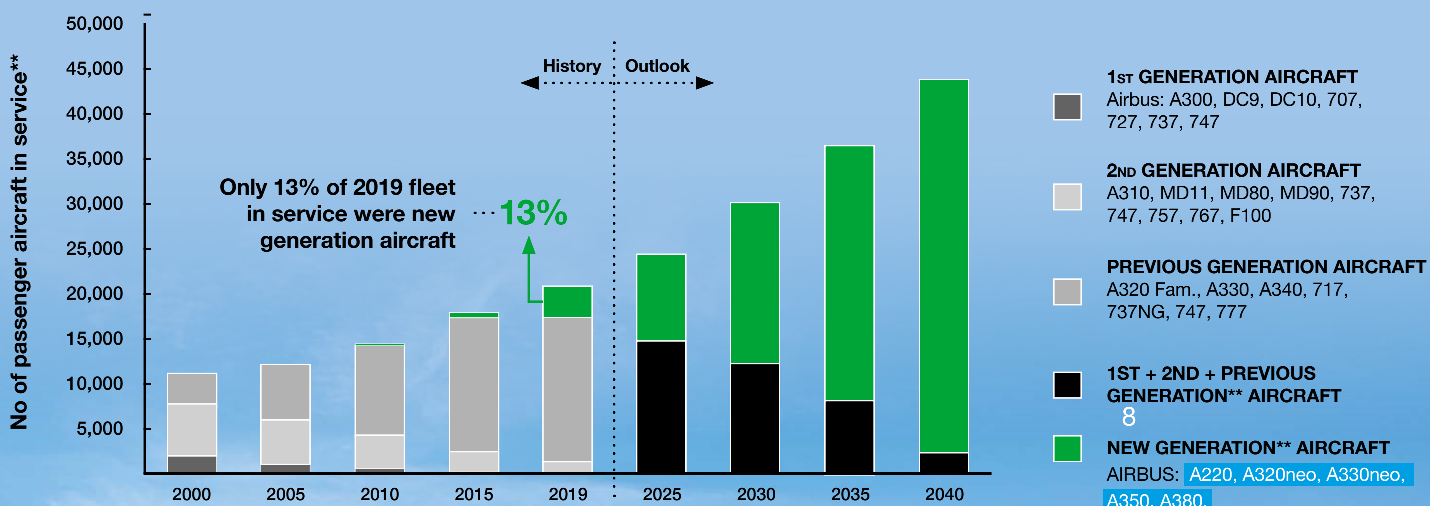
With With the impacts of COVID-19 however, the outcomes were more severe in that air travel reduced by 90% almost overnight in early 2020 and only recovered to some 50% of pre-pandemic levels by the end of 2021. With the high levels of airline and industry uncertainty seen in early 2020, both Airbus and Boeing took the action of reducing aircraft production levels to what, in effect are the minimum levels to keep the complex and global supply chains sustained. This in turn meant that the customers of Velocity had to restructure their operations and staff levels and for Velocity, that demand for our products and services reduced accordingly, by over 50%, through 2020 and 2021.

Looking ahead, the data shows how both Boeing and Airbus see the production rate recovery corridor and also the longer-term demand for aircraft driven by some key industry dynamics, mainly the push for the sustainability of airlines who have retired their older aircraft and less efficient four engine fleet. As the recovery takes hold, airlines will look to replace capacity with newer, more efficient aircraft, each containing a high percentage of composites in their structure than the previous generation to meet the global sustainability agenda. As new technology looks to accelerate this, the uses of alternative power sources (sustainable fuel, hydrogen and electrification) requires a high performance, lightweight structure for which composites are a critical part.

As Velocity's customers also look to replace lost capacity in order

Passenger Aircraft Fleet Renewal - Transition to 'Net Zero'

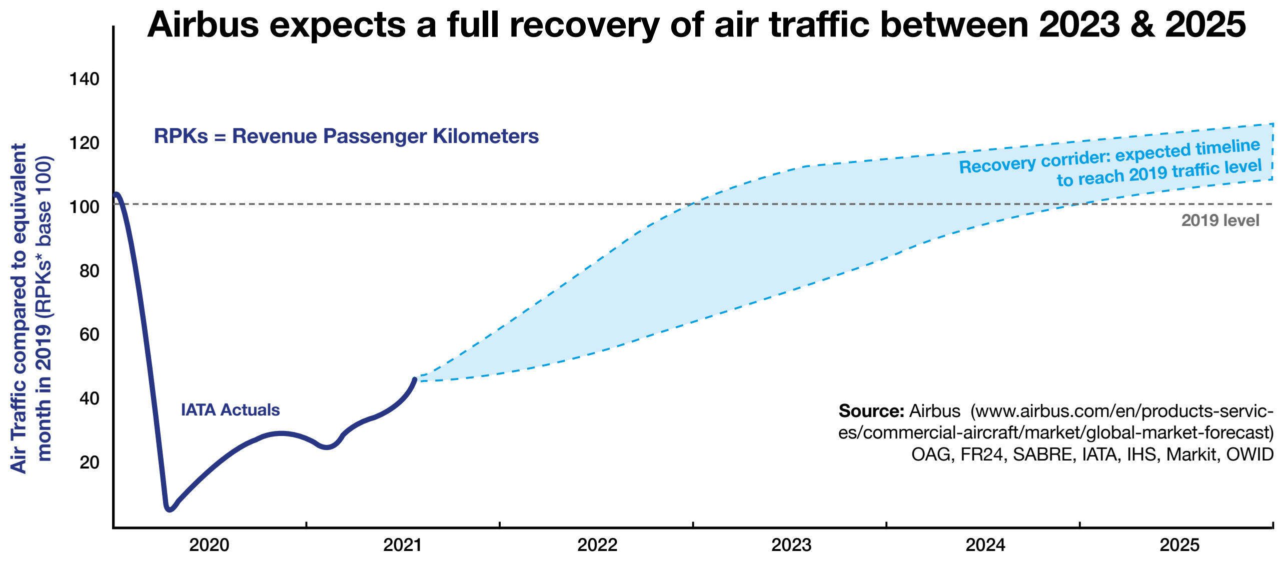
New Generation Aircraft - 25% lower carbon footprint *



Source: Cirium, Airbus (www.airbus.com/en/products-services/commercial-aircraft/market/global-market-forecast - * page 13 & 21) ** Western built passenger aircraft above 100 seats - pax aircraft only.

Velocity HQ, Burnley, Lancashire, UK

Air Traffic Recovery



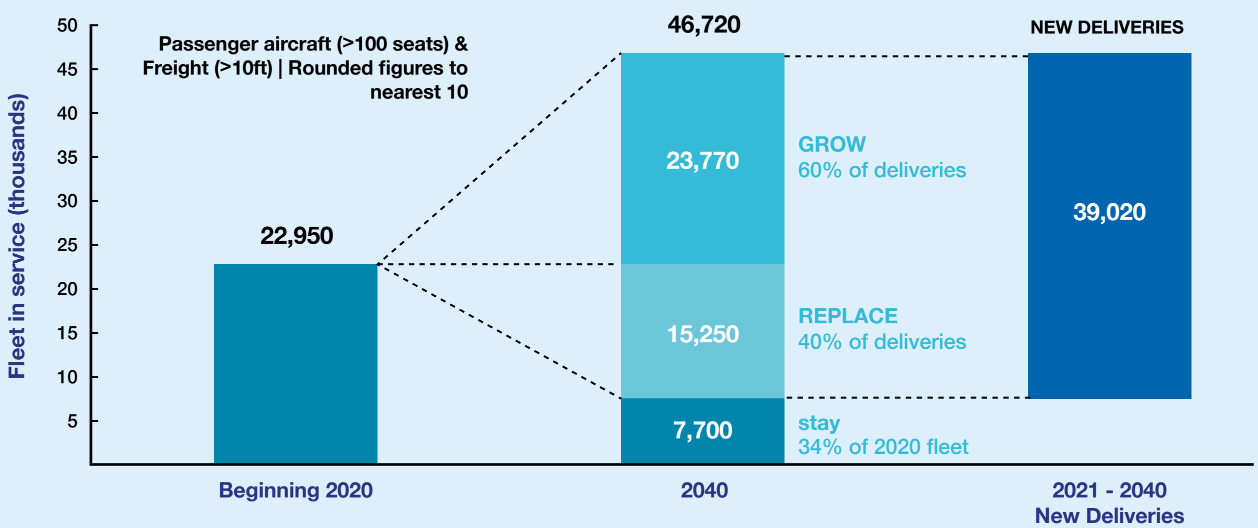
to meet the increasing production rates, we are confident that our technology-focused approach to long term, sustainable composite raw material supply allows the wider industry to build back better and be more efficient in delivering, both a financial and environmental advantage to composites structures in transport. Both Airbus and Boeing produce regular and detailed market forecast documents which are available to download from their websites and key data is sourced from; *www.boeing.com/commercial/market/commercial-market-outlook* and *www.airbus.com/en/products-services/commercial-aircraft/market/global-market-forecast*

Both Airbus & Boeing both predict circa 40,000 aircraft by 2040

Boeing: 43,610 Airbus: 39,020

Source: www.boeing.com/commercial/market/commercial-market-outlook and www.airbus.com/en/products-services/commercial-aircraft/market/global-market-forecast

Demand for 39,020 aircraft over the next 20 years



Source: Airbus (www.airbus.com/en/products-services/commercial-aircraft/market/global-market-forecast)

CEO Report

Jon Bridges Chief Executive

> "Airbus and Boeing predict over 40,000 aircraft deliveries are to be expected in the next 20 years, as the industry adapts and develops to meet 'net zero' targets"

Overview

Looking back on another unprecedented year for our industry, it is in many ways difficult to believe that in late 2021 and early 2022, we are still dealing with impacts of the global pandemic, including travel restrictions and reduced aircraft production rates. Thankfully, vaccines, new treatments and testing have begun to show a way out of the situation.

However, despite civil aircraft production rates projected to increase starting in 2022, market indications are that recovery to pre-pandemic levels will take two to four years dependent on whether the platform is twin-aisle or single-aisle. The pandemic has accelerated industry acknowledgement of the utilisation of our existing technology to drive internal efficiency and cost improvement and the need for further process and technology development to prepare the business for recovery and beyond. As a result, we secured multi-year contractual renewals with all our major customers and have a strong platform for stable growth as recovery begins.

The impact of the pandemic is not just lower aircraft production rates but also delays caused by customers reorganising staff and operations as they adapt to lower volumes. While this might impede new business discussions with aircraft manufacturers in the short term, we expect to see a positive approach in the future as they adapt to the new environment.

The Recovery

For this reason, we expect our recovery to include growth from rising production rates and new business opportunities. These opportunities will come as customers use Velocity's services to restore capacity without growing their fixed costs. This is particularly applicable around parts of their businesses they no longer consider core, such as composite material management and kitting. Therefore, we have continued to invest in our digital technology and customer service model as we improve the efficiency and detail of our customer proposals. We now offer customers greater flexibility in terms of how our services can be deployed to support their global manufacturing programmes. This, combined with our retained presence in the UK, North America and Asia throughout the pandemic, offers us the flexibility to offer two key customer service models. First, full outsourcing of the process to a Velocity facility; or second, a Velocity managed service with kit manufacture taking place on the customer's site. Both models utilise our digital technology and hardware to manage the end-to-end process, including demand management, raw material procurement and management, material nesting, production planning, kit manufacture, quality control and product traceability. We see no detriment to the customer selecting either option.

Development of our innovative visual inspection system

As we enter the recovery in FY22 we will pilot the managed service model with existing customers where new projects fall outside the area of an existing Velocity facility. We will provide an update at the half-year.

Operational Progress

The financial year has been focused on cost management to support the adjusted EBITDA breakeven position in H2 FY21 and the integration of new proprietary digital technology to aid the delivery of future growth. Key highlights have been the enhancements to our nesting and traceability production system to permit larger, multi raw material batch nests containing more kits to improve material efficiency. The system now incorporates an optical inspection system to confirm individual piece level kit and material batch traceability. This system provides benefits for existing business, and future managed services.

To deliver this we have developed our production into a "digital cell" based structure where the entire kit manufacturing software and hardware is contained within identical modules. These can be deployed internally at Velocity, or remotely at a customer site. All this work has been developed at our Advanced Technology Development Centre, at our site in Burnley, UK.

These digital manufacturing cells can be replicated in a standardised format and brings a level of automation and central control that allows customer employees to operate. The cells enable remote deployment as our services are increasingly located further afield at customer sites. The hardware and software are fully integrated with our VRP system allowing real-time process management, part level efficiency and traceability and real-time analysis of planned versus actual performance to deliver continuous improvement.

Employees

Despite the disruption and challenges faced by the team over the period, I am pleased to report that staff turnover has remained low. After necessary headcount reductions were made in response to the pandemic and the anticipated ending of government support, our focus was on training and provide developments to our core teams. This enables us to deliver our customers' existing requirements, provide

improvements to our cost targets and maintain sufficient capability to prepare for future recovery and growth.

Part of this focus was our participation in the ADS SC21 Competitiveness and Growth scheme. We utilised matched funding to deliver over 2400 hours of external training focused on policy deployment, leadership development and meeting a nationally recognised training standard. We are proud of developing our internal talent, giving our staff more career development while maintaining skills within the business.

Outlook

Looking ahead, I can see that the developments in our digital technology, service model, staff training, coupled with detailed cost control and margin improvement activities, have prepared the business well. Not only for the production rate recovery but also the expected market opportunity as the wider customer base recovers and returns to growth. As you can see from the 2021 market data from Airbus and Boeing, there are over 40,000 aircraft deliveries are expected in the next 20 years while the industry adapts and develops to meet net zero targets, such as in the IATA "waypoint 2050" sustainability strategy.

Key to this is the adoption of new fuels, propulsion sources and aerodynamic developments to allow aircraft to travel further and more efficient. The need for stronger, lighter and more blended airframes utilising the advantages of composite materials will be critical. I look forward to updating all stakeholders on what we believe will be a transformational year for our industry and Velocity Composites PLC.

Section 172 Statement

In accordance with section 172 of the Companies Act 2006, the Directors, collectively and individually, confirm that during the year ended 31 October 2021, they acted in good faith and have upheld their 'duty to promote the success of the Group' to the benefit of its Stakeholder Groups.

Directors acknowledge the importance of forming and retaining a constructive relationship with all stakeholder groups. Effective engagement with stakeholders enables the Board to ensure stakeholder interests are considered when making decisions and is crucial for achieving the long-term success of the Group. The main mechanisms for wider stakeholder engagement and feedback can be found on page 24 onwards in the corporate governance section.

Jonathan Bridges
Chief Executive Officer
23 January 2022

One of Velocity's advanced cleanroom manfacturing areas

Financial Review

Statement of Comprehensive Income

Revenue for FY21 has seen the first full 12 months of COVID-19 impacted demand. Although we have been operational throughout the period, with the occasional customer shutdown and the latest demand from contracted programmes, we finished the period with sales 28% lower year-on-year at £9.8m (FY20: £13.6m).

Whilst H2 FY21 has shown a reassuring stabilisation of underlying sales, the market outlook is one of static aircraft production rates until end FY22, early FY23. In addition, the business continues to seek out new contracts to deliver some of the identified pipeline opportunities and has seen increased activity around these in recent months. The Company has made strong progress in improving gross margin throughout the year, increasing by 8.9 ppts from 17.1% in FY20 to 26.0% in FY21. Although this was partly driven by benefits related to proactive management of previously written down stock, focused investment in Velocity's nesting technology has supported an underlying margin improvement of 6.7 ppts to 23.8% in the period.

As reported last year, the full year effects of the Company's right-sizing efforts have mostly been realised in FY21, with administrative expenses including exceptional costs decreasing £1.6m from £5.5m to £3.9m. There were no exceptional costs in FY21. The lower overhead base, combined with a strong pipeline of potential sales and Velocity's maintained technology and engineering capabilities, will enable Velocity to positively leverage its high operational gearing as growth is expected to resume in FY22 and FY23.
The government continued to support the Company over the period with income from furlough of £0.2m (FY20: £0.4m) and a non-repayable Coronavirus support grant of £0.1m. Alongside the existing £2.0m Coronavirus Business Interruption Loan ("CBIL"), an additional asset-backed loan and further CBIL was obtained in June 2021 through Close Brothers totalling £0.9m.

The successful reduction in overheads combined with gross margin growth has driven the delivery of the previously stated goal of achieving adjusted EBITDA breakeven in H2 FY21 adjusted EBITDA (FY20: £(1.6) m), albeit supported by one-off benefits related to COVID-19 support and utilisation of previously written down inventory

Velocity board and management team

materials. On a consistent basis with last year, adjusted EBITDA has improved year-on-year by £1.4m to a £(0.5)m adjusted EBITDA loss for the year (FY20: £(1.9)m loss) excluding share-based payments and exceptional administrative costs of £nil in FY21 (FY20: £0.3m). Over the coming FY22 and FY23 periods, the Company will continue to carefully balance cost reductions with investment for growth to enable a full recovery and a sustainably profitable position.

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

Adjusted EBITDA [1]

Reconciliation from Operating Loss	31 October 2021 £'000	31 October 2020 £'000
Operating Loss	(1,364)	(3,149)
Add back:		
Share-based payments	90	120
Depreciation & Amortisation	305	341
Impairment of Intangible assets	-	72
Depreciation on Right of Use assets under IFRS 16	421	350
Exceptional Administrative costs	-	341
Adjusted EBITDA [1]	**(548)**	**(1,925)**

Adjusted EBITDA[1] defined as earnings before finance charges, tax, amortisation, depreciation, impairment, share based payments, exceptional restructuring costs. Share-based payments are included highlight the movement year on year. Share based payments are added back to make the share based payment charge clear to stakeholders.

Cashflow and Capital Investment

The year end cash and cash equivalents increased by £0.2m to £3.5m (FY20: £3.3m). Cash generated/(utilised) from operations of £0.3m (FY20: £(0.8)m) in the year was driven by £0.9m cash generated from working capital movements, as the business focused on inventory reduction throughout the period, partly offset by the £(0.5)m adjusted EBITDA trading loss.

Cash used in Investing Activities of £(0.1)m (FY20: £(0.8)m) primarily related to the Purchase of Non-current assets. Financing activities generated £(0.1)m over the period (FY20: £1.5m) as the net proceeds of the additional CBILS and asset finance facility with Close Brothers (£0.9m) was offset by the first few repayments of the existing £2.0m, 5-year CBIL with NatWest, starting July 2021.

The Close Brothers borrowings of £0.9m is made up of a £0.45m CBIL loan and a £0.45m loan to settle remaining lease liabilities, of this £0.18m was received as cash once the finance liability on the financed assets had been settled. The Invoice Discounting facility was not being utilised at 31 October 2021.

The cash balance at 31 October 2021 of £3.5m includes £2.3m CBIL proceeds and £0.7m of remaining EIS funds to be utilised in international growth and establishing production facilities abroad.

Despite the loss in the year, the business remains in a net cash position at year end, with £1.0m net cash (FY20: £1.3m). This includes Cash at bank, EIS cash balances and CBIL proceeds offset by the outstanding CBIL balance and hire purchase liabilities.

	Year ended 31 October 2021 £'000	**Year ended 31 October 2020** £'000
Cash	3,476	3,268
Cash Loans (excluding right to use assets)		
CBIL Loan	(2,516)	(2,000)
Invoice discount Facility	2	2
Net Cash/(Debt) (Note 1)	**962**	**1270**

Note 1: The net cash/(debt) calculation is designed to explain the level of financial debt, net of cash at bank.

Working Capital

Ongoing Inventory management efforts successfully decreased Inventory to £0.9m (FY20: £1.9m) at year end, generating £1.0m cash during the period and bringing the Company's Inventory levels in-line with current levels of demand.

Trade and other receivables decreased during the year by £0.3m to £2.2m as a result of the increased credit terms and continuing robust controls around debt collection. Receivable days have increased to 76 days (FY20: 44 days) due to revised credit period terms with two major customers as part of renewal negotiations in H1 FY21.

Trade and other payables also reduced during the year by £0.4m to £1.1m (FY20: £1.5m) as utilisation of existing stock and reduction in demand drove fewer material purchases.

Going Concern

Management continues to undertake a significant level of cash flow forecasting, in-line with prior year and best practice over the pandemic period. This is now an ongoing process within the Company through Integrated Business Planning (IBP) which regularly stress-tests the forecasting assumptions against the continuously evolving circumstances, such as the latest COVID variant or government outlook. It was this work that also supported the application for additional CBILS support and its associated asset-financing with Close Brothers. Detailed financial projections for the following 24 month rolling period to 31 October 2023 were prepared and a number of sensitivities were run to stress test the forecasts and understand the cash flow impact of various scenarios. Even in the most severe down-side scenario modelled the business had sufficient liquidity to continue trading as a going concern

Our forecasts indicate the group's Invoice Discounting Facility, secured against Trade Debtors, will be utilised during certain months within the going concern period. Whilst this facility is designed to be short-term and can be withdrawn, the latest annual review in December reflected the banks' support for Velocity's growth strategy and extended the commitment of both parties to a minimum 3 months' notice and as such we expect this facility will remain available throughout the going concern period. Should alternative financing be required the Group would preserve cash through slowing investment in growth until longer-term funding could be implemented, such as asset-based financing against new capex or equity funding.

The cash flow forecasts are reviewed monthly through Management's IBP process and the forecasting assumptions are updated for any new knowledge to ensure there is no change in the Company's liquidity outlook. This is linked in with the Management's monthly risk review and should the outlook change significantly with no mitigating actions the Company's liquidity risk rating on the risk register will be adjusted to reflect this and subsequently discussed at Board through the Audit Committee's quarterly risk register review.

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 period to 31 October 2023 and undertake more strategic, longer-term planning for growth and full recovery emerging from the pandemic.

Although work is still needed to improve underlying performance, recent H2 FY21 results has shown that adjusted EBITDA breakeven is achievable for Velocity. Future recovery will be made possible through a combination of existing contracts recovering to pre-COVID-19 run rates over the 3-to-5-year period, as well as new contracts being won from the significant pipeline of opportunities and targeted investment being made to support this. Cost improvement programmes and efficiency drives also continue on an ongoing basis through the Budgeting process. Should the current strategy prove ineffective or insufficient to recover the performance of the business, Management have contingency plans ready to implement should this become clear.

Alongside the forecasting and governance process, the Company has demonstrated robust cash flow management over the FY21 period through successfully reducing Inventory levels by £1m and navigating through right-sizing efforts to deliver a £1.6m reduction in administrative overheads.

Having due regard for these recent deliverables and latest projections, with available cash at 31 October 2021 of £3.5m, an undrawn invoice discount facility where we can borrow up to £3m dependent on debtor levels, access to an invoice discounting facility with one of our major customers, and continued confidence from our banks and shareholders in our strategy, it is the opinion of the Board that the Group has adequate resources to continue to trade as a going concern.

Chris Williams
Chief Financial Officer
23 January 2022

Financial Highlights

Revenue	Cash at Bank	Gross Margin %	Operating Profit / (Loss)	Adjusted EBITDA[1]
£9.8m	**£3.5m**	**26.0%**	**£(1.4m)**	**£(0.5m)**

[1]Earnings before Interest, Tax, Depreciation, Amortisation, Impairment, adjusted for exceptional administrative costs and share based payments. Workings are provided in Note 29 of the financial statements. Share based payments are added back to make the share based payment charge clear to stakeholders.

Principal Risks and Uncertainties

The Board is committed to operating to high standards of corporate governance, as we believe doing so will contribute to the delivery of long-term shareholder value. The aerospace market also requires the Group to operate on a Right First Time Every Time basis and the Company's listed status has solidified our commitment to governance, quality and transparency and as importantly, further improved the perception of Velocity in our customers' and potential customers' eyes.

With the COVID-19 pandemic there has clearly been an unprecedented impact on the aviation industry in the UK. As the pandemic has unfolded, its impact on the business in the immediate and longer-term has become clearer. In the shorter-term, Velocity has had to manage a significant drop in sales within existing customer contracts through right sizing the cost base and working closely with our customers to understand ongoing demand. Whilst in the longer-term, Management have been focused on managing cash flow and reviewing the need for investment in the coming years to support the Company's growth strategy and offering to the market.

In addition, the Group has undertaken various risk mitigation activities which include planning ahead to help mitigate current supply chain disruption; undertaking other capacity planning assessments with customers and suppliers; ensuring any tariff and tax changes are fully covered in our contracts; and liaising with Government bodies to prepare for the different outcomes which may come to pass. Supplier risks are detailed on the following pages.

The Board is also conscious of the risk, now more than ever, of exclusively operating in the aerospace sector and is comfortable that the risk is mitigated by the strength of the longer-term outlook from the aircraft manufacturers and are reassured by past precedents of crisis in the industry that have not stopped the underlying trends of growth in the market. In addition, the Company continues to look at opportunities to diversify into other markets, particularly where composite material has been adopted, and has had some successes in FY21.

The Group's principal risks and our actions to mitigate these risks are set out in the table below. These are the risks that we feel are most material to the business and which might prevent us from achieving the Group's strategic objectives.

Principal Risks and Uncertainties

PRINCIPAL RISK	MANAGEMENT PRIORITY	IMPACT	MITIGATION
Strategic Risks			
Loss of Key Contracts	**Medium**	The aerospace sector has a concentration of very large primary aircraft manufacturers and Tier 1 suppliers. These form the core of the Company's customer base. Therefore, the loss of any of the Company's major contracts with these large customers may have a material impact on the Company's business, prospects, financial condition, or operations. Management have been particularly wary of this during the current period of significant upheaval in the aerospace sector.	We nurture relationships with all our customers in order to understand their business and identify further opportunities to support them and win new business. We work very hard to deliver excellent customer service levels. We are actively developing our business development pipeline to secure new contracts. Aircrafts are increasingly being manufactured using composite material, a trend that is continuing despite the COVID-19 pandemic. We operate through Long Term Contracts and when an initial contractual period comes to an end, unless the customer invokes the termination clause, the supply of product continues on the basis of 4-week firm demand commitment and 12-month forward demand forecast against which the Company places orders on material suppliers with purchase order cover. Customers are contractually committed to any material orders within lead time placed on their behalf. The Company's three biggest customers were successfully renewed during FY2021, each for a minimum of 3 years. As such the risk has been downgraded from High in FY2020.
International Expansion	**High**	Our strategy is to expand our production facilities into new markets that cannot be serviced from our UK production facilities. We have started planning to open a new production unit in the SE USA, travel permitting. The successful implementation could lead to 5 or 6 such plants servicing the	Although impacted by international travel restrictions during the year, as flights resume, we have seen customers actively engage with us again to develop international sites/propositions. As a result, we have increased this risk from Medium to High. We are taking a measured approach by investing in our first production facility to support customers in the Southeast USA region. Expansion into other markets i.e., Europe will be timed to manage the risks around cash flow, management time and bandwidth. In addition, any site development
		(Cont)	(Cont)

Principal Risks and Uncertainties

PRINCIPAL RISK	MANAGEMENT PRIORITY	IMPACT	MITIGATION
Strategic Risks			
International Expansion		(Cont) geographical clusters across the USA with opportunities in Canada and Mexico. In addition, new business development in Europe could offer up the need for a production unit. International expansion has inherent risks, along with potential delays in setting up new facilities.	(Cont) will be supported with contractual commitments from customers prior to any significant financial commitment by Velocity.
Winning a Large Customer Contract	**Medium**	The winning of a large customer contract in the UK could absorb the capacity headroom and lead to supply issues if not closely managed. It could also be a distraction to management.	We will aim to optimise the performance of our production units by working on efficiency improvements, using our space more effectively and scheduling the work in the most efficient way. Technology investments will also make a difference. We currently have capacity in our UK plants and a good structure of Executive and second line management to support additional demand. Management is actively planning for such a scenario in the next 24 months, as this has increased from Low in FY20 as economies begin to become active again.
Sustainability Credentials	**Low**	Sustainability credentials and reporting are becoming increasingly necessary in trading as a socially responsible business, as well as increasing importance for all stakeholders - customers, suppliers, investors, government bodies and employees	Management believe this a low risk to the Company, with Velocity's offering naturally supporting an increasingly green agenda. The Company minimises waste of composite material throughout the supply chain and recycles that which cannot be utilised: often something customers are unable to focus on. In addition, operating in the composite sector naturally supports many green or alternative energy sectors, such

Principal Risks and Uncertainties

PRINCIPAL RISK	MANAGEMENT PRIORITY	IMPACT	MITIGATION
		(Cont)	(Cont)
Sustainability credentials	**Low**		as electric vehicles, wind power and hydrogen cell production. The Company also has adopted a new EV car scheme in FY21 and offers on-site charging at its Burnley facilities for employees, supported by green energy generated through its on-premises solar panels. Whilst currently flagged as low, sustainability is of ever-increasing importance in today's society and Management regularly review the relevance of obtaining formal credentials to support the Company's efforts.
Research and Development	**Low**	The Company invests in R&D projects in order to develop innovative new products.	R&D projects are reviewed by the Board and development opportunities are carefully reviewed by management at various stages to minimise any potential losses.
Exclusively Operating in the Aerospace Sector	**Medium**	Not sufficient demand in the sector and particularly in the civil aerospace sector due to COVID-19 or similar disruption.	Risk is mitigated by the strength of the longer-term outlook of aircraft manufacturers and proven by past crisis that have failed to stop the underlying growth trends in the aerospace market. Longer term we plan to diversify away from this sector through partnerships with our major suppliers and customers and have had some success in this in FY21. The Company has also started to develop more of its customer base around military aerospace which has been more robust in the last year.

Principal Risks and Uncertainties

PRINCIPAL RISK	MANAGEMENT PRIORITY	IMPACT	MITIGATION
Operational Risks			
Dependence on Third Party Supply	**Low**	The Group's business depends on products and services provided by third parties. Any interruption to the supply of products or services by third parties, problems maintaining quality standards and delivering product to specification, or problems in upgrading such products or services, the Company's business will be adversely affected. Appropriate stock levels maintained to meet customer contractual requirements.	The Group manages its relationships with suppliers through the commercial and operational teams. Many products are single sourced for Airplane frames, the product type being defined by Airbus/Boeing. We place orders according to the supplier delivery schedule, pay on time and maintain contractual buffer stocks to ensure that we do not run out of stock. Our rigorous forecasting processes and technology allow us to identify shortages in supply early. Where lead times are extended beyond our control, three-way discussions are actively sought out early between Velocity, the end customer and the material supplier to resolve. This has held us in good stead throughout the recent global supply chain issues.
Cyber Security	**Medium**	With an ever-increasing number of reported data leaks and ransomware events, there is a growing risk of cyber attack in today's society. With the sensitive data used by Velocity and the growth strategy projected this will become increasingly prominent.	Management regularly reviews the strength of the IT infrastructure within the business and undertake third party audits to reinforce this. Through a combination of encryption, regular backups, firewalls and limited third party access points the current setup is deemed secure, however work is ongoing to formalise this through recognised accreditations.

Principal Risks and Uncertainties

PRINCIPAL RISK	MANAGEMENT PRIORITY	IMPACT	MITIGATION
Reliance on Key Individuals	**Medium**	The success of the Group will depend largely upon the expertise and relationships of the Board and other senior employees. The loss of any of the key individuals could impact the Group's ability to deliver its strategic goals.	Salary and benefit levels are competitive and reviewed on a regular basis. In addition, the business has bonus and equity schemes to reward longer term performance. The Company has a clear set of values which it promotes. We have invested in a strong second tier management team. Annual performance reviews and development plans take place. Operational staff are benchmarked regularly to ensure Velocity remains an attractive place to work and compensation is reflective of a high-value manufacturer.
Material Price	**Low**	Material price changes are flowed through to customers	Ensure any material price changes are flowed through from supplier to customer through contract.
Financial and Compliance Risks			
Treasury and Foreign Exchange Risk	**Low**	The Company has an approved Treasury policy which is managed and monitored by the CFO. As the Company purchases and sells products on a global basis, it is exposed to foreign exchange gains and losses linked to US$ and Euros. Group policy is to naturally hedge wherever possible and approximately 70% of our activity is naturally hedged. Cash deposits are maintained within the policy limits.	Monitor short term purchase forecasts and debtor levels and sell surplus currency according to a Board agreed Treasury policy. Match revenue and purchases with all new contracts wherever possible. Despite the challenges of COVID-19 and Brexit, this risk has not been as high risk as expected in the past and so is currently considered a lower risk to the Company.

Principal Risks and Uncertainties

PRINCIPAL RISK	MANAGEMENT PRIORITY	IMPACT	MITIGATION
Liquidity Risk	**Medium**	Insufficient cash to meet the needs of the business in near or long term	The Company seeks to manage this risk by ensuring sufficient liquidity is available to meet foreseeable needs, by the use of cash forecasts, invoice discounting, loans and other bank facilities. These activities have been undertaken extensively throughout FY2021, with longer-term scenario testing being done regularly as new data has come to light. This has been done in conjunction with utilising government offered support through CBILS and furlough schemes, and right-sizing the cost-base in line with latest demand outlook. The challenges to cash flow in future will be around recovery and growth of sales demand/new sites. Considering the risk after all internal mitigations, the Company believes the risk would be low.
Credit Risk	**Low**	Unable to collect due receivables from customers	The Company's trade receivables relate to amounts owed by aerospace supply chain companies who by their nature are large. Given the size and stability of its core receivables, the Directors do not believe that the credit risk to the Company is significant. Overdue debts are monitored on a weekly basis and action taken to resolve any issues.
Interest Rate Risk	**Low**	Ability to minimise exposure	The Company seeks to manage its interest rate risk through minimising exposure wherever possible and regularly reviewing interest rates available in the marketplace.

Statement of Corporate Governance

All members of the Board believe strongly in the value and importance of good corporate governance and in our accountability to all of Velocity's stakeholders, including investors, staff, customers and suppliers. The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code. The Board believes that the QCA Code is most appropriate for the size, risks, complexity and operations of the Company and is reflective of the Group's values. Details of the Group's compliance with the ten principles of the Code are set out below:

1. Establish a strategy and business model which promotes long-term value for the shareholders

Velocity's strategy is to be the leading supplier of composite material kits to aerospace and other high-performance manufacturers, that reduce costs and improve sustainability.

Velocity manufactures advanced composite material kits for use in the production of carbon fibre composite parts for aerospace and other high-performance manufacturers, such as automotive OEM's, and pioneers of renewable energy applications. There has been a step-change in the use of carbon fibre in aircraft as manufacturers have to reduce aircraft weight and improve their efficiency to deliver greater sustainability. By using Velocity's proprietary technology, manufacturers can also reduce costs and free up internal resources to focus on their core business. Velocity has significant potential for expansion, both in the UK and abroad, including into new market areas, such as wind energy and electric vehicles, where the demand for composites is expected to grow.

Our core focus has predominantly been in the aerospace industry and our customer arrangements are almost exclusively based on long-term contracts, typically for a 3-to-5-year period. Our business strategy and business model are included in the strategic report section of our Annual Report, along with key performance indicators set out in the Financial Review to measure growth and profitability around our business model.

2. Seek to understand and meet shareholder needs and expectations

Under the current Board structure, Velocity is seeking to engage in regular dialogue with its shareholders through a structured Investor Relations programme. The Company seeks to provide effective communications through the Interim and Annual reports, as well as regular trading updates through Regulatory News Service announcements. Information is also made available to shareholders through the Company's website (www.velocity-composites.com).

We offer to meet with those institutional and major private investors that wish to do so at least twice a year in the results period. These meetings include a presentation of the latest financial performance, a wider business update and discussion of the longer-term plan. These meetings are normally attended by the Chairman, Chief Executive Officer and Chief Financial Officer. The presentation given at these meetings is also made available on the Company's website.

We welcome engagement with our other key shareholders. The Directors and other executives meet both private and institutional shareholders from time to time. The Annual General Meeting presents a further opportunity for all shareholders to meet the Board and other senior managers from across the business.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board and senior management seek to engage with all stakeholders including our employees, customers, suppliers, shareholders, industry bodies and local communities in a way to promote the longer-term success of the business.

The main mechanisms for wider stakeholder engagement and feedback can be summarised as follows:

Customers
We have dedicated staff in the businesses that are responsible for customer relationships. In addition, the technical support and development teams will regularly engage with customers as a fundamental part of delivering ongoing services. Through these well-established channels, Velocity seeks to ensure that the needs of our customers are fully understood. We are then well positioned to initiate appropriate actions in response.

Suppliers
The third-party supply base can be the key to the success of the Velocity business. As such, there are processes in place within the business to actively manage supplier relationships in the normal course of business, taking appropriate feedback and developing actions as necessary.

Employees
We are an equal opportunity employer regardless of race, religion, gender, age, disability, sexual orientation, gender reassignment, marriage and civil partnership and pregnancy and maternity. With our staff we have implemented firm wide half yearly briefings following our results announcements, monthly departmental staff briefings, a quarterly all staff briefing, weekly brief updates as well as completing an annual engagement survey.

Industry Bodies
We are members of industry bodies such as Northwest Aerospace Alliance ('NWAA') and the National Aerospace and Defence Contractors ('NADCAP') who are influential in how the Group is perceived by clients.

Community
We actively participate in the community and in apprenticeships and other schemes to provide opportunities for young people, such as T-Levels for BTEC Engineering students and Work Experience opportunities. We are firm believers in supporting the local economies in which we operate and therefore always look to employ local people, having recently been awarded membership to the Lancashire Skills and Employment Hub as a business dedicated to supporting local skills and development. Velocity also operates within the Enterprise Advisor Network, supporting the development of the future generation of employees to ensure we are an employer of choice for the future, we also engage local trades where possible.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has overall responsibility for the Group's system of internal control and recognises that it has overall responsibility for ensuring the Group maintains proper accounting records and a system of internal control to provide it with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss. As expected, a key control during the period was the day-to-day supervision of the business by the Executive Directors and regular oversight by the Non-Executive Directors.

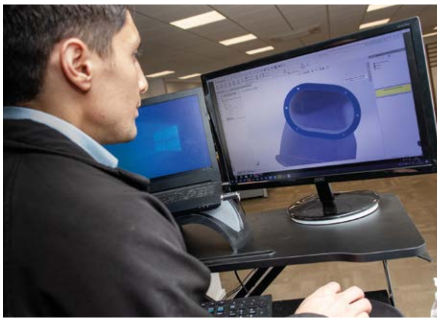
The Board performs a regular review of the effectiveness of the system of internal control and takes action as necessary to remedy any significant failings or weaknesses identified in the review. The processes used by the Board to review the effectiveness of the system of internal control include the following:

- An ongoing process of risk assessment to identify, evaluate and manage business risks;
- Management structure with clearly defined responsibilities and authority limits;
- A comprehensive system of reporting financial results to the Board;
- The Audit Committee reviews the effectiveness of the Group's risk management process and significant risk issues are referred to the Board for consideration;
- Appraisal and authorisation of general and capital expenditure as well as research and development projects;
- Dual signatories on all bank accounts.

5. Maintain the board as a well-functioning, balanced team led by the chair

We will be seeking a new Non-Executive Director to replace Margaret in the coming year, who has the financial and governance experience to support the Company. Currently Andy Beaden is acting Interim Audit Committee Chair.

At the date of this report the Board comprises of the Chairman, Chief Executive Officer, Chief Financial Officer, Deputy Company Secretary and a Non-Executive Director. During the year Margaret Amos resigned from her Non-Executive Director role to pursue other opportunities and we will be



seeking a new Non- Executive Director in the coming year who has the financial and governance experience to support the Company. Group Financial Officer Chris Williams, our Finance Director was appointed Company Secretary in June 2021, replacing Adam Newton who left the Board to focus on his role as Group Financial Controller. Supporting Chris in his Company Secretary role is Kelly McGrath, HR Business Partner and Deputy Company Secretary.

The Chairman has overall responsibility for corporate governance and in promoting high standards throughout the Group. He leads and chairs the Board, ensuring that the committees are properly structured and reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the Group and its shareholders.

The Board meets on a regular (usually monthly) basis to deal with matters reserved for its decision. These include agreeing and monitoring strategic plans and financial targets, major decisions on resource, overseeing management of the Group and ensuring processes are in place to manage major risks, treasury matters, changes in accounting policy, corporate governance issues, litigation and reporting to shareholders.

The monthly Board meetings have a regular agenda with standing items of Health and Safety, HR and People update, Chief Commercial & Supply Chain Officer report, Chief Programmes Officer report, Chief Financial Officer report and management accounts. The Board also receives committee updates on a regular basis. To enable the Board to discharge its duties all Directors receive appropriate and timely information. Briefing papers are distributed by the Deputy Company Secretary to all Directors in advance of the meetings.

There are two formal Board committees that meet independently of Board meetings and one additional Executive management committee:

Audit Committee

The Audit Committee currently has two members, Andy Beaden (Interim Chair) and Rob Soen. The Chief Financial Officer and external auditors attend by invitation. The Audit Committee responsibilities include the review of the scope, results and effectiveness of the external audit, the review of the Interim and Annual accounts, and the review of the Group's risk management and internal control systems. The Audit Committee advises the Board on the appointment of the external auditors and monitors their performance.

Remuneration Committee

The Remuneration Committee has two members, Rob Soen (Chair) and Andy Beaden. The Committee is responsible for setting the remuneration arrangements, short term bonus and long-term incentives for the Executive Directors and senior management. In addition, the committee oversees the creation and implementation of all employee share plans.

Nomination Committee

The Nomination Committee has two members, Andy Beaden (Chair) and Rob Soen. The Nomination Committee meets as required and is responsible for proposing candidates for appointment to the Board and the structure and composition of the Board as a whole, as well as succession planning. The Committee's responsibilities were discussed as a part of the Board meetings during the year.

Executive Committee

The Executive Committee handles the implementation of the Group strategy on behalf of the Board. The Committee comprises of four members, two of which are Executive Directors. It focuses on the long-term vision and strategy for the Group. Primary responsibilities include the oversight of the development, maintenance and implementation of the strategy, management of the overall financial results for the Group, directing operational management and managing shareholder, corporate governance and growth.

A summary of the attendance at board and committee meetings by the directors who served during the year is set out below.

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
No Meetings in Year	10	4	2	2
Andrew Beaden	10	4	2	2
Robert Soen	10	4	2	2
Jon Bridges	10	n/a	n/a	n/a
Margaret Amos*	8	3	2	2
Chris Williams	10	4	n/a	n/a

*Resigned as Director 15 September 2021

n/a - indicates that a Director was not a member of a particular committee

	Andrew Beaden	Rob Soen	Jon Bridges	Margaret Amos	Chris Williams
Audit Committee (AC)	Member/Chair	Member	n/a	Chair	n/a
Remuneration Committee	Member	Chair	n/a	Member	n/a
Nominations Committee	Chair	Member	n/a	Member	n/a

Non-members are invited to attend committees as appropriate

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

Details on each of the directors, and their respective roles within the Company, are set out on page 31 of this report.

7. Evaluate board performance based upon clear and relevant objectives, seeking continuous improvement

Whilst the Board have continually looked to refine and improve working practices throughout the year, the COVID-19 pandemic continued to challenge the Board which led to some short-term crisis management processes being required. As a testament to the previous years' focus on Board governance these were implemented swiftly and decisively. These were particularly focussed around cash flows and the ongoing health of Velocity.

Now that business has a semblance of steady-state, the Board will continue to improve these working practices in-line with the business need in the months to come.

8. Promote a culture that is based on ethical values and behaviour

Our long-term growth is underpinned by our seven core values:

i) We place our staff first, putting ourselves in their shoes to understand the current and future needs of those who work with us.

ii) We value our customers determining how to anticipate their current and future needs and how to exceed their expectations.

iii) We place importance on our suppliers and pay invoices promptly, are clear in negotiations and have an ongoing dialogue.

iv) We communicate with our shareholders and explain our strategy clearly and the challenges Velocity faces.

v) We are team players who recognise that Velocity is a Company worth much more than the sum of its parts and we are committed to learning from one another.

vi) We are committed to innovation in what we do and how we do it, and to working smarter rather than harder to reduce costs, increase efficiency and help aircraft parts' manufacturers to increase build rates.

vii) We respect one another and are courteous, honest and straightforward in all our dealings, we honour diversity, individuality and personal differences, and are committed to conducting our business with the highest personal, professional and ethical standards.

The culture of the Group is characterised by these values which are communicated regularly to staff through internal communications and forums. The core values are communicated to prospective employees in the Group's recruitment programmes and are considered as part of the selection process.

The Board believes that a culture based on the seven core values is a competitive advantage and consistent with fulfilment of the Group's mission and execution of its strategy. It is the responsibility of the Executive Management Committee to evaluate how the Company might better achieve these objectives, and report to the Board on a regular basis.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

Details of the governance structures and processes adopted by the Company are set out on the Company website (www.velocity-composites.com).

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board believes that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe. The Board has formal responsibilities and agendas and three sub-committees; in addition, strong informal relations are maintained between Executive and Non-executive Directors.

Non-executive Directors meet with other senior managers and give advice and assistance between meetings.

The Chairman, Chief Executive Officer and the Chief Financial Officer make presentations to institutional shareholders and analysts each year immediately following the release of interim and full year results. They also attend retail shareholder events. The slides used for such presentations are made available on the Group's website under the Annual Reports section. They also meet regularly with the Group's Nomad/broker and discuss any shareholder feedback, the Board is briefed accordingly.

All Directors attend the Annual General Meeting and engage both formally and informally with shareholders during and after the meeting. The results of voting at the AGM is communicated to shareholders via RNS and on the Group's website.

Andy Beaden
Chairman
23 January 2022


HEXCEL


MV19 XEK

(l-r) Company Secretary Kelly McGrath, Chris Williams, Andy Beadon, Rob Soen & Jon Bridges

Board of Directors

Andy Beaden Chairman
Andy Andy was appointed Non-Executive Chairman of Velocity in July 2019. From 2011 to 2017, Mr Beaden served as Group Finance Director and a member of the Board of Luxfer Holding plc, a developer and producer of highly engineered advanced materials, having joined its predecessor British Aluminium in 1997. Luxfer (LXFR) is listed on the New York Stock Exchange. Mr Beaden is a co-founder and Chairman of IN4.0 Group Limited, a Company encouraging growth through the use of Industry 4.0 technologies.

Mr Beaden is a Chartered Accountant, having trained with KPMG, holds a degree in economics and econometrics from Nottingham University and is a Fellow of the RSA (Royal Society for the Encouragement of the Arts, Manufactures and Commerce).

Mr Beaden is the current Chair of the Audit Committee.

Jonathan Bridges
Jon co-founded Velocity Composites in October 2007. Jon has over 25 years' experience within the advanced composites industry and is an experienced composite engineer. Previously, Jon was an Aerospace and Lean Solutions Specialist at Cytec Process Materials where he was responsible for direct sales support of UK and European based clients.

From 2003 to 2005 Jon was a Manufacturing Engineer for Safran Nacelles where he was responsible for the manufacturing function for a growing, highly loaded aerospace unit supplying multiple assembly lines. Jon was re-appointed to the Board as an Executive Director in July 2019.

Mr Bridges has a BSc in Materials Science from Coventry University.

Rob Soen
Robert joined Velocity in July 2019 as an independent Non-Executive Director and is Chair of the remuneration Committee. Rob has worked extensively in aerospace and automotive supply chains, ending his executive career as Senior Vice President Supply Chain in GKN Aerospace Services Limited. Mr Soen is a Fellow of the Institute of Purchasing and Supply.

Chris Williams
Chris joined Velocity in August 2020 as Chief Financial Officer. Chris brings with him a wealth of experience across many sectors, having previously been Finance Director for Bettys Tearooms, a multi-site hospitality business in Yorkshire, as well as Caparo Engineering, where he was a Divisional Finance Director for a number of Precision Engineering SMEs based in the Midlands.

Chris is a Chartered Accountant, having trained with KPMG, and holds a Master's degree in physics from the University of Birmingham.

Senior Management

Jeff Armitage

Strategic Operation Director

Jeff Armitage joined the Executive Team as Strategic Operation Director in November 2021. Jeff holds a wealth of experience within the aerospace sector, having held the position MD/ Vice President of GKN/Fokker, responsible for the Aircraft Refurbishment and Spares Provisioning for the Boeing 737 Airbus A320/330.

Jeff was also Senior Vice President of the Fokker Acquisition and Integration/Synergy and spent ten years as Senior Vice President for GKN European Composites.

Matthew Archer

Commercial & Supply Chain Director

Matthew joined the Company as Chief Commercial Officer in February 2017 bringing extensive experience of the Defence and Aerospace sectors having worked for several of the world's leading companies in those industries. Matthew previously worked for GKN Aerospace where he led the introduction of a global strategy for composite procurement across Europe, North America and Asia. Prior to this Matthew worked at Defence industry prime contractors and the UK Ministry of Defence.

In October 2020 Matthew's role expanded to that of Commercial and Supply Chain Director giving Matthew accountability for the Company's Contractual, Supply Chain and Quality Assurance matters.

James Eastbury

Customer Programmes Director

James leads a team of technically skilled Programme Managers and New Business Engineers in developing and executing comprehensive multi-level plans of engagement with all of Velocity's customers. He is responsible for the expansion of all of Velocity's revenue with existing and new customers within all territories and future markets.

James has over 12 years' experience in the aerospace sector, previously with Solvay Composite Materials, the advanced materials and speciality chemicals company, where he held a number of roles. Most notable as Key Account Manager for Airbus.

Adam Newton

Financial Controller

Adam joined Velocity in January 2017, bringing with him many years of experience from varied roles in finance. Adam previously worked as Divisional Finance Business Partner at Well Pharmacy (formerly Co-operative Pharmacy) for 9 years, where he was responsible for strategy and driving operational efficiencies. Adam comes from an audit background, having worked for several years in practice with a diverse client portfolio, from SMEs to larger PLC businesses.

Adam is a Fellow of the Association of Chartered Certified Accountants

Head of Engineering

Emil Khan

Emil began a career with Velocity in 2010 after graduating from the University of Central Lancashire with an Engineering Degree. Emil is the Engineering Lead on many key internal and external projects.

Responsible for engineer governance and managing the engineering team, whilst supporting the team with individual projects, Emil thrives on the challenges that Velocity faces as an upcoming business in the aerospace industry and looks forward to future business prospects. Emil is keen to optimise and grow the team to ensure standardisation in multi-site deployment.

Head of Operations

Sheldon Atherton

Sheldon has been a member of the Velocity team since 2008 and has played a significant role in establishing the production processes, IT systems and the Quality Management System.

Sheldon is homegrown through the Velocity leadership development programme, developing his skills, knowledge and experience through Production, Systems Integration, Quality and Supply Chain, making him the ideal choice for Head of Operations.

HR Business Partner and Deputy Company Secretary

Kelly McGrath

Kelly joined Velocity in August 2019 as HR Business Partner and supports the Board of Directors as Deputy Company Secretary. With over 10 years HR experience, gained from the Manufacturing and Aerospace Engineering sectors, Kelly is responsible for the development and delivery of the People Strategy, working with the Executive Team to define and deliver business growth plans.

Kelly is a qualified Associate Member of CIPD and is currently in the process of upgrading to MCIPD.

Directors' Report

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

Principal Activities

The Group is a provider of engineered composite material kits to the aerospace industry.

Review of Business and Future Developments

The Board has continued the development of the business, as referenced in the Financial Review on pg 13 to 16 and is pleased with the progress made in the past year. Future developments are covered within the outlook for the business as disclosed on pg 8.

Financial Risk Management

Details of the Board's approach to financial risk management can be found in the principle risks review on page 17.

Capital Structure

Details of the Company's share capital, together with details of the movements, are set out in Note 22 to the Consolidated Financial Statements. The Company has one class of Ordinary Share which carry no right to fixed income.

Research and Development

The Group continued to invest in research and development, in order to extend its geographical reach and improve the effectiveness of its technology. During the year the Group capitalised development costs of £Nil (2020: £0.04m) in-line with the Group's accounting policy.

Basis of Preparation of the Financial Statements

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. In accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, the financial statements reflect the results of the Group for the year ended 31 October 2021. Further details are provided in Note 2 to the financial statements.

Directors

The Directors who held office at 31 October 2021 and their interest in the shares of the Company were as follows:

	At 31 October 2021	% Shareholding
Jonathan Karl Bridges	5,515,929	15.19%
Andy Beaden	400,000 [1]	1.10%
Rob Soen	-	-
Margaret Amos (resigned 15 September 2021)	-	-
Chris Williams	-	-

[1] Includes 50,000 shares in the name of Mrs S Beaden

Going Concern

The Group has prepared extensive financial projections for the next two financial years, incorporating the impact of COVID-19 and modelling a number of 'stress-testing' scenarios. The forecasts include revenue projections based on current demand plus a weighting of opportunities in the pipeline, with an appropriate cost base reflective of the significant cost reductions that have already taken place in the Group and the investment required to drive and implement the expected growth. The projections demonstrate commercial recovery over the 24-month period, even under the most severe down-side scenario modelled.

Alongside the robust forecasting and governance process, the Company has demonstrated strong cash flow management over the FY21 period through successfully reducing Inventory levels by £1m and navigating through right-sizing efforts to deliver a £1.6m reduction in administrative overheads. Having due regard for these recent deliverables and latest projections, with available cash at 31 October 2021 of £3.5m, an undrawn invoice discount facility where we can borrow up to £3m dependent on debtor levels, access to an invoice discounting facility with one of our major customers, and continued support from our banks and shareholders, it is the opinion of the Board that the Group has adequate resources to continue to trade as a going concern. A more extensive disclosure of going concern can be found in the financial review on page 16.

Indemnification of Directors

The Group provides Directors and Officers Insurance cover and is contractually committed to provide cover.

Substantial Shareholdings

At 31 October 2021, notification had been received of the following interests which exceed a 3% interest in the issued share capital of the Company, in addition to those of the Directors referred to above:

	Number of Ordinary Shares	% of issued share capital
Gerard Antony Johnson	4,802,693	13.23%
Christopher Banks	4,802,693	13.23%
TM Stonehage Fleming AIM Fund	4,222,753	11.64%
Charles Stanley Clients	1,739,638	4.80%
Octopus Investments	1,567,058	4.32%
Braveheart Investment Group	1,500,615	4.14%
Hargreaves Lansdown Clients	1,448,560	3.99%
Amati Global Investors	1,150,294	3.17%

Corporate Governance

The Statement of Corporate Governance on Pages 24 to 29 sets out the Group's approach to good corporate governance.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable International 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and comprehensive and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors Report confirm that to the best of their knowledge:

- The Group Financial Statements, which have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Disclosure of Information to Auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

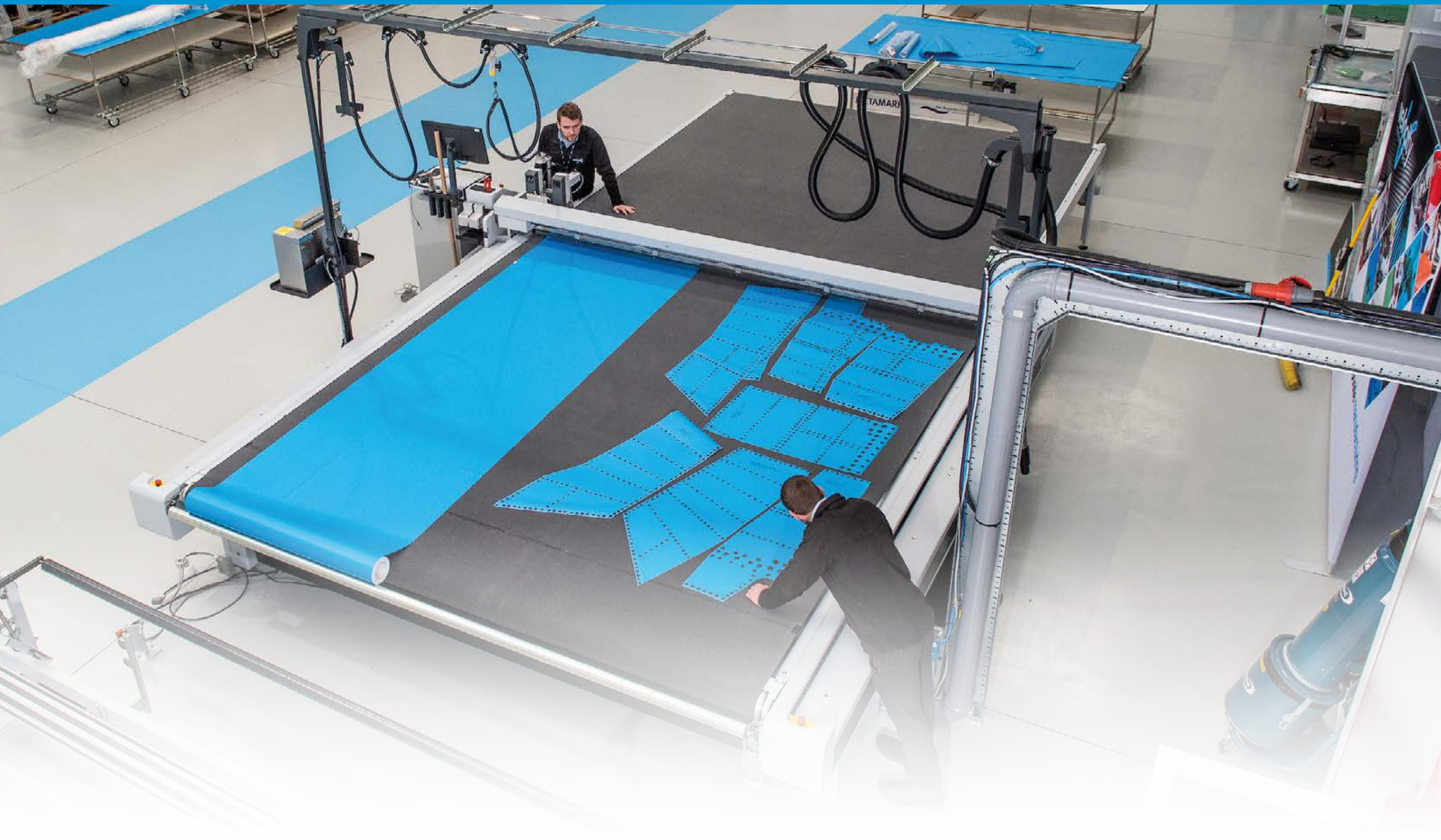
- so far as that director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- that director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

Grant Thornton UK LLP, having expressed its willingness to continue in office, will be proposed for reappointment for the next financial year at the Annual General Meeting, in accordance with section 489 of the Companies Act 2006.

This report was approved by the Board of Directors on 23 January 2022 and signed on its behalf by:

Chris Williams
Company Secretary
23 January 2022



Directors' Remuneration Report

This report covers the financial year ended 31 October 2021.

The Director's renumeration report sets out the key points of the remuneration process for the Group, as well as any rational for any decisions made by the remuneration committee during the year. This is intended to help investors understand the remuneration policy in the light of the strategy for the Group. The report is voluntarily disclosed.

Responsibilities

The Remuneration & Nomination Committee has two members with Robert Soen (Chairman) and Andy Beaden. The Committee is responsible for setting the remuneration packages for the Executive team as well as approving, where appropriate, the remuneration of senior staff. The Committee sets incentive plans for the Executive team to align their interests with those of the shareholders and to encourage the strategic development of the business.

Executive Directors

The Board is committed to maintaining high standards of corporate governance and has taken steps to comply with best practice in so far as it can be applied practically given the size of the Group.

Remuneration Policy

The Board aims to ensure that the total remuneration for the Executive Directors is soundly based, internally consistent, market competitive and aligned with the interests of the shareholders. To design a balanced package for the Executive Directors and senior management, the Board considers the individual's experience and the nature and complexity of their work in order to pay a competitive salary and benefits package that attracts and retains management of the highest quality. The Board also considers the link between the individual's remuneration package and the Group's long-term performance.

Basic Salary

Salaries are reviewed annually and are benchmarked against businesses acting within the aerospace manufacturing sector. The review process is undertaken having regard to the development of the

Group and the contribution that individuals will continue to make as well as the need to retain and motivate individuals. The Executive Directors and Senior Management are also awarded other benefits (for example pension contributions) which are commensurate with their position within the Group and with the competitive marketplace.

Share Options

Share Options are awarded in order to provide a long-term incentive to the Executive Directors and Senior Management which aligns the interests of the Group and of its shareholders, with those of the individuals tasked with delivering the Group's strategic aims. In October 2020 Options were issued to members of the Non-Executive Directors and members of the Senior Management team. A total of 0.6m Options were issued. In April 2021 a further 0.3m Options were issued.

Non-Executive Directors

The salary of the Chairman is determined by the Board and the salaries of the Non-Executive Directors are determined by the Board following a recommendation from the Chairman. The Chairman and Non-Executive Directors are not involved in any discussions or decisions about their own remuneration.

Directors' emoluments for the year ended 31 October 2021 (or period of service) are summarised below:

	Salary £'000	Pension £'000	Benefit in kind £'000	Year ended 31 October 2021 £'000	Year ended 31 October 2020 £'000
Executive					
Jonathan Bridges	116	11	4	131	157
Chris Williams	95	7	-	102	22
Non-Executive					
Andy Beaden	64	2	-	66	82
Rob Soen	29	-	-	29	35
Margaret Amos (resigned 15th September 2021)	25	1	-	26	20
Total	329	21	4	354	316

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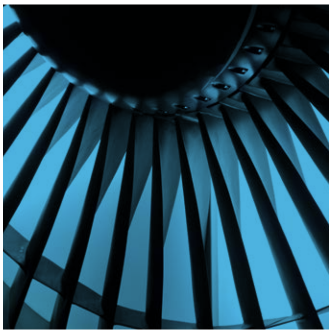
Independent Auditor's Report
to the Members of Velocity Composites Plc





velocity composites plc

Grant Thornton

Independent Auditor's Report to the Members of Velocity Composites Plc

OPINION

Our opinion on the financial statements is unmodified

We have audited the financial statements of Velocity Composites Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2021, which comprise the Consolidated statement of total comprehensive income, the Consolidated and Company statement of financial position, the Consolidated and Company statement of changes in equity, the Consolidated and Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach

Overall materiality:

Group: £150,000 which represents 1.5% of the group's revenue.

Parent company: £135,000, which represents 1.4% of the parent company's revenue.

Key audit matters were identified as:

- The revenue cycle includes fraudulent transactions (same as previous year); and
- Going concern (same as previous year).

We have performed an audit of the financial information (full scope audit) using component materiality for the parent company, Velocity Composites plc. Analytical procedures were undertaken on components which were considered immaterial based upon group materiality.

Our audit procedures covered 100% of the Group's total revenue, total assets and loss before tax.

There have been no changes to the scope of the audit performed in the prior year.

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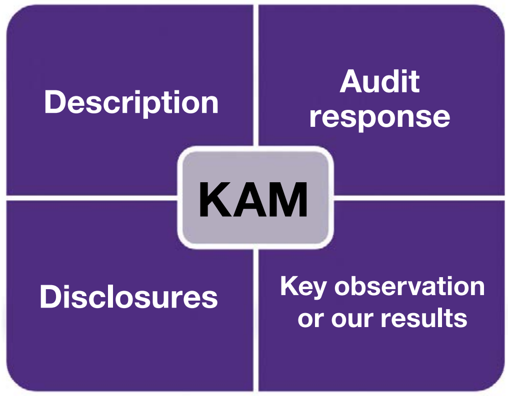
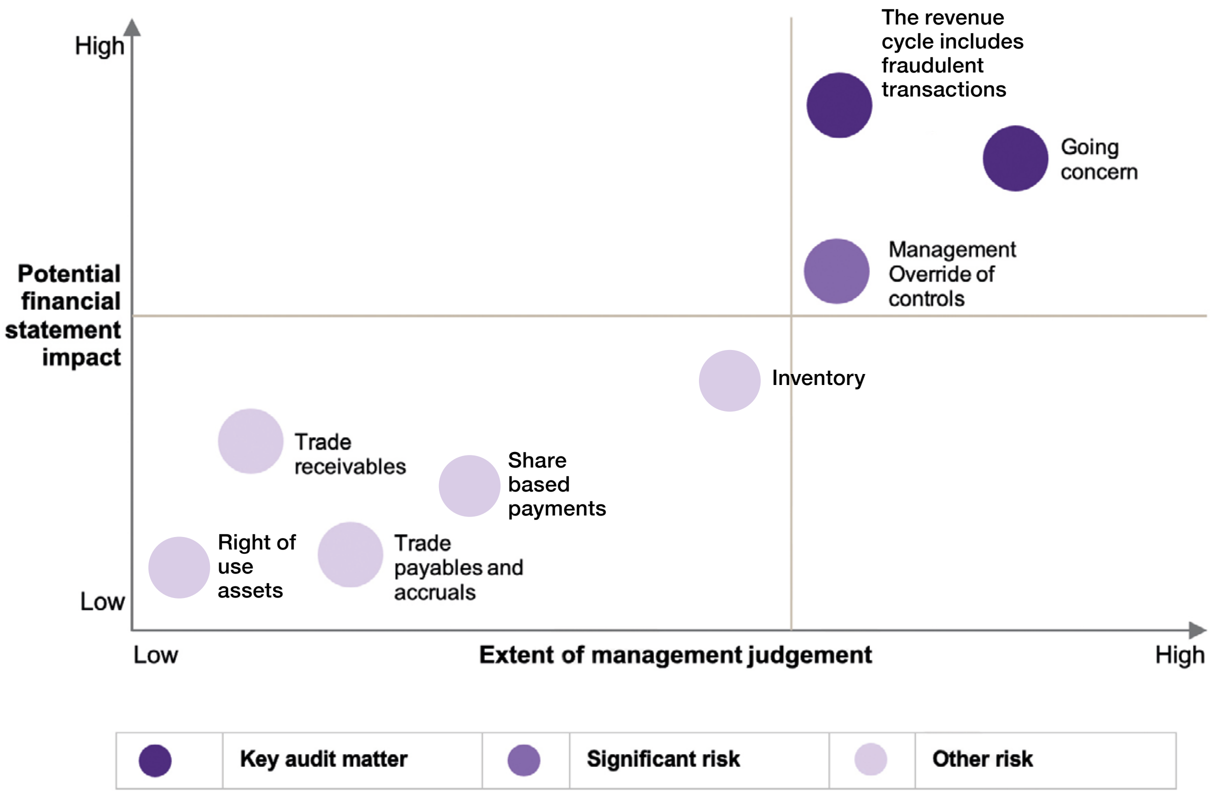
Key audit matters

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



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



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Key Audit Matter - Group	How our scope addressed the matter - Group
The revenue cycle includes fraudulent transactions We identified the revenue cycle including fraudulent transactions as one of the most significant assessed risks of material misstatement due to fraud. Revenue is a key performance indicator for stakeholders. There is a risk that revenue has been misstated through fraudulent entries in order to inflate the revenue figure disclosed. We have identified the risk of fraudulent journal entries as a key audit matter specifically those entries which do not follow the typical accounting entries posted within the revenue cycle, as the risk of revenue being fraudulently recorded is higher in these instances. Therefore, based on our understanding of the revenue process, we formed an expectation of accounting entries that management would record when a sale is initiated. We inspected any entries to revenue that fell outside of our expectation. We therefore identified this as one of the most significant assessed risks of material misstatement.	In responding to the key audit matter, we performed the following audit procedures: • Assessing accounting policies for both consistency and appropriateness with financial reporting framework (IFRS 15 'Revenue from Contracts with Customers') and in particular that revenue was recognised at the point when the satisfaction of performance obligations were fulfilled; • Obtaining an understanding of the processes through which the business initiate, record, process and report revenue transaction; • Implementing the use of audit data analytics tools to identify any revenue transactions which did not fall into the usual revenue/debtors cycle and vouching these to supporting documentation; • Performed substantive testing over a revenue sample, agreeing each revenue item in the sample to source documentation including signed delivery notes in order to verify the sale and the point at which revenue was recognised; • Performing cut-off testing to gain assurance that transactions have been recorded in the correct period; • Inspection and vouching of credit notes raised post year end to check for overstatement of revenue during the year; and • Trend analysis and ratio analysis to identify any potential unusual movements in revenue. Any movements outside of our expectations were investigated with management.

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Key Audit Matter – Group	How our scope addressed the matter - Group
Relevant disclosures in the Annual Report and Accounts 2021 The group's accounting policy on revenue is shown in note 2 to the financial statements and related disclosures are included in note 4.	**Our results** Based on the work we have performed, we are satisfied that we did not identify any fraudulent transactions within the revenue cycle.
Going Concern We have identified going concern as one of the most significant assessed risks of material misstatement due to fraud and error as a result of the judgement required to conclude whether there is a material uncertainty related to going concern. Covid-19 is one of the most significant economic events currently faced globally and at the date of this report its effects are subject to unprecedented levels of uncertainty. The pandemic has caused restrictions in air travel and impacted build patterns for future aircraft production. This event could adversely impact future trading performance of the group and the parent company and, as such, increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. Further, as a result of these uncertainties there is a higher risk that the disclosures are misleading.	In responding to the key audit matter, we performed the following audit procedures: • Evaluating the directors' conclusions including considering the inherent risks associated with the group and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19. We assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period. In particular, we challenged management's assessment of the impact of the Covid-19 variant, Omicron, on the forecasts throughout the going concern period; • Obtaining management's base case cash flow forecasts covering the period from 1 November 2021 to 31 October 2023, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions. We also undertook stress testing on the key assumptions within management's forecasts; • Evaluating current funding facilities and headroom on these facilities throughout the going concern period, ensuring that these facilities will remain available and provide sufficient availability to cash to meet the group's expected cash flows. Our procedures included discussions directly with the group's invoice discounting facility provider; • Assessing the accuracy of management's past forecasting by comparing management's forecasts for the prior year to the actual results for the prior year and considering the impact on the base case cash flow forecast; • Obtaining managements downside scenario prepared to assess the potential impact of Covid-19

Key Audit Matter – Group	How our scope addressed the matter - Group
	on the business. We evaluated management's assumption regarding the impact of a reduction in recurring revenue. We considered whether the assumptions are consistent with our understanding of the business; • Assessing the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, including the level of available facilities; and • Challenging and assessing the adequacy of related disclosures
Relevant disclosures in the Annual Report and Accounts 2021 The group's accounting policy on going concern is shown in note 2 to the financial statements and describes the assessment and actions the group has taken to address the issue.	**Our results** Based on the work we have performed, we are satisfied that the assumptions made in management's assessment of the use of the going concern assumption in preparation of the financial statements were reasonable. Further, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£150,000, which is 1.5% of the group's revenue.	£135,000, which represents 1.4% of the parent company's revenue.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements • We determined that revenue was the most appropriate benchmark for the group due to it being a key performance indicator for the group's stakeholders and is less volatile than earnings for the group following a loss recorded in the year. Materiality for the current year is lower than the level that we determined for the year ended 31/10/2020 to reflect the change in revenue from this year.	In determining materiality, we made the following significant judgements • We determined that revenue was the most appropriate benchmark for the group due to it being a key performance indicator for the group's stakeholders and is less volatile than earnings for the group following a loss recorded in the year. Materiality for the current year is lower than the level that we determined for the year ended 31/10/2020 to reflect the change in revenue from this year.

Materiality measure	Group	Parent company
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold Significant judgements made by auditor in determining the performance materiality	£112,500, which is 75% of financial statement materiality. In determining performance materiality, we made the following significant judgements • Our risk assessment procedures did not identify any significant changes or additional complexity in the group's business activities. In addition, based on our experience of auditing the financial statements of the group, significant adjustments have not been made to the group's financial statements in prior years.	£101,250, which is 75% of financial statement materiality. In determining performance materiality, we made the following significant judgements • Our risk assessment procedures did not identify any significant changes or additional complexity in the group's business activities. In addition, based on our experience of auditing the financial statements of the group, significant adjustments have not been made to the group's financial statements in prior years.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for Directors' remuneration.	We determined a lower level of specific materiality for Directors' remuneration.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£7,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£6,750 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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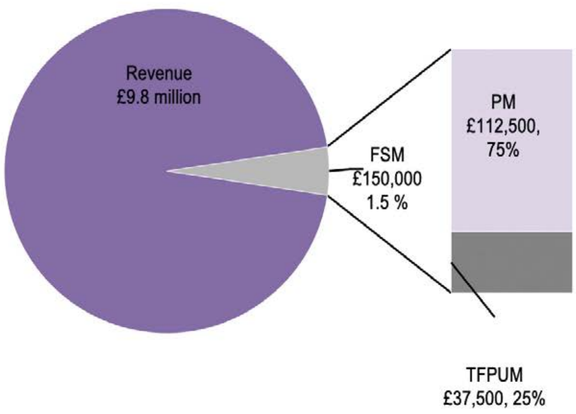
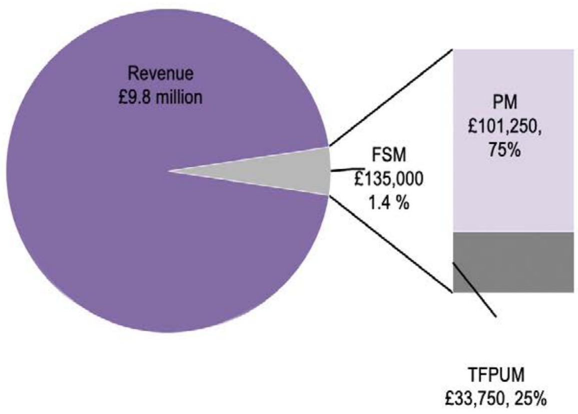
The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

OVERALL MATERIALITY - GROUP



OVERALL MATERIALITY - PARENT COMPANY



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level. We considered the structure of the group, its processes and controls and the industries in which the components operate.

Identifying significant components

- In order to address the risks identified, the engagement team performed and an evaluation of identified components and to determine the planned audit reponses based on a measure of materiality, calculated by considering the component's significance as a percentage of the group's total assets, revenue and profit before taxation.
- We have performed a full scope audit for Velocity Composites PLC which represents 100% of the revenue, total assets and loss after taxation for the group. This testing addressed the key audit matter relating to the revenue cycle including fraudulent transactions since all revenue for the group is recognised within this entity. The key audit matter relating to going concern was tested as part of our group-wide audit procedures.
- Analytical procedures were undertaken on remaining components, using group materiality, which were not deemed to be material.
- There were no changes in scope from the prior year.

Performance of our audit

- We undertook the majority of our audit procedures at the group's head office in Burnley including an evaluation the group's internal control environment and its IT systems and controls.
- We tested the consolidation process, including re-performance of management's calculations.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and the industry in which it operates. We determined that the following laws and regulations were most significant: International Accounting Standards in conformity with the Companies Act 2006, Companies Act 2006, Quoted Companies Alliance (QCA) Corporate Governance Code and taxation laws.
- We obtained an understanding of how the parent company and the group are complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of the board minutes and papers provided to the Audit Committee.

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- We assessed the susceptibility of the parent company's and group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the group engagement team included:
  - Assessing the design and implementation of controls management has in place to prevent and detect fraud;
  - Obtaining an understanding of how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process.
  - Challenging assumptions and judgements made by management in its significant accounting estimates
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- We assessed the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's knowledge of the industry in which the client operates, and the understanding of, and experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
- The engagement team's discussions in respect of potential non-compliance with laws and regulations and fraud included in revenue recognition. We identified the revenue cycle includes fraudulent transactions as a key audit matter. The key audit matters section of our audit report explains the matter in more detail and also describes the specific procedures we performed in response to the key audit matter.

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.

Michael Lowe
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

23 January 2022

Consolidated Statement of Total Comprehensive Income

	Note	Year ended 31 October 2021 £'000	Year ended 31 October 2020 £'000
Revenue	4	9,767	13,561
Cost of sales		(7,228)	(11,237)
Gross profit		2,539	2,324
Administrative expenses excluding exceptional costs		(3,903)	(5,132)
Exceptional administrative expenses	7	-	(341)
Operating loss	5	(1,364)	(3,149)
Operating loss analysed as:			
Adjusted EBITDA	29	(548)	(1,925)
Depreciation of Property, plant and equipment*		(229)	(224)
Amortisation		(76)	(117)
Impairment of Intangible assets		-	(72)
Depreciation of Right to Use assets under IFRS 16*		(421)	(350)
Share based payments		(90)	(120)
Exceptional administrative expenses		-	(341)
Finance income and expense	8	(182)	(98)
Loss before tax from continuing operations		(1,546)	(3,247)
Income tax income	9	340	117
Loss for the period and total comprehensive loss		(1,206)	(3,130)
Loss per share - Basic (£) from continuing operations	10	(£0.03)	(£0.08)
Loss per share - Diluted (£) from continuing operations	10	(£0.03)	(£0.08)

The notes on Pages 57 - 84 form part of these financial statements

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

There is no other comprehensive income.

** a prior year adjustment has been made between property, plant and equipment and right-of-use asset please see note 30 for details.*

Consolidated and Company Statement of Financial Position

	Note	Group 31 October 2021 £'000	Group 31 October 2020 £'000	Company 31 October 2021 £'000	Company 31 October 2020 £'000
Non-current assets					
Intangible assets	11	91	167	91	167
Property, plant and equipment*	12	1,051	1,216	1,051	1,216
Right-of-use assets*	19	1,688	1,634	1,688	1,634
Total non-current assets		2,830	3,017	2,830	3,017
Current assets					
Inventories	14	877	1,908	877	1,908
Trade and other receivables	15	2,162	2,464	2,195	2,490
Corporation tax		341	-	341	-
Cash and cash equivalents	16	3,476	3,268	3,470	3,265
Total current assets		6,856	7,640	6,883	7,663
Total assets		9,686	10,657	9,713	10,680
Current liabilities					
Loans	17	514	500	514	500
Trade and other payables	17	1,058	1,504	1,058	1,499
Obligations under lease liabilities	19	309	411	309	411
Total current liabilities		1,881	2,415	1,881	2,410
Non-current liabilities					
Loans	17	1,998	1,500	1,998	1,500
Obligations under lease liabilities	19	1,240	1,060	1,240	1,060
Total non-current liabilities		3,238	2,560	3,238	2,560
Total liabilities		5,119	4,975	5,119	4,970
Net assets		4,567	5,682	4,594	5,710
Equity attributable to equity holders of the company					
Share capital	22	91	91	91	91
Share premium account	22	9,727	9,727	9,727	9,727
Share-based payments reserve		539	490	539	490
Retained earnings		(5,790)	(4,626)	(5,763)	(4,598)
Total equity		4,567	5,682	4,564	5,710

** a prior year adjustment has been made between property, plant and equipment and right-of-use asset please see note 30 for details.*

The notes on Pages 57 - 84 form part of these financial statements

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 (£1,206,000). The financial statements were approved and authorised for issue by the Board of Directors on 23 January 2022 and were signed on its behalf by;

Chris Williams

Director
Co No: 06389233

Consolidated and Company Statement of Changes in Equity

Consolidated 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 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

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Share-based payments reserve £'000	Total equity £'000
As at 31 October 2020	91	9,727	(4,626)	490	5,682
Loss for the year	-	-	(1,205)	-	(1,205)
	91	9,727	(5,831)	490	4,477
Transactions with shareholders:					
Share-based payments	-	-	-	90	90
Transfer of share option reserve on vesting of options and issue of equity	-	-	41	(41)	-
As at 31 October 2021	91	9,727	(5,790)	539	4,567

The notes on Pages 57 - 84 form part of these financial statements

Consolidated and Company Statement of Changes in Equity

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 2019	90	9,727	(1,642)	537	8,691
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

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Share-based payments reserve £'000	Total equity £'000
As at 31 October 2020	91	9,727	(4,598)	490	5,710
Loss for the year	-	-	(1,206)	-	(1,206)
	91	9,727	(5,804)	490	4,504
Transactions with shareholders:					
Share-based payments	-	-	-	90	90
Transfer of share option reserve on vesting of options and issue of equity	-	-	41	(41)	-
As at 31 October 2021	91	9,727	(5,763)	539	4,594

The notes on Pages 57 - 84 form part of these financial statements

Consolidated and Company Statement of Cash Flows

	Group Year ended 31 October 2021 £'000	Group Year ended 31 October 2020 £'000	Company Year ended 31 October 2021 £'000	Company Year ended 31 October 2020 £'000
Operating activities				
Loss for the year	(1,206)	(3,130)	(1,206)	(3,123)
Taxation	(341)	(117)	(341)	(117)
Profit on sale of assets	(13)	-	(13)	-
Finance costs	182	98	181	98
Amortisation of intangible assets	76	118	76	118
Impairment of Intangible assets	-	72	-	72
Depreciation of property, plant and equipment*	229	223	229	223
Depreciation of right to use assets*	421	350	421	350
Share-based payments	90	120	90	120
Operating cash flows before movements in working capital	(562)	(2,266)	(562)	(2,259)
Decrease in trade and other receivables	302	1,685	294	1,688
Decrease in inventories	1,031	1,269	1,031	1,269
Decrease in trade and other payables	(446)	(1,526)	(441)	(1,531)
Cash generated from operations	325	(838)	322	(833)
Net cash Inflow/(Outflow) from operating activities	325	(838)	322	(833)
Investing activities				
Purchase of property, plant and equipment*	(64)	(782)	(64)	(782)
Development expenditure capitalised	-	(39)	-	(39)
Proceeds from the sale of property, plant and equipment	13	3	13	3
Net cash used in investing activities	(51)	(818)	(51)	(818)
Financing activities				
Loan received	634	2,000	634	2,000
Finance costs paid	(181)	(98)	(181)	(98)
Loan repayment	(119)	-	(119)	-
Repayment of lease liabilities capital	(400)	(402)	(400)	(404)
Net cash generated from financing activities	(66)	1,500	(66)	1,500
Net Increase/(Decrease) in cash and cash equivalents	208	(156)	205	(151)
Cash and cash equivalents at 01 November	3,268	3,424	3,265	3,416
Cash and cash equivalents at 31 October	**3,476**	3,268	3,470	3,265

** a prior year adjustment has been made between property, plant and equipment and right-of-use asset please see note 30 for details.*

Notes to the Financial Statements

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 form 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 2021. Subsidiaries are consolidated from the date of acquisition, using the purchase method.

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 International Accounting Standards.

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 losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

2. Accounting policies (continued)

Going concern

Management continues to undertake a significant level of cash flow forecasting, in-line with prior year and best practice over the pandemic period. This is now an ongoing process within the Company through Integrated Business Planning (IBP) which regularly stress-tests the forecasting assumptions against the continuously evolving circumstances, such as the latest COVID variant or government outlook. It was this work that also supported the application for additional CBILS support and its associated asset-financing with Close Brothers. Detailed financial projections for the following 24 month rolling period to 31 October 2023 were prepared and a number of sensitivities were run to stress test the forecasts and understand the cash flow impact of various scenarios. Even in the most severe down-side scenario modelled the business had sufficient liquidity to continue trading as a going concern

Our forecasts indicate the group's Invoice Discounting Facility, secured against Trade Debtors, will be utilised during certain months within the going concern period. Whilst this facility is designed to be short-term and can be withdrawn, the latest annual review in December reflected the banks' support for Velocity's growth strategy and extended the commitment of both parties to a minimum 3 months' notice and as such we expect this facility will remain available throughout the going concern period. Should alternative financing be required the Group would preserve cash through slowing investment in growth until longer-term funding could be implemented, such as asset-based financing against new capex or equity funding.

The cash flow forecasts are reviewed monthly through Management's IBP process and the forecasting assumptions are updated for any new knowledge to ensure there is no change in the Company's liquidity outlook. This is linked in with the Management's monthly risk review and should the outlook change significantly with no mitigating actions the Company's liquidity risk rating on the risk register will be adjusted to reflect this and subsequently discussed at Board through the Audit Committee's quarterly risk register review.

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 period to 31 October 2023 and undertake more strategic, longer-term planning for growth and full recovery emerging from the pandemic.

Although work is still needed to improve underlying performance, recent H2 FY21 results has shown that adjusted EBITDA breakeven is achievable for Velocity. Future recovery will be made possible through a combination of existing contracts recovering to pre-COVID-19 run rates over the 3-to-5-year period, as well as new contracts being won from the significant pipeline of opportunities and targeted investment being made to support this. Cost improvement programmes and efficiency drives also continue on an ongoing basis through the Budgeting process. Should the current strategy prove ineffective or insufficient to recover the performance of the business, Management have contingency plans ready to implement should this become clear.

Alongside the forecasting and governance process, the Company has demonstrated robust cash flow management over the FY21 period through successfully reducing Inventory levels by £1m and navigating through right-sizing efforts to deliver a £1.6m reduction in administrative overheads.

Having due regard for these recent deliverables and latest projections, with available cash at 31 October 2021 of £3.5m, an undrawn invoice discount facility where we can borrow up to £3m dependent on debtor levels, access to an invoice discounting facility with one of our major customers, and continued confidence from our banks and shareholders in our strategy, it is the opinion of the Board that the Group has adequate resources to continue to trade as a going concern.

2. Accounting policies (continued)

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

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.

The Group generate revenue from the sale of structural and consumable materials for use within the aerospace industry. This is the sole revenue stream of the Group.

At contract inception (which is upon receipt of a purchase order from a customer), an assessment is completed to identify the performance obligations in each contract. Performance obligations in a contract are the goods that are distinct.

At contract inception, the transaction price is determined, being the amount that the Group expects to receive for transferring the promised goods – this is a fixed price with no variable consideration. The transaction price is allocated to the performance obligations in the contract based on their relative standalone selling prices – this reflects the agreed price as per purchase order for each product. The Group has determined that the contractually stated price represents the standalone selling price for each performance obligation.

Revenue from sale of goods is recognised when a performance obligation has been satisfied by transferring the promised product to the customer at a point in time, usually when legal title passes to the customer and the business has the right to payment, for example, on delivery. Standard payment terms are in place for each customer.

Inventory
Inventory is stated at the lower of costs incurred in bringing each product to its present location and condition compared to net realisable value as follows:

- Raw materials, consumables and goods for resale – purchase cost on a first-in/first-out basis.
- Work in progress and finished goods – costs of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on an estimated selling price less any further costs expected to be incurred for completion and disposal.

Expenditure
Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability relating to a past event and where the amount of the obligation can be reliably estimated. Goods or services supplied in a foreign currency are recognised at the exchange rate ruling at the time of accounting for this expenditure.

2. Accounting policies (continued)

Retirement Benefits: Defined contribution schemes
Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

Research and development expenditure
Research expenditure - Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development expenditure - An internally generated intangible asset arising from the Group's own development activity is recognised only if all of the following conditions are met:

- an asset is created that can be identified and is technically and commercially feasible;
- it is probable that the asset created will generate future economic benefits and the Group has available sufficient resources to complete the development and to subsequently sell and/or use the asset created; and
- the development cost of the asset can be measured reliably.

The amount recognised for development expenditure is the sum of all incurred expenditure from the date when the intangible asset first meets the recognition criteria listed above. This occurs when future sales are expected to flow from the work performed. Incurred expenditure largely relates to internal staff costs incurred by the Group.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and impairment.

Amortisation
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in the statement of total comprehensive income. The estimated useful lives are based on the average life of a project as follows:

Development costs	5 years

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. It is provided at the following methods and rates:

Land and buildings (right of use)	Over the term of the lease
Plant and machinery	15% straight line
Motor vehicles	25% straight line
Fixtures and fittings	15% straight line
Leasehold Improvements	Over the term of the lease

Exceptional items
Items which are both material and non-recurring are presented as exceptional items within the relevant income statement category. The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance.

Foreign currency translation
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('its functional currency'). The consolidated financial statements are presented in sterling, which Velocity Composites plc's functional and presentation currency.

2. Accounting policies (continued)

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates the transactions occur. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the Consolidated comprehensive statement of income.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency, on consolidation, as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates, and
- all resulting exchange differences are recognised immediately in the Consolidated comprehensive statement of income.

Impairment of non-financial assets
The carrying values of non-financial assets are reviewed for impairment when there is an indication that assets might be impaired, and at the end of each reporting period. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. the smallest grouping of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the income statement, except to the extent they reverse previous gains recognised in the statement of comprehensive income.

Financial Instruments
All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors encapsulating the normal day to day trading of the Group. The Group does not use derivative financial instruments such as forward currency contracts, or similar instruments. The Group does not issue or use financial instruments of a speculative nature.

Bank Borrowings
Interest-bearing loans are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges are recognised in the statement of comprehensive income over the term of the instrument using an effective rate of interest. Finance charges are accounted for on an accrual's basis to the statement of comprehensive income.

The Group has current borrowings of CBIL loans and can utilise its invoice discounting facility in support of its working capital requirements, however it was not utilised in the year.

Financial assets

The Group classifies its financial assets into the categories discussed below and based upon the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Trade and other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transactions costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

The Group's loans and receivables comprise trade and other receivables included within the statement of financial position.

2. Accounting policies (continued)

Cash and cash equivalents include cash held at bank, bank overdrafts and marketable securities of very short-term maturity (typically three months or less) which are not expected to deteriorate significantly in value until maturity. Bank overdrafts are shown within loans and borrowings in current liabilities in the statement of financial position.

Impairment provisions are recognised through the expected credit losses model (ECL). IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Trade and other payables

The Group classifies its financial liabilities as comprising trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share Capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

Share Premium

Share premium represents the excess of the issue price over the par value on shares issued less costs relating to the capital transaction arising on the issue.

Share-based payment

The Group operates an equity-settled share-based compensation plan in which the Group receives services from Directors and certain employees as consideration for share options. The fair value of the services is recognised as an expense over the vesting period, determined by reference to the fair value of the options granted.

Leased Assets

Leases

The Group makes the use of leasing arrangements principally for the buildings and motor vehicles. The rental contracts for offices are typically negotiated for terms of 5 and 10 years and some of these have extension terms. The Group does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions.

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Measurement and recognition
At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease.

2. Accounting policies (continued)

The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate property security. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

See the accounting policy on Property plant and equipment for the depreciation methods and useful lives for assets held under lease.

Government Grants
Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the group will comply with all attached conditions. Government grants relating to cost are deferred and recognised in the profit or loss by deducting from the related expense over the period necessary to match them with the costs that they are intended to compensate. Note, a government grant exists on the group's CBIL loans given they may be below a market interest rate – the impact of this has not been quantified on the grounds of materiality as there would be an equal and opposite finance charge, both recognised within the same financial statement line item.

Current taxation
The tax currently payable is based on the taxable profit of the period. Taxable profit differs from profit as reported in the Consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using rates that have been enacted or substantively enacted by the statement of financial position date.

R&D tax credit
R&D tax credits are recognised at the point when claims have been quantified relating to expenditure within current or previous periods and recovery of the asset is virtually certain, these tax credits relating to R&D are recognised within the tax on profit line of the income statement.

2. Accounting policies (continued)

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.
The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.
Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable Company; or different Company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the executive directors. The Chief Operating Decision Makers have been identified as the Chief Executive Officer and the Chief Financial Officer. The Group supplies a single type of product into a single industry and so has a single operating segment. Additional information is given regarding the revenue receivable based on geographical location of the customer.

No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial information.

Critical accounting estimates and judgements
The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical accounting estimates

Provisions for inventory
Provisions are made for obsolete, out of life and slow-moving stock items. In estimating the provisions, the group makes use of key management experience, precedents and specific contract and customer issues to assess the likelihood and quantity. Stock is accounted for on a first in, first out basis.

The provision percentage is applied to various ageing buckets dependent on stock type, this is a key estimate made by management based on judgement and if change is applied to the percentage for the aged stock, then the outcome of the value of the provision would differ.

Sensitivity analysis
A 5% increase in the levels of the current stock provision would lead to a finance impact of an increase in stock provision of £17k.

3. Financial instruments & Risk Management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Group reports in Sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Group does not use derivative financial instruments such as forward currency contracts, or similar instruments. The Group does not currently issue or use financial instruments of a speculative nature but as described in the strategic report, management may consider the potential utilisation of such instruments in the future. The Group utilises an invoice discounting facility with its bankers to assist in its cash flow management. In accordance with the terms of the current facility (which is available on demand) the risk and management of trade debtors is retained by the Group.

Financial instruments

Financial instruments by category	Group Year ended 31 October 2021 £'000	Company Year ended 31 October 2021 £'000	Group Year ended 31 October 2020 £'000	Company Year ended 31 October 2020 £'000
Current assets				
Trade and other receivables	1,902	1,902	2,205	2,205
Trade and other receivables – prepayments	260	293	259	285
	2,162	2,195	2,464	2,490
Cash and cash equivalents – loans and receivables	3,476	3,470	3,268	3,265
Total loans and receivables	5,638	5,665	5,732	5,755
Current liabilities				
Trade and other payables	921	921	919	919
Trade and other payables – accruals	137	137	585	580
	1,058	1,058	1,504	1,499
Loans	514	514	919	919
Obligations under lease liabilities	309	309	585	585
Total Current liabilities	1,881	1,881	3,008	3,003

For non-current liabilities please see note 17.

Risk management

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Board and their policies are outlined below.

a) Market risk

Foreign exchange risk

The Group is exposed to transaction foreign exchange risk in its operations both within the UK and overseas. Transactions are denominated in Sterling, US Dollars, Euros and Ringgits. The Group has commercial agreements in place which allow it to transact with its customers in the currency of the material purchase, thereby allowing currency risk to pass through the Group.

The carrying value of the Group's foreign currency denominated assets and liabilities comprise the trade receivables in Note 15, cash in Note 16 and trade payables in Note 17.

Whilst the majority of the Group's financial assets are held in Sterling, movements in the exchange rate of the US Dollar, Euro or Ringgit against Sterling do have an impact on both the result for the year and equity. he Group's assets and liabilities that are held in US Dollar, Euro or Ringgits are held in those currencies for normal trading activity in order to recover funds from customers or to pay funds to suppliers.

3. Financial instruments & Risk Management (continued)

The Groups exposure to foreign currency risk is as follows. This is based on the carrying amount of monetary financial instruments.

As at 31 October 2021

	US Dollar £'000	Euro £'000	Total £'000
Trade debtors	1,651	194	1,845
Cash and cash equivalents	993	1,035	2,028
Trade payables	(408)	(35)	(443)
Balance sheet exposure	**2,236**	**1,194**	**3,430**

As at 31 October 2020

	US Dollar £'000	Euro £'000	Total £'000
Trade debtors	1,484	244	1,728
Cash and cash equivalents	483	159	641
Trade payables	(253)	14	(239)
Balance sheet exposure	**1,714**	**417**	**2,130**

Sensitivity analysis

A 5% strengthening of the following currencies against the pound sterling at the balance sheet date would have decreased profit of loss by the amounts shown below. This Calculation assumes that the change occurred at the balance sheet date and had to be applied to risk exposures existing at that date.

	31 October 2021 £'000	31 October 2020 £'000
US dollar	(112)	(86)
Euro	(60)	(21)

This analysis assumes that all other variables, in particular other exchange rates and interest rates remain constant.

A 5% weakening of the above currencies against pound sterling in any period would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk
The Group carries borrowings from leases and CBIL loans. Therefore, with the exception of the invoice discounting facility which attracts an interest rate of 2.25%, the Directors consider that there is no significant interest rate risk.

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk, the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount.

Supply of products by the Group results in trade receivables which the management consider to be of low risk, other receivables are likewise considered to be low risk. However, four of the customers comprise in excess of 10% of the revenue earned by the Group (see Note 4). Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. The maximum exposure is the amount of the deposit.

3. Financial instruments & Risk Management (continued)

c) Liquidity risk

The Group currently holds cash balances in Sterling, US Dollars, Euros and Ringgits to provide funding for normal trading activity. Trade and other payables are monitored as part of normal management routine. The Group also has access to banking facilities including invoice finance which it utilises when needed in order to manage its liquidity risk.

2020	Within 1 year £'000	One to two years £'000	Two to five years £'000	Over five years £'000
Loan	500	1,500	-	-
Lease liability for right of use assets	480	317	899	-
Trade payables	487	-	-	-
Accruals	585	-	-	-
Other payables	15	-	-	-
Invoice discounting facility	-	-	-	-

2021	Within 1 year £'000	One to two years £'000	Two to five years £'000	Over five years £'000
Loan	541	536	1,462	-
Lease liability for right of use assets	378	292	1,181	-
Trade payables	639	-	-	-
Accruals	137	-	-	-
Other payables	14	-	-	-
Invoice discounting facility	-	-	-	-

The lease liability is shown exclusive of interest payments.

c) Capital risk management

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the Group. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other members. The Group will also seek to minimise the cost of capital and attempt to optimise the capital structure.

4. Segmental analysis

The Group supplies a single type of product into a single industry and so has a single reportable segment. 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 2021 £'000	Year ended 31 October 2020 £'000
Revenue		
United Kingdom	9,702	12,337
Europe	26	1,224
Rest of the World	39	-
	9,767	13,561

During the year four customers accounted for 95.0% of the Group's total revenue for the year ended 31 October 2021. This was split as follows; Customer A – 44.7% (2020: 43.6%), Customer B – 28.5% (2020: 27.2%), Customer C – 13.4% (2020: 12.9%) and Customer D – 8.51% (2020: 10.3%), please note customer D differs from the previous year customer D.

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 2021 and year ended 31 October 2020 as the site operates as an Engineering Support Office for the Group. The US subsidiary is currently dormant, and no revenue has been generated since the US subsidiary was incorporated.

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5. Loss from operations

The operating loss is stated after charging / (crediting):

	Year ended 31 October 2021 £'000	Year ended 31 October 2020 £'000
Staff costs (see Note 6)	2,854	4,336
Cost of inventories	6,335	9,745
Foreign exchange loss/(gain)	156	(39)
Amortisation of development costs	76	118
Impairment of development costs	-	72
Depreciation:		
Property, plant and equipment*	229	223
Right-of-use assets*	421	349
(Profit) on disposal of assets	(13)	-
Auditor's remuneration:		
Audit of the accounts of the Group	62	60
Other audit related services (relating to interim review)	12	19
Taxation compliance services	8	5
Other taxation advisory services	13	11

** a prior year adjustment has been made between property, plant and equipment and right-of-use asset please see note 30 for details.*

6. Group and Company Staff costs

	Year ended 31 October 2021 £'000	Year ended 31 October 2020 £'000
Wages, salaries and bonuses	2,435	3,747
Social security costs	240	346
Pension costs	89	123
Share-based payments	90	120
	2,854	4,336

During the year the company took advantage of the government furlough scheme, in the year to 31 October 2021 £152k (2020: £445k) was claimed in relation to this scheme, this benefit is not included in the above totals.
Staff costs net of furlough claims amounted to £2.7m during the financial year.

The average monthly number of employees during the period was as follows:

	Year ended 31 October 2021 Head count	Year ended 31 October 2020 Head count
Manufacturing	45	76
Administration	30	46
	75	122

Directors' costs

	Year ended 31 October 2021 £'000	Year ended 31 October 2020 £'000
Directors' remuneration included in staff costs:		
Wages, salaries and bonuses	333	297
Compensation for retirement from office	-	-
Pension costs	21	18
	354	315

Remuneration of the highest paid director:		
Wages, salaries and bonuses or fees	120	142
Pension	11	15
	131	157

None of the share options exercised in the year related to directors.

7. Exceptional administrative expenses

	Year ended 31 October 2021 £'000	Year ended 31 October 2020 £'000
Restructuring costs	-	341
	-	341

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

8. Finance income and expenses

	Year ended 31 October 2021 £'000	Year ended 31 October 2020 £'000
Finance expense		
Finance charge from lease liabilities	112	63
Other interest & invoice discounting charges	70	42
Finance Income	-	(7)
	182	98

9. Income tax

	Year ended 31 October 2021 £'000	Year ended 31 October 2020 £'000
Current tax (income)/expense		
UK corporation tax: in respect of prior years	(340)	(117)
	(340)	(117)
Total tax (income)/expense	**(340)**	**(117)**

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profit for the year as follows:

Tax rate	19.00%	19.00%
(Loss) for the year before tax	(1,546)	(3,131)
Expected tax credit based on corporation tax rate	(294)	(595)
Expenses not deductible for tax purposes	(12)	595
Adjustment in respect of prior years - R&D credits	(340)	(51)
Tax losses not recognised	306	-
Total tax (income)/expense	**(340)**	**(117)**

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will
increase to 25%. This rate was substantively enacted as at the 31 October 2021 Balance Sheet date. This has had no material impact on the financial statements. The UK corporation tax rate for the year ended 31 October 2021 is calculated at 19% (2020: 19%).

10. Loss per share

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Loss for the year	(1,206,000)	(3,130,000)
	Shares	Shares
Weighted average number of shares in issue	36,270,917	35,995,289
Weighted average number of share options	1,856,366	2,143,440
Weighted average number of shares (diluted)	38,127,283	38,138,729
Loss per share (£) (basic)	(£0.03)	(£0.08)
Loss per share (£) (diluted)	(£0.03)	(£0.08)

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

11. Intangible assets

Group and Company	Development Costs £'000	Group Total £'000
Cost		
At 31 October 2019	599	599
Additions	39	39
Disposal	-	-
At 31 October 2020	638	638
Additions	-	-
Disposal	-	-
At 31 October 2021	638	638
Amortisation		
At 31 October 2019	282	282
Charge for the year	118	118
Impairment	72	72
Disposal	-	-
At 31 October 2020	472	472
Charge for the year	76	76
At 31 October 2021	548	548
Net book value		
At 31 October 2019	317	317
At 31 October 2020	167	167
At 31 October 2021	90	90

Impairment
The Group reviews the Development costs at each reporting period for indicators of impairment. An indication of impairment can be generated from the loss of a customer, or contracted sales. The Board have provided an impairment of £Nil (2020 - £72,000) relating to development costs capitalised but where no future economic benefits are currently expected to be generated for the Group.

12. Property, plant and equipment

Group and Company	Leasehold Improvements £'000	Plant & machinery £'000	Motor vehicles £'000	Fixtures & Fittings £'000	Group Total £'000
Cost					
At 31 October 2019	198	1,920	141	349	2,608
Additions	372	569	-	51	992
Disposal	(3)	-	-	-	(3)
At 31 October 2020	567	2,489	141	400	3,597
Prior period adjustment	(76)	(645)	(70)	-	(791)
Balance at 31 October 2020 (revised)	491	1,844	71	400	2,806
Additions	-	47	-	17	64
Disposal	-	-	(48)	-	(48)
At 31 October 2021	491	1,891	23	417	2,822
Depreciation					
At 31 October 2019	46	1,233	92	176	1,547
Charge for the year	33	233	17	45	328
Disposal	-	-	-	-	-
At 31 October 2020	79	1,466	109	221	1,875
Prior period adjustment	(30)	(217)	(38)	-	(285)
Balance at 31 October 2020 (revised)	49	1,249	71	221	1,590
Charge for the year	50	136	-	43	229
Disposal	-	-	(48)	-	(48)
At 31 October 2021	99	1,385	23	264	1,771
Net book value					
At 31 October 2019	97	390	-	173	660
At 31 October 2020	488	1,023	32	179	1,722
Prior period adjustment	(46)	(428)	(32)	-	(506)
At 31 October 2020 (revised)	442	595	-	179	1,216
At 31 October 2021	392	506	-	153	1,051

** a prior year adjustment has been made between property, plant and equipment and right-of-use asset please see note 30 for details.*

13. Investment in subsidiaries

	Group 31 October 2021 £'000	Group 31 October 2020 £'000	Company 31 October 2021 £'000	Company 31 October 2020 £'000
Subsidiary undertakings	-	-	-	-
	-	-	-	-

A list of all the investment in subsidiaries is as follows:

Name of company	Registered office	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Directly owned					
Velocity Composites SDN. BHD	Pentagon Suite, ES-04, Level 3, Wisma Suria, Jalan Teknokrat 6, Cyber 5, 63000, Cyberjaya, Selangor	Malaysia	Ordinary	100%	Manufacturer of composite material products for the aerospace sector
Velocity Composites Aerospace, Inc.	Corporation Trust Center, 1209 N. Orange St, Wilmington, Delaware 19801	United States of America	Ordinary	100%	Manufacturer of composite material products for the aerospace sector

14. Inventories

	Group 31 October 2021 £'000	Group 31 October 2020 £'000	Company 31 October 2021 £'000	Company 31 October 2020 £'000
Raw materials & consumables	541	1,558	541	1,558
Finished goods	336	350	336	350
	877	1,908	877	1,908

Inventories totalling £877k (2020: £1,908k) are valued at the lower of cost and net realisable value. The Directors consider that this value represents the best estimate of the fair value of those inventories net of costs to sell. The release of inventories provision during the year amounted to £593k, in 2020 the release was not material.

The inventory at 31 October 2021 is after a stock provision of £264k (2020: £857k). The provision reflects the aged stock profile consistent with FY20, as well as specific provisions related to slow moving stock as a result of reduced demand.

Inventories recognised as an expense during the year ended 31 October 2021 amounted to £6,335k (2020: £9,745k), and these were included in cost of sales.

15. Trade and other receivables

	Group 31 October 2021 £'000	Group 31 October 2020 £'000	Company 31 October 2021 £'000	Company 31 October 2020 £'000
Trade receivables	1,883	1,954	1,883	1,954
Prepayments	260	259	259	257
Other receivables	19	251	19	250
Amounts due from subsidiary undertakings	-	-	34	29
	2,162	2,464	2,195	2,490

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 76 days (2020: 45 days) and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Details about the group's impairment policies and credit risk are provided in note 3.

Trade receivables overdue by:

	31 October 2021 £'000	31 October 2020 £'000
Not more than 3 months	13	249
More than 3 months but not more than 6 months	-	7
More than 6 months but not more than 1 year	-	5
More than 1 year	-	-
	13	261

The overall expected credit loss is trivial, (2020: trivial). There is no movement in allowance of impairment of trade receivables during each year.
Trade receivables held in currencies other than sterling are as follows:

	31 October 2021 £'000	31 October 2020 £'000
Euro	194	226
US Dollar	1,651	1395
	1,845	1,621

16. Cash and cash equivalents

	Group 31 October 2021 £'000	Group 31 October 2020 £'000	Company 31 October 2021 £'000	Company 31 October 2020 £'000
Cash at bank	3,476	3,268	3,470	3,265
	3,476	3,268	3,470	3,265

17. Trade and other payables

	Group 31 October 2021 £'000	Group 31 October 2020 £'000	Company 31 October 2021 £'000	Company 31 October 2020 £'000
Current				
Trade payables	639	487	639	486
Accruals	137	585	137	583
Other tax and social security	268	417	268	417
Other payables	14	15	14	13
	1,058	1,504	1,058	1,499

Book values approximate to fair values.

Bank Loan in the period

	Group 31 October 2021 £'000	Group 31 October 2020 £'000	Company 31 October 2021 £'000	Company 31 October 2020 £'000
Not later than one year	514	500	514	500
One to two years	536	1,500	536	1,500
Two to five years	1,462	-	1,462	-
	2,512	2,000	2,512	2,000

During the year the company took out a further Coronavirus Business Interruption Loan for £0.45m secured against owned non-current assets. This is to be paid over 5 years with the first payments due July 2021, the last payment date is June 2026. The loan is at interest free for the initial 12 months, followed by an interest rate of 11.1% per annum.

Another £0.45m loan was took out to settle remaining lease liabilities, of this £0.18m was received as cash once the finance liability on the financed assets had been settled this cash has been classified as a loan. This is to be paid over 5 years with the first payments due July 2021, the last payment date is June 2026. The loan is at interest free for the initial 12 months, followed by an interest rate of 11.1% per annum

During the previous year the company took out a Coronavirus Business Interruption Loan for £2.0m. On the 19 January 2021 the term of this loan was extended to 6 years, the first payments due August 2021, the last payment date is August 2026. The loan is at interest free for the initial 12 months, followed by an interest rate of 3.96%.

18. Grant income deferred

	Group 31 October 2021 £'000	Group 31 October 2020 £'000	Company 31 October 2021 £'000	Company 31 October 2020 £'000
Opening balance	-	-	-	-
Grant income amortisation	-	-	-	-
Closing balance	-	-	-	-

19. Leases

In the previous 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 buildings £'000	Plant and machinery £'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
Prior period adjustment	-	561	49	610
Balance at 31 October 2020 (revised)	1,364	561	58	1,983
Additions	414	-	61	475
Disposal	(137)	-	(9)	(146)
Balance at 31 October 2021	**1,641**	**561**	**110**	**2,312**
Depreciation and amortisation				
Balance as at 1 November 2019	-	-	-	-
Depreciation charge for the year	238	-	8	246
Balance at 31 October 2020	238	-	8	246
Prior period adjustment	-	86	17	103
Balance at 31 October 2020 (revised)	238	86	25	349
Depreciation charge for the year	298	104	19	421
Disposal	(137)	-	(9)	(146)
Balance at 31 October 2021	**399**	**190**	**35**	**624**
At 31 October 2020	1,126	475	33	1,634
At 31 October 2021	1,242	371	75	1,688

** a prior year adjustment has been made between property, plant and equipment and right-of-use asset please see note 30 for details.*

19. Leases (continued)

Upon initial measurement, 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.

Right-of-use lease liabilities

	£'000
At 1 November 2020	1,471
Repayment	(401)
Additions to right-of-use assets in exchange for increased lease liabilities	475
Other lease movements	4
At 31 October 2021	1,549

Analysis by length of liability	Land and buildings £'000	Plant and equipment £,000	Motor Vehicles £'000	Total £'000
Current	243	50	16	309
Non-current	1,000	206	34	1,240
Total	**1,243**	**256**	**50**	**1,549**
Number of right-to-use assets leased	5	5	2	
Range of remaining term	1-10yrs	1-10 yrs	1-4 yrs	

Lease Liabilities
Lease liabilities are presented in the consolidated statement of financial position as follows:

	Minimum lease payments	Interest	Present value
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
	1,696	225	1,471
31 October 2021			
Not later than one year	378	69	309
Later than one year and not later than two years	292	67	225
Later than two years and not later than five years	1,181	166	1,015
	1,851	302	1,549

19. Leases (continued)

Low value leases

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

Group	31 October 2021 £'000	31 October 2020 £'000
Motor vehicles		
Not later than one year	-	-
Later than one year and not later than two years	-	-
	-	-
Property, plant and equipment		
Not later than one year	4	23
Later than one year and not later than two years	-	4
Later than two years and not later than five years	-	-
Later than five years	-	-
	4	27

Company	31 October 2021 £'000	31 October 2020 £'000
Motor vehicles		
Not later than one year	-	-
Later than one year and not later than two years	-	-
	-	-
Property, plant and equipment		
Not later than one year	4	23
Later than one year and not later than two years	-	4
Later than two years and not later than five years	-	-
Later than five years	-	-
	4	27

Low value leases not classed as right of use assets due to the minimal value of the lease, 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. Payments made under such leases are expensed on a straight-line basis.

20. Deferred Tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rates appropriate for the period. The movement on the deferred tax account is as shown below:

The movement on the unrecognised deferred tax (asset)/liability is shown below:

Group and Company	31 October 2021 £'000	31 October 2020 £'000
Corporation tax losses brought forward	(534)	(534)
Corporation tax losses not recognised in the year	(306)	-
Closing tax not recognised (asset)	(840)	(534)

The Group has unused tax losses which were incurred by the holding company. A deferred tax asset of £840,000 (2020: £534,000 – this figure has been updated following the finalisation of the FY20 corporation tax computations) is not recognised in these accounts. Corporation tax losses can be carried forward indefinitely and can be offset against future profits which are subject to UK corporation tax.

21. Reconciliation of liabilities arising from financing activities

Group and Company	Long-term borrowings £'000	Short-term borrowings £'000	Long-term Lease Liabilities £'000	Total £'000
At 31 October 2019	-	4	290	294
Cash flows				
Repayment	-	-	(402)	(402)
Proceeds	2,000	-	-	2,000
Non-cash				
Foreign exchange differences	-	(4)	-	(4)
Reclassification Right of Use	-	-	1,583	1,583
Transfer from Long-term to short term borrowings	(500)	911	(411)	-
At 31 October 2020	1,500	911	1,060	3,471
Cash flows				
Repayment	(119)	-	(400)	(519)
Proceeds	634	-	-	634
Non-cash				
Foreign exchange differences	-	-	-	-
Additional lease liabilities			475	475
Transfer from Long-term to short term borrowings	(17)	(88)	105	-
As 31 October 2021	**1,998**	**823**	**1,240**	**4,061**

We have amended prior year presentation to provide more detailed information. Lease liabilities have been split from long and short-term borrowings; the overall closing balances have not changed.

22. Share capital

	31 October 2021 £	31 October 2020 £
Share capital issued and fully paid		
36,303,064 Ordinary shares of £0.0025 each	90,758	90,569

Ordinary shares have a par value of 0.25p . 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 note 23.

Movements in share capital	**Nominal value £**	**Number of shares**
Ordinary shares of £0.0025 each		
At the beginning of the year	90,569	36,227,459
Exercising of share options	189	75,605
Closing share capital at 31 October 2021	90,758	36,303,064

On 12/02/2021, the Company issued 38,605 new ordinary shares of £0.0025 each to satisfy the exercise of options granted under the Group's 2017 Share Option Scheme.
On the 28/05/2021, the company issued a further 37,000 new ordinary shares of £0.0025 each to satisfy the exercise of options granted under the Group's 2017 Share Option Scheme.

23. Share-based payment

The Group's employees are granted option awards under the Velocity Composites Limited Enterprise Management Incentive and Unapproved Scheme.

The share options dated 13 March & 17 October 2017 have no attached performance conditions and vest subject only to continued employment. All options under these arrangements were vested during the financial year. The options may be exercised at any point up to the 10th Anniversary of the grant date.

The 225,000 share options dated 29 October 2019 have no attached performance conditions and vest subject only to continued employment. They vest after 3 years, or earlier if a vesting event occurs as defined in the rules of the Scheme.

The 1,480,000 share options dated 29 October 2019 have attached performance conditions linked to adjusted EBITDA. They vest after two years, or earlier if a vesting event occurs in the rules of the Scheme. The options may be exercised at any point up to the 10th Anniversary grant date. During the year 765,000 of these share options lapsed due to people leaving the businesses and the performance criteria not being met.

The 615,065 shares options dated 30 October 2020 have no attached performance conditions and vest subject only to continued employment. They vest after 5 years, or earlier if a vesting event occurs as defined in the rules of the Scheme.

During the year ended 31 October 2021, share options were granted as follows:
278,805 shares options dated 01/04/2021 have no attached performance conditions and vest subject only to continued employment. They vest after 5 years, or earlier if a vesting event occurs as defined in the rules of the Scheme.

23. Share-based payment *(continued)*

Vesting events are defined within the rules of the Scheme as a reorganisation, takeover, sale, listing (except on AIM), asset sales or death of the Option holder.

The Group recognised a cost of £90,000 (2020 – £120,000) relating to share-based payment transactions which are all equity settled, an equivalent amount being transferred to share-based payment reserve. This reflects the fair value of the options, which has been derived through use of the Black-Scholes model.

There were no cancellations or modifications to the awards in the period.

The following options were outstanding as at 31 October 2021:

Scheme and grant date	Exercise price £	Vesting date	Expiry date	Vested	Not vested	Total
13 March 2017	0.0025	13 Mar 2019	13 Mar 2027	507,525	171,281	603,201
17 October 2017	0.6926	17 Oct 2019	17 Oct 2027	-	35,000	35,000
29 October 2019	0.2065	29 Oct 2022	29 Oct 2031	-	225,000	225,000
29 October 2019	0.2065	29 Oct 2021	29 Oct 2031	-	1,480,000	1,480,000
30 October 2020	0.2065	01 Nov 2021	1 Nov 2026	-	615,065	615,065
01 April 2021	0.025	01 Apr 2021	01 Apr 2026	-	28,805	28,805
01 April 2021	0.13	01 Apr 2021	01 Apr 2026	-	125,000	125,000
01 April 2021	0.158	01 Apr 2021	01 Apr 2026	-	125,000	125,000
				507,525	2,729,546	3,237,071

The cost of share-based payments is included in "Administrative expenses" within the Statement of total comprehensive income. The share-based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

Movement in share options

Scheme and grant date	As at 30 Nov 2020	Issued	Expired	Exercised	Vested	As at 31 Oct 2021
1 January 2017	264,178	-	-	-	-	264,178
13 March 2017	95,889	-	-	-	(40,638)	55,251
17 October 2017	21,804	-	-	-	-	21,804
29 October 2019	108,000	2,826	(30,667)	-	-	80,159
30 October 2020	-	96,651	-	-	-	96,651
01 April 2021	-	7,370	-	-	-	7,370
01 April 2021	-	6,910	-	-	-	6,910
01 April 2021	-	6,910	-	-	-	6,910
	489,871	120,667	(30,667)	-	(40,638)	539,233

24. Related party transactions

Balances and transactions between the Company and its subsidiary, which are related parties, have been eliminated on consolidation. However, the key transactions with the Company are disclosed as follows:

Compensation of senior management personnel outside of Director's emoluments paid:

	31 October 2021 £'000	31 October 2020 £'000
Short term employment benefits	-	92
	-	92

No transactions took place with related parties (purchases or dividends)/sales in the current or prior year.

The Group has previously engaged IN4.0 Access Limited, which provides consulting services. One of the directors of IN4.0 Access Limited is a director of Velocity Composites Plc. The Group paid £nil (£nil – 2020) to IN4.0 Access Limited during the year and had £nil outstanding at the year end.

The following balances existed at periods end with related parties (payable)/receivable:

	31 October 2021 £'000	31 October 2020 £'000
Related parties	-	-

25. 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.

26. Capital commitments

At 31 October 2021 the Group had £nil (2020: £nil) of capital commitments relating to the purchase of leasehold improvements, plant and machinery and fixture and fittings.

27. Pension commitments

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £89,337 (2020: £131,761) were charged to the Consolidated Income statement. Contributions outstanding at 31 October 2021 were £13,557 (2020: £22,142).

28. Contingent liabilities

At 31 October 2021 the Group had in place bank guarantees of £nil (2020: £nil) in respect of supplier trade accounts.

29. 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. Share based payments are added back to make the share based payment charge clear to stakeholders.

29. Adjusted EBITDA (continued)

Adjusted EBITDA **Reconciliation from Operating Profit**	**31 October 2021** £'000	**31 October 2020** £'000
Operating Loss	(1,364)	(3,149)
Add back:		
Share-based payments	90	120
Depreciation of Property, plant and equipment*	229	224
Amortisation	76	117
Impairment of Intangible assets	-	72
Depreciation of Right of Use assets under IFRS 16*	421	350
Exceptional Administrative costs	-	341
	(548)	(1,925)

** a prior year adjustment has been made between property, plant and equipment and right-of-use asset please see note 30 for details.*

30. Prior year adjustment

During the period the group and company reclassified balances relating to leased assets that were incorrectly presented within property, plant and equipment rather than right of use assets. This arose due to an oversight and finance leases were omitted when adopting IFRS 16. The adjustment had no impact on opening retaining earnings. Details of the adjustment can be found below.

Group and company statement of financial position	**Original presented** £'000	**Revised presented** £'000	**Adjustment** £'000
Property plant and equipment	3,597	2,806	(791)
Depreciation of Property, plant and equipment	(1,875)	(1,590)	285
Right of use assets	1,373	1,983	610
Depreciation Right of use assets	(246)	(350)	(104)
	2,849	2,849	-

Group and company income statement	**Original presented** £'000	**Revised presented** £'000	**Adjustment** £'000
Depreciation	327	223	(104)
Depreciation of Right to Use assets under IFRS 16	246	350	104
	573	573	-

Group and company statement of cashflows	**Original presented** £'000	**Revised presented** £'000	**Adjustment** £'000
Depreciation	327	223	(104)
Depreciation of Right to Use assets under IFRS 16	246	350	104
Purchase of plant and equipment from investing activities	(991)	(782)	209
Lease liabilities proceeds from financing activities	209	-	(209)
	(209)	(209)	-

The FY20 group and company cash flow statement included a cash inflow and associated cash outflow relating to the acquisition of leased assets. This was an error as no cash was received as part of these transactions. This was identified during the current period and has resulted in an adjustment to the prior year cash flow statement of £209,000 as can be seen above.

Advisors

Company registration number:	06389233	
Company Secretary and Registered office:	Chris Williams (appointed 1 June 2021) AMS Technology Park Billington Road Burnley Lancashire BB11 5UB	
Nominated advisor and broker	Cenkos Securities Plc 6-8 Tokenhouse Yard London EC2R 7AS	
Bankers:	National Westminster Bank 1 Hardman Boulevard Manchester M3 3AQ	Royal Bank of Scotland 1 Hardman Boulevard Manchester M3 3AQ
Legal Advisors	DWF LLP 1 Scott Place 2 Hardman Street Manchester M3 3AA	Fieldfisher Manchester Free Trade Exchange, Level 5, 37 Peter Street Manchester M2 5GB
Independent Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor St Peter's Square 1 Oxford Street Manchester M1 4PB	
Registrars	Equiniti Aspect House Spencer Road Lancing Business Park West Sussex BN99 6DA	
Financial PR	SEC Newgate Sky Light City Tower 50 Basinghall Street London EC2V 5DE	

Notice of AGM

Notice is hereby given that the 2022 Annual General Meeting of Velocity Composites plc (the "Company") will be held at the offices of AMS Technology Park, Billington Rd, Burnley BB11 5UB on 1 March 2022 at 10:00am to consider, and if thought fit, pass the following resolutions. Resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions.

COVID-19 and AGM proceedings

We are very keen to welcome shareholders in person to our 2022 Annual General Meeting this year, particularly given the constraints we all faced in 2021 due to the COVID-19 pandemic. Therefore, we will welcome the maximum number of shareholders we are able to within safety constraints and in accordance with the latest government guidelines. However, it should be noted that given the constantly evolving nature of the situation we want to ensure that we are able to adapt these arrangements efficiently to respond to changes in circumstances. On this basis, should the situation change such that we consider that it is no longer possible for shareholders to attend a face to face meeting, we will announce any changes to the meeting (such as timing or venue) as soon as practicably possible. Any changes to the Annual General Meeting will be made available on the Company's website at www.velocity-composites.com and by means of the Regulatory Information Service.

We wish to ensure that we are able to adapt our arrangements appropriately in response to changes in government guidelines. On this basis, should circumstances change such that we consider that it is no longer possible for shareholders to attend the meeting, we will hold the Annual General Meeting with the minimum number of persons in attendance as is legally required to form a quorate meeting and this will be achieved through the attendance of employee shareholders. No business will be considered at the Annual General Meeting other than the resolutions dealt with in this Notice.

In light of this uncertainty, we strongly encourage shareholders to submit a proxy vote in advance of the Annual General Meeting and to appoint the Chairman of the meeting as their proxy, rather than a named person who may not be able to attend the meeting if circumstances change. Further details on how to do this are set out on page 90 onwards.

If the chairman of the Annual General Meeting is appointed as proxy, he will vote in accordance with any instructions given to them. If the chairman of the Annual General Meeting is given discretion as to how to vote, he or she will vote in favour of each of the resolutions to be proposed at the Annual General Meeting. We are proposing to put all resolutions at the Annual General Meeting by the way of a poll rather than a show of hands. This will allow the votes of all shareholders to be counted.

Please note that as there is a possibility shareholders may not be able to attend this year's Annual General Meeting, if there is a change in COVID-19 government guidelines, the Company is proposing to also allow shareholders the opportunity to raise any issues or concerns arising from the business proposed to be conducted at the meeting. Appropriate questions on the business of the meeting should be emailed to ir@velocity-composites.com before 6:30pm on 25 February 2022 and responses will be posted on the Company's website, www.velocity-composites.com on the morning of the Annual General Meeting. The Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

In order to ensure a more accurate reflection of the views of shareholders and ensure that your proxy votes are recognised, voting on all resolutions to be proposed at the Annual General Meeting will be by way of a poll as permitted by the Company's Articles of Association. Resolutions 1 to 7 are proposed as ordinary resolutions. An ordinary resolution will be passed on a poll if it is passed by shareholders representing a simple majority of the total voting rights of shareholders who (being entitled to do so) vote at the Annual General Meeting. Resolutions 8 and 9 are proposed as special resolutions. A special resolution will be passed on a poll if it is passed by a majority of shareholders representing not less than 75% of the total voting rights of shareholders who (being entitled to do so) vote at the Annual General Meeting.

There will be no form of broadcast, website, videoconference or dial in for the Annual General Meeting for all shareholders due to complexity and cost.

Ordinary business

Ordinary resolutions

1. To receive and adopt the Annual Report and Accounts of the Company for the period ended 31 October 2021 and the reports of the directors and independent auditors thereon.
2. To approve the Directors' Remuneration Report contained within the Company's Annual Report and Accounts for the period ended 31 October 2021.
3. To re-appoint as a director Christopher Williams who retires from office in accordance with the Company's Articles of Association and offers himself for re-appointment.
4. To re-appoint as a director Jonathan Karl Bridges who retires from office in accordance with the Company's Articles of Association and offers himself for re-appointment.
5. To re-appoint as a non-executive director Andrew Michael Beaden who retires from office in accordance with the Company's Articles of Association and offers himself for re-appointment.
6. To re-appoint as a non-executive director Robert Murray Soen who retires from office in accordance with the Company's Articles of Association and offers himself for re-appointment.
7. To re-appoint Grant Thornton UK LLP as independent auditors of the Company, from the conclusion of this Annual General Meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors to determine the auditors' remuneration.

Special business

Ordinary resolutions

8. To resolve that the directors be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares

   8.1 up to a maximum nominal amount (within the meaning of Section 551(3) and (6) of the Act) of £30,252.55 (such amount to be reduced by the nominal amount allotted or granted under paragraph 8.2 below in excess of such amount); and

8.2 comprising equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount (within the meaning of Section 551(3) and (6) of the Act) of £60,505.10 (such amount to be reduced by any allotments or grants made under 8.1 above) in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

these authorisations to expire at the conclusion of the next Annual General Meeting of the Company (or if earlier on 1 June 2023), unless previously revoked or varied by the Company (save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry, and the directors may allot shares, or grant rights to subscribe for or to convert any security into shares in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired).

Special resolution

9. To resolve that, subject to the passing of resolution 8 set out above, the directors be and are hereby given power pursuant to Sections 570(1) and 573 of the Act to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authorisation conferred by that resolution and/or to sell ordinary shares held by the Company as treasury shares, as if Section 561 of the Act did not apply to any such allotment or sale, provided that such authority be limited:

9.1 to the allotment of equity securities for cash in connection with or pursuant to an offer of, or invitation to acquire, equity securities (but in the case of the authorisation granted under resolution 8.2 above, by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the directors may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

9.2 to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 9.1 above) up to an aggregate nominal amount of £9,757.66,

such authority to expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on 1 June 2023), unless previously revoked or varied by the Company (save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired).

10. To authorise the Company generally and unconditionally for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of any of the ordinary shares in the capital of the Company on such terms and in such manner as the directors may from time to time determine, such shares to be either held as treasury shares or cancelled as the board may determine, provided that:

    10.1 the maximum aggregate number of shares that may be purchased is 3,630,306;

    10.2 the minimum price that may be paid for each ordinary share is the nominal amount of such share which amount shall be exclusive of expenses, if any;

    10.3 the maximum price (exclusive of expenses) which may be paid for each ordinary share is an amount equal to the higher of:

        10.3.1 105 per cent of the average of the middle market quotations for the ordinary shares of the Company (as derived from the AIM Appendix to the Daily Official List of London Stock Exchange plc) for the five business days immediately preceding the day on which such share is contracted to be purchased; and

        10.3.2 the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange as stipulated by the Commission-adopted Regulatory Technical Standards pursuant to article 5(6) of the Market Abuse Regulation;

    10.4 the Company may, before this authority expires, make a contract to purchase ordinary shares that would or might be executed wholly or partly after the expiry of this authority, and may make purchases of ordinary shares pursuant to it as if this authority had not expired; and

    10.5 unless previously renewed, revoked or varied, this authority shall expire on 1 June 2023, or if earlier, at the conclusion of the next Annual General Meeting of the Company.

By order of the Board

Christopher Williams
Company Secretary
23 January 2022

Registered Office: AMS Technology Park, Billington Road, Burnley, Lancashire, BB11 5UB

Registered in England and Wales No. 06389233

Notes to the AGM

1. Only those shareholders registered in the Company's register of members at: 6.30pm on Friday 25 February 2022; or if this meeting is adjourned, at 6.30pm on the day two days prior to the adjourned meeting (excluding non-business days) shall be entitled to vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. Any member wishing to vote at the meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so. You may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a shareholder of the Company. To appoint more than one proxy, please return a separate form in relation to each proxy to the Company's registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, clearly indicating next to the name of each proxy the number and class of shares in respect of which he is appointed. Failure to specify the number of shares to which each proxy appointment relates or specifying a number in excess of those held by the shareholder will result in the proxy appointment being invalid. If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.

3. A form of proxy accompanies this notice and the notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. You are advised to read the terms and conditions of use carefully.

4. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by using the procedures described in the CREST manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

6. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Equiniti Limited (ID: RA19) not later than 48 hours before the time fixed for the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed notice clearly stating your intention to revoke your proxy appointment to the Company's registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, by no later than 10.00am on Friday 25 February 2022. In the case of a member that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or a duly appointed attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Equiniti Limited no later than 10.00am on Friday 25 February 2022. If you attempt to revoke your proxy appointment but the revocation is received after the time specified, then your proxy appointment will remain valid.

8. As at 6.30pm on 21 January 2022 (the latest practicable date prior to the printing of this notice) (i) the Company's issued share capital consisted of 36,303,064 ordinary shares, carrying one vote each, and (ii) the total voting rights in the Company were 36,303,064. The Company's website will include information on the number of shares and voting rights.

9. Please note that as shareholders may not be able to attend this year's Annual General Meeting, the Company is proposing to allow shareholders the opportunity to raise any issues or concerns arising from the business proposed to be conducted at the meeting. Appropriate questions on the business of the meeting should be emailed to ir@velocity-composites.com before 6.30pm on 25 February 2022 and responses will be posted on the Company's website, www.velocity-composites.com on the morning of the Annual General Meeting. The Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

10. The register of directors' interests in the shares of the Company and copies of the directors' service contracts and letters of appointment, other than those expiring or determinable without payment of compensation within one year, are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the Annual General Meeting, subject to restrictions in place for COVID-19 safety in accordance with UK Government guidelines, and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting, subject to restrictions in place for COVID-19 safety in accordance with UK Government guidelines.

11. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company by 6.30pm on Friday 25 February 2022 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

12. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

13. There are set out below notes to the resolutions to be passed at the Annual General Meeting. If you require further guidance you should contact your solicitor or financial adviser.

Explanatory Notes to the Resolutions to be proposed at the Annual General Meeting

Resolution 1

Report and accounts

The directors will present the audited financial statements of the Company for the period ended 31 October 2021 together with the directors' report and the auditor's report on those financial statements.

Resolution 2

Remuneration report

The directors will present the remuneration report for the period ended 31 October 2021 for approval. This vote is not mandatory but is considered best practice.

Resolutions 3 to 6 inclusive

Re-election of directors

Under the Articles of Association of the Company, all directors appointed by the Board after the first annual general meeting shall retire at the annual general meeting following appointment and shall then be eligible for re-election and at least one third of the total number of directors shall retire at the annual general meeting and shall then be eligible for re-election. Brief biographical details of each of the directors can be found in the Annual Report and Accounts and on the Company's website www.velocity-composites.com.

Resolution 7

Re-appointment of auditors and fixing of auditors' remuneration

At every Annual General Meeting at which accounts are laid before shareholders, the Company is required to appoint an auditor to hold office from the end of the meeting until the next such meeting. This Resolution 7 proposes that Grant Thornton UK LLP be re-appointed as the Company's auditors to hold office until the next Annual General Meeting and that the directors be authorised to set their remuneration.

Resolution 8

General authority to allot new shares

Resolution 8, if passed, will grant authority for the directors to issue new shares within the best practice limits set by The Investment Association. The authority set out in paragraph 8.1 would permit allotments of new shares up to approximately one-third of the current issued share capital. The authority set out in paragraph 8.2 would permit allotments of new shares up to approximately two-thirds of the current issued share capital but would apply only in the case of an allotment of shares made pursuant to a rights issue (pre-emptive offer). The power granted by this resolution will expire on the conclusion of next year's Annual General Meeting or, if earlier, on 1 June 2023.

Resolution 9

General disapplication of pre-emption rights

Resolution 9, which is proposed as a special resolution, will, if passed, give the directors power, pursuant to the authority to allot granted by resolution 8, to allot equity securities (as defined by section 560 of the Act) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings: (a) in relation to pre-emptive offers and offers to holders of other equity securities if required by the rights of those securities or as the directors otherwise consider necessary, up to a maximum nominal amount of £30,252.55 which represents approximately one-third of the current issued share capital (excluding treasury shares) as at 21 January 2022 (being the latest practicable date prior to the publication of this notice) and, in relation to rights issues only, up to a maximum additional amount of £60,505.1] which represents approximately two thirds of the current issued share capital (excluding treasury shares) as at 21 January 2022 (being the latest practicable date prior to the publication of this notice); and (b) in any other case, up to a maximum nominal amount of £9,056.85 which represents approximately 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 21 January 2022 (being the latest practicable date prior to the publication of this notice).

The power granted by this resolution will expire on the conclusion of the next Annual General Meeting of the Company (or, if earlier, on 1 June 2023). The directors have no present intention to exercise the authority conferred by this resolution.

Resolution 10

Resolution 10, which is proposed as a special resolution will give the Company authority to purchase its own shares in the market up to a limit of approximately 10% of its issued ordinary share capital (excluding treasury shares) at 21 January 2022, being the latest practicable date prior to the publication of this notice. The maximum and minimum prices are stated in the resolution. Whilst they do not currently have any intention to utilise this authority the directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. The directors will exercise this authority only if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally.

In the event that shares are purchased, they would either be cancelled (and the number of shares in issue would be reduced accordingly) or, in accordance with the Companies Act 2006, be retained as treasury shares. The Company may consider holding repurchased shares pursuant to the authority conferred by this resolution as treasury shares. This gives the Company the ability to transfer treasury shares quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base.

Velocity Composites Plc
AMS Technology Park
Billington Road
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Lancashire
BB11 5UB

www.velocity-composites.com

Registered No: 06389233