Financial Statements

For the year ended 31 October 2017

velocity composites plc

Registered number: 06389233

Company Information

Registered number	06389233
Registered office	AMS Technology Park Billington Road Burnley Lancashire BB11 5UB
Directors	Jonathan Karl Bridges Mark Richard Mills Peter Graham Turner Alan Mark Kershaw Christopher Banks (resigned 21 April 2017) Gerard Antony Johnson (resigned 21 April 2017) Darren James Ingram (resigned 21 April 2017)
Secretary	Alan Mark Kershaw
Bankers	National Westminster Bank 1 Spinningfields Square Manchester M3 3AP Royal Bank of Scotland 1 Hardman Boulevard Manchester M3 3AQ
Solicitors	DWF LLP 1 Scott Place 2 Hardman Street Manchester M3 3AA
Independent Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 4 Hardman Square Spinningfields Manchester M3 3EB

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Velocity Composites Plc - Financial statements for the year ended 31 October 2017

Chairman's Statement

I am pleased to report that our results for the year ending 31st October 2017 are in line with expectations and ahead of the same period last year.

The transition from private ownership to a publicly listed company listed on the Alternative Investment Market (AIM) of the London Stock Exchange, including the raising of net cash proceeds of £9.2m by the issue of new shares in order to replicate the business model outside of the UK, has offered both challenges and opportunities to the business, with customers and suppliers becoming understanding of our position and responsibilities to a wider shareholder group. Many negotiations and discussions are ongoing with a wide range of customers who are becoming more familiar with Velocity's service offering as a result of the publicity generated around and since the flotation.

The company's strategy of targeting customers where Velocity can generate savings in material and labour costs alongside other tangible benefits to aerospace parts' manufacturers provides strong contractual visibility of future potential revenue.

Financial Highlights

The revenue outturn for the twelve months ending 31st October 2017 is £21.4m (2016: £14.6m) representing an increase of 46% and gross profit of £3.9m (2016: £3.5m). Gross profit in the period was affected by customers who were onboarded but who initiated subsequent changes, slowing their contracted programmes from reaching full rates as soon as expected. Subsequently rate increases have occurred which gives us confidence for the future and we have refined the financial evaluation of our "learner curve" going forward. Loss before tax is £0.6m (2016 £0.4m) and EPS has fallen slightly to £(0.02) (2016 £(0.01)), reflecting the investment into the Company in preparation for the Initial Public Offering ("IPO") and for the opening of our second site in Fareham, Hampshire (UK).

Significant costs were incurred during the IPO process in May 2017 which raised net cash proceeds of £9.2m and within these proceeds £0.4m has been used in the period on developing the business in new areas. As expected, the time taken to identify and secure new business is considerable but worth the effort as contracts tend to be for multiple years and across multiple aircraft platforms.

Taking the above capital transaction into account, the impact of non-recurring share-based payments and the subsequent expenditure on developments both in the UK and overseas, the Company trading can be more fairly reflected by an Adjusted Profit before tax of £0.7m (2016 £(0.4m), and Adjusted EPS of £0.02 (2016 £(0.01)) (see Note 28).

To that end, the amount of activity with customers and engagement with them keep the Board confident that Velocity can achieve its growth ambitions whilst saving customers material, cost and time. Whilst the company's transition from private ownership to a publicly listed company on the London Stock Exchange has only relatively recently taken place, the credibility and authority is already being felt amongst our team, customers and suppliers with additional opportunities presenting themselves which are under careful consideration.

Market

Undoubtedly, it has been a year of evolution in the aerospace market which culminated in Airbus's acquisition of Bombardier's C-Series following the announcement by the USA of import duties on Bombardier aircraft. In recent weeks, Emirates' selection of Boeing for 40 new 787 Dreamliner aircraft was unexpected and Emirates have announced the purchase of a further 36 A380 aircraft from Airbus. The Rolls Royce Trent 700 engine has also been subject to volume reductions which have affected some of our customers, but we expect this demand reduction to be reversed in one way or another during the next financial year. BAE Systems have also secured an order for 24 Typhoon aircraft from Qatar worth £5bn.

Airbus and Boeing both continue to have significant backlogs of civil aircraft orders and Velocity's model helps manufacturers to meet rates more quickly. Lockheed Martin, responsible for the F-35 military aircraft reported increased demand from the US government stating that it would buy over 2,400 F-35 jets.

Business Model

The market for Velocity's products and services remains strong and the company is using the flotation proceeds in accordance with its business plan as outlined during the listing process and expects to expand its facilities, to incorporate a Research and Development Centre and add additional satellite facilities in close proximity to new customers as new contracts are signed. It is important to note that Velocity's business model only commits the company to the opening of a new site once a customer contract of import has been agreed and only where latent demand for more efficient composite kit provision can be contracted on an aircraft platform which is growing in terms of build rates.

Board and People

The Board is committed to operating to high standards of corporate governance, as we believe that doing so will contribute to the delivery of long term shareholder value. The aerospace market also requires the Company to operate on a Right First Time Every Time basis and our status as a listed company 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

We further strengthened the team in the period with the appointment of Matthew Archer and Fred Hinnekens who joined us respectively from GKN, one of our key customers, and Solvay Cytec, one of our key suppliers. I always take this opportunity to thank the whole Velocity team for their efforts during the period and on this occasion, I would like to underline the Board's gratitude to the whole team for their efforts in a busy and transitional year. I look forward to working with the team as we continue to grow the business and provide opportunities for new and more challenging roles in the business.

Outlook

We have excellent and committed staff, a high-quality client base, operate on growing aircraft platforms within the growing composites market and with our clear focus on growth and with our supportive shareholder base, the Board looks to the future with confidence.

Mark Mills
Chairman
22 January 2018

Chief Executive Officer's Report

Overview

I am delighted to report our first published full year results as a listed company for the year ending 31 October 2017. The period has continued to be a transformational time for the Company, including the latest five months as a public company following the successful IPO in May 2017. We continued to successfully execute our growth strategy building on the opening of our second manufacturing facility in Fareham, Hampshire (UK) to deliver new contract wins with both existing and new customers as we transition from a single site private company to a multi-site, multi-region public company.

We continue to see strong demand for our services as the aerospace composites industry enters a clear "make more-for-less" period, and our customers look for new ways to reduce the cost of manufacture, both in the supply chain and in their own manufacturing areas.

Strategy

At Velocity, we use our industry knowledge, business processes and proprietary software to reduce the amount of raw material and process time needed by our customers to manufacture composite parts, whilst at the same time allowing our customers to outsource a significant area of non-value added activity from their business. This in turn makes the supply chain more efficient and less expensive for our customers within the aerospace composites industry and allows them to focus on their core business of manufacturing, testing and assembling composite structures. This subsequently enables aircraft manufacturers to reduce costs and increase production rates, allowing our customers to more readily meet the significant increases in aircraft build rates.

Our strategic growth plans involve identification of key aerospace manufacturing clusters where we believe we can replicate our business model. Engagement with these potential customers then enables a long term engagement plan to be agreed, with Velocity able to assess where its strategic manufacturing facilities should be located.

Since the IPO a large number of potential customers have been visited both in Europe and further afield and long term plans are being agreed, with a supporting Velocity site roll-out plan as each engagement develops in each cluster. In addition to the work in Europe, IPO funds have also been used to engage with local partners in both North America and Asia in order to identify potential customers and clusters in these regions.

Operational review

Trading review

Trading has been in line with management expectations and revenue has increased by 46% from the last financial year as new programmes and new facilities begin to deliver revenue to the business. The increased costs experienced in the previous year due to exchange rate variance have been significantly reduced following the implementation of updated commercial arrangements with customers, although the additional costs relating to customer changes, the listing on AIM and the international expansion opportunities affected our reported profit figures.

Opening of our Fareham facility

We started the period predominantly serving regional UK customers in North West England and had identified a number of key aerospace manufacturing customers in the south of England where we could replicate our business model, capitalising on growth in the aerospace composites sector. This resulted in key customer wins and the opening of our facility in Fareham.

Velocity acquired a new site in September 2016 in Fareham to service these additional customers within Southern England and also to offer its services to mainland northern Europe. The 10,000 sq ft facility is a replica of the Company's facility in Burnley and has the capability of manufacturing all types of aerospace kits under composite cleanroom conditions, whilst engineering, finance and quality functions remain based at the Burnley facility.

Production at Fareham commenced in March 2017 after the site was granted both AS9100 and Airbus approvals in January and February 2017, respectively. Whilst the customer onboarding took longer than planned owing to customer changes beyond Velocity's control, the site is now operating a two shift system with further investment in staffing levels, kit cutting equipment and material management systems allowing for growth in existing and new customer programmes.

New regulatory / manufacturer approvals

We continue to make excellent progress towards maintaining and securing internationally recognised, site specific, quality standard approvals. This is a requirement of aerospace manufacturers and during the period our Fareham production facility obtained the necessary approvals to match those held by our Burnley facility, a process which allowed for significant learning and will be repeated as new sites are opened. During the period the certification of all sites to the new AS9100 Rev. D standard has commenced or been undertaken.

Order book / pipeline

We continue to see strong customer demand for our unique proposition from leading tier 1 aerospace manufacturers and are confident that the use of the proceeds of the IPO will expand the territorial footprint of the business from a predominantly UK business to a pan-European business with facilities in at least one of the major European aerospace composite clusters. I am also pleased to announce that following my discussions with existing customers to explain the company strategy and direction the IPO was very well received and seen as a strengthening of the business offering long term security and evidencing the good governance for Velocity as a key supplier in their supply chain.

Recruitment

To support our growth plans we identified prior to the IPO the need to strengthen key areas of the business, namely the new customer acquisition teams and the new business implementation teams. I am pleased to announce that we have expanded these key teams by 100% in the period and as previously announced we have made senior appointments in a Chief Commercial Officer, a European Programmes Manager, a Head of Corporate Development and an Information Systems Manager. This in turn has enabled the business to respond to a significant amount of proposals and RFQ's in line with the demand from both existing and new customers and programmes. Coupled with the recruitment due to programme growth this has led to a total headcount increase from 85 to 116 in the financial year, in line with expectations.

Scalability

Following the IPO, and in addition to the staff recruitment activities, we have further developed our plans and processes to support the growth and scalability of the business to realise these in line with expectations. This has focused on several key areas, including:

- Customer Acquisition - Enabling us to process enquiries faster and deliver programme wins quicker
- Commercial Focus - The continuous improvement of existing business and the protection of our expansion and roll out plans
- New Geographical Markets - Regionalisation of key resources and market research of target locations

These projects have progressed well with a clear focus on automation, centralisation, information security and continuous improvement and will continue to yield benefits as the business grows.

Financial performance overview

- Revenue continued to strengthen, up 46% to £21.4m (2016: £14.6m) and gross profit was up 13% to £3.9m (2016: £3.5m).
- Operating loss of £0.5m (2016: £0.3m) and loss before tax of £0.6m (2016: £0.4m) incorporated the Company's investment in its preparation for the IPO and in the new facility at Fareham, and the impact of non-recurring share-based payments.
- Net assets have strengthened from £0.6m (October 2016) to £10.1m (October 2017)
- Development costs capitalised as intangible asset (£0.4m)

Risk

In preparing these financial statements, management are required to make accounting assumptions and estimates. The assumptions and estimation methods have been consistently applied throughout the period. The principal risks and uncertainties that may have a material impact on activities and results of the Company remain as set out on Page 14 of the Strategic Report.

For many businesses, the negotiations between the United Kingdom and European Union for its future relationship give cause for uncertainty and concern. Whilst the ongoing uncertainty is a natural cause for concern, the aerospace sector is a global market which unlike many other sectors is largely tariff free. The UK is the second largest aerospace market in the world and works in global alliance on long term projects which last for many years. For Velocity, its strategy remains to be country agnostic and to co-locate in aerospace clusters alongside its customers, which helps to mitigate some of the risk that Brexit may otherwise bring to the Company.

As the global growth opportunity continues to be explored by the Company, we will seek the most appropriate funding route available for both the investment into those new territories and in particular the support of our cash flow to facilitate the purchase of materials for kitted supply to our customers.

Outlook

The customer and aircraft programme pipeline remains strong as customers look to reduce costs and simplify the supply chain. The Board is seeing a stronger message from the industry around waste and cost reduction as the primes look to be able to deliver more-for-less in order to meet the order backlog and market dynamics and this has delivered an increase in discussions at the appropriate management level taking place with both existing and potential new customers, in both existing and new territories.

Chief Executive Officer's Report (continued)

As the customer base increases and the number of multi-site customers grow the Board sees further opportunity to meet customers requirement wherever they operate and to offer intra-customer optimisation across all their sites wherever they are located. Velocity is in a unique position to integrate this into our normal service offering and in turn realising a greater magnitude of benefits both to our customers and our investors.

This year has been a transformative one for Velocity, and the five months since IPO have continually accelerated the growth and change required to continue the pace of growth across multi-regions. We are building the right team, strategy and offering to strengthen our market leading position as supplier of total composite material kits to the aerospace sector and to create value for all of our investors and customers.

Jonathan Bridges
Chief Executive Officer
22 January 2018

Company Review

The Company

Velocity has continued to grow since its inception to position itself at a strategically important and unique interface between the chemical manufacturers of composite raw materials and the aerospace structural component makers, eliminating waste and providing essential logistics and supply chain efficiencies to its customer base.

Velocity offers a compelling business proposition to its customers in an immature area of the supply chain that can be found to be inefficiently managed in-house. This market has traditionally been served through a diverse production process often in non-core factory functions, experiencing poor efficiency, material waste and long delivery times. Velocity offers kits delivered in the form of use giving attractive material and efficiency cost savings to its customers, who are typically Tier 1 manufacturers, looking to outsource this area of the supply chain to Velocity.

The aerospace market operates on very long time frames, where products are often specified for up to 20 years. Generally, customers provide Velocity a good view of expected future production patterns. The customer proposition offers good cash flow characteristics, based on decent aerospace margins, attractive working capital terms and relatively low equipment and capital requirements.

The Company has seen a period of rapid growth and has focused the management team and the operational functions across the three main geographic regions of the world, being EMEA, Asia and the Americas. The market opportunity in these regions allows the Company's business model to continue to be replicated, and to provide the added value outlined above throughout the global aerospace manufacturing supply chain.

Composite Materials in Aerospace: the backdrop

The use of composites has rapidly increased over recent years and is set to increase further. The use of composites in the aerospace sector is being driven by the need to reduce cost per passenger mile (reducing weight, increasing range) as well as the requirement to reduce emissions. Composites now form nearly half of the airframe by weight of the Boeing 787, compared with 12% in its predecessor the Boeing 777. The Airbus A350 also contains just over 50% composite content by weight, and all new variants being introduced by both Boeing and Airbus to their fleets are heavily dominated by composite materials.

Composites have important demand drivers such as:

- The use of composites in structural and non-structural airframe parts achieves a significant weight saving as compared with aluminium (20% according to Boeing).
- Lower weight enables a reduction in fuel usage and therefore assists aerospace manufacturers and airlines to achieve their emissions reduction targets whilst also offering improved economics.
- Composites require lower maintenance costs than aluminium. The Boeing 777 composite tail is 25% larger than the 767's aluminium tail but needs 35% fewer scheduled maintenance hours, with reduced risk of fatigue and corrosion. Airbus has increased the service interval in the A350 to 12 years from 6 years for its predecessor the A330. Similarly, Airbus says the high carbon fibre content on the A350 will reduce fatigue and corrosion related maintenance by 60%.
- Composites are expected to have a longer lifespan. This, coupled with the other attributes mentioned above, should lead to higher residual values over time and therefore improve the economics of plane aircraft leasing.

Company Review (continued)

The aerospace market for carbon fibre is predictable and manageable, and all forecasts point to its rapid growth. The aerospace supply chain enjoys a high-quality earnings stream, which derives from a relatively small number of large and highly professional manufacturers, with long-term design and production cycles, good visibility of predictable production schedules and high regulatory and quality thresholds. Composite materials have provided an answer to major environmental and efficiency issues, and composite parts are recognised as robust and durable.

The entire aerospace composites industry is facing a challenge to scale up its production as components transition from niche batch built parts towards volume manufacture. The composites supply chain and logistics will need investment to enable this growth. Indeed, several UK SMEs have lost out on places on major programmes due to capacity limitations and an inability to scale quickly enough.

Velocity is in a unique position in this supply chain to deliver its solution enabling the supply chain to scale up and meet this demand. The increased exposure that the Company has seen since its flotation in May 2017 has resulted in a more global interest in the offering available, which naturally complements Velocity's own growth plans through Europe and beyond.

Board of Directors

Mark Mills
Non-Executive Chairman

Mark has over 25 years of City and commercial experience and was Founder and Chief Executive of Cardpoint Plc, which he floated on AIM and grew it both organically and through acquisition to become one of the largest cash machine deployers in the world. Mark has been Non-Executive Chairman of a number of private companies in recent years, enabling four of them to achieve successful sales to other companies or attract significant investment.

Peter Turner
Senior Non-Executive Director

Peter has developed and grown businesses in the aerospace industry for over 35 years in the areas of hard and soft tooling, and component manufacture. His group of companies, led by Brookhouse Holdings plc, prior to sale in 2004 had turnover of over £36 million, employed over 500 personnel and had BAE Systems and Airbus Industries as two of its key customers.

Jonathan Bridges
Chief Executive Officer

Jon has 20 years experience within the advanced composites industry and is an experienced composite engineer.

Prior to establishing Velocity, Jon was an Aerospace and Lean Solutions Specialist at Cytec Process Materials, responsible for direct sales support of UK and European based clients; and before this a manufacturing engineer for Safran Nacelles.

Alan Kershaw
Chief Financial Officer

Alan, a Chartered Accountant, is an accomplished financial executive with over 25 years' experience of shaping and leading the finance functions of companies, both privately and publicly held.

Alan has previously served as Finance Director for Ultrasis plc, an international provider of health care to retail and corporate clients and as Finance and Operations Director at WH Ireland Group Plc, a financial services provider to retail and corporate clients. Alan was also instrumental in successfully establishing JP Morgan Invest (UK), a subsidiary within JP Morgan Chase, serving as its Vice President – Head of Technology and Operations.

Strategic Report

The following pages should be read in conjunction with the Chairman and Chief Executive Officer's Reports which form a part of this Strategic Report.

Overview
The Company supports the aerospace manufacturing supply chain by providing composite material and related kitted products. Whilst the Company's income is predominantly derived from activities conducted in the UK, an increasing number of our customers are situated worldwide.

Strategy
The Company's strategic focus remains on delivering our kitted products to our customers to meet their increasing demand levels and growing our business through exploring opportunities with our existing customers and new prospective customers.

Financial key performance indicators
The Company monitors its financial performance using a number of appropriate indicators. These are:

Balance Sheet	2017 £m	2016 £m	Comments
Revenue	21.37	14.61	Revenue grew in line with expectations with growing demand on existing platforms as well as new customer wins.
Gross profit	3.93	3.48	Gross profit has reflected some delays in customer demand coming to full rate.
Net loss for the period	(0.70)	(0.27)	The ongoing investment into the growth of the business has resulted in a small net loss position.
Adjusted profit / (loss) before tax	0.75	(0.36)	Underlying profits have been managed in line with expectations. (see Note 28)
Total assets	16.23	6.13	Proceeds from the share issue have contributed to the total assets.
Total liabilities	6.14	5.52	Trade liabilities have continued to be closely managed following the IPO.

Future outlook
The Board is pleased with the recent progress made in moving the Company towards our strategic goals, and in particular its successful listing in May 2017. We will look to continue to expand the business in a controlled manner, and by doing so enable us to be well positioned to meet the needs of our customers in the aerospace manufacturing supply chain in the short, medium and long term.

Financial risk management

The Company uses financial instruments including loans, cash and other items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations.

The existence of these financial instruments exposes the Company to a number of financial risks. These are liquidity risk, credit risk, interest rate risk and exchange rate risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs, by the use of invoice discounting, loans and other bank facilities, and to invest cash assets safely and profitably. In addition since the IPO, the Company has a cash injection of £9.2m and the ability to seek additional funds from the equity markets if necessary.

Credit risk

The Company's trade receivables relate to amounts owed by aerospace supply chain manufacturers. Given the size and stability of the core receivables, the Directors do not believe that credit risk to the Company is significant. The Directors monitor any default risk on a regular and ongoing basis.

Interest rate risk

The Company seeks to manage its interest rate risk through minimising its exposure wherever possible and by regularly reviewing the interest rates available within the financial marketplace.

Exchange rate risk

The Company seeks to manage the exposure to exchange rate fluctuation it experiences with purchasing raw materials in Sterling, US Dollars and Euros and selling finished kits in the same currency. The Directors monitor the future projected exchange rates and look to mitigate any significant exposure by matching receipts and payments in currency where possible and utilising currency exchange facilities where not, and will engage derivate financial instruments such as forward currency contracts if appropriate.

Principal risks and uncertainties

The principal activity risks and uncertainties of the business are considered to be the loss of key contracts. Demand has remained firm in the short term despite the ongoing uncertainty arising in the UK economy regarding BREXIT, and the Company's view remains that the demand levels within aerospace manufacturing will continue to increase due to the global aircraft production backlogs which currently are estimated to be between five and ten years, and the increasing use of composites within aerospace manufacturing. Despite this, the business has been able to continue to grow its customer base, and to win additional business with its existing customers.

The Board is also conscious of the risk of exclusively operating in the aerospace sector, foregoing many offers from automotive manufacturers for example, and is comfortable that the risk is mitigated by the forward order books of the aircraft manufacturers and strength of the growing aerospace market. Similarly, going forward in particular in new territories, there will be exposure to foreign currencies and the Company will seek to mitigate the effect of exchange rate fluctuations where it can.

Alan Kershaw
Chief Financial Officer
22 January 2018

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 October 2017.

Principal activities
The Company is a provider of engineered composite material kits to the aerospace industry.

Review of business and future developments
The Board has continued the development and growth of the business, as referenced in the Strategic Report on pages 13 to 14, and is pleased with the progress made in the past year.

Financial risk management
Details of the Board's approach to Financial risk management can be found in the Strategic Report on pages 13 to 14.

Basis of preparation of the financial statements
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In accordance with IFRS, the financial statements reflect the results of the Company for the year ended 31 October 2017. Further details are provided in note 1 to the financial statements.

Directors
The Directors who held office during the year and their interest in the shares of the Company were as follows:

	At 31 Oct 2017	*At 31 Oct 2016*
Christopher Banks (resigned 21 April 2017)	4,927,693	33
Jonathan Karl Bridges	5,515,929	33
Gerard Antony Johnson (resigned 21 April 2017)	4,927,693	33
Darren James Ingram (resigned 21 April 2017)	10,588	-
Alan Mark Kershaw	29,412	-
Mark Richard Mills	1,825,200	-
Peter Graham Turner	-	-

Going concern
Having made reasonable enquiries, the Directors are of the opinion that the Company has sufficient resources to continue in operational existence for the foreseeable future and hence these financial statements have been prepared on a going concern basis. This includes undertaking forecasting projections for the next three years to project the future growth of the Company, and flexing these assumptions through sensitivity analyses. We have also discussed with our bankers and other financial advisers the resultant trading performance and they have indicated a strong desire to continue to support the funding of these growth activities.

Substantial shareholdings

At 31 October 2017, notification had been received of the following interest which exceed a 3% interest in the issued share capital of the Company, in addition to those of the Directors referred to above:

	No of Ordinary Shares	*% of issued share capital*
Hargreave Hale	2,241,375	6.26%
Octopus Investment Management	1,762,940	4.93%
Amati Global Investors	1,175,294	3.28%

Corporate governance

The Directors are committed to continuing to enhance the corporate governance framework of the Company in order to ensure that it meets the high standards that it expects, as these are critical to business integrity and to maintaining trust with its customers, suppliers, employees and other important stakeholders.

In applying the principle that the Board should maintain a sound system of internal control to safeguard the Company, the Directors recognise that they have overall responsibility for ensuring that the Company maintains proper accounting records and a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. There are however, inherent limitations in any system of internal control and hence even the most effective system can only provide reasonable, and not absolute, assurance particularly against misstatement or loss. As expected, a key control during the period was the day-to-day supervision of the business by the Executive Directors.

Board responsibilities

The Board is responsible for the overall strategy and direction of the Company and for approving significant capital and development plans, management performance and significant financial matters. It monitors exposure to key business risks, reviews the strategic direction of the Company, considers employee issues and key appointments.

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 Financial Reporting Standards as adopted by the European Union (IFRS). 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 IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' Report (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 company'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 company'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 on 22 January 2018 and signed on its behalf by:

Alan Kershaw
Company Secretary

Directors' Remuneration Report

This report to shareholders for the year ended 31 October 2017 sets out the Company's remuneration policies.

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 Company.

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 that attracts and retains management of the highest quality, while avoiding remunerating those Directors more than is necessary. The Board also considers the link between the individual's remuneration package and the Company'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 Company 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 Company and with the competitive market place.

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 Company and of its shareholders, with those of the individuals tasked with delivering the Company's strategic aims.

Non-Executive Directors

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

Directors' emoluments for the year ended 31 October 2017 (or period of service) are summarised below:

	Year ended 31 Oct 2017 £	Year ended 31 Oct 2016 £
Executive		
Jonathan Bridges	143,953	103,033
Christopher Banks (resigned 21.04.17)	75,658	103,183
Gerard Johnson (resigned 21.04.17)	76,140	104,238
Darren Ingram (resigned 21.04.17)	60,405	111,372
Alan Kershaw	119,370	60,015
Non-Executive		
Mark Mills	240,516	90,000
Peter Turner	158,947	8,138
Total	874,989	579,979

Alan Kershaw and Darren Ingram were granted 120,640 and 241,280 EMI Share Options on 13 March 2017 with an exercise price of £0.0025, being the nominal value of the shares. These options become exercisable immediately on or after the second anniversary of the Grant Date.

Grant Thornton

Independent Auditor's Report

Velocity Composites Plc - Financial statements for the year ended 31 October 2017

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 for the year ended 31 October 2017 which comprise the Statement of Total Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the 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 Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

continued...

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

Velocity Composites Plc - Financial statements for the year ended 31 October 2017

Overview of our audit approach

- Overall materiality: £160,000, which represents 0.75% of the company's total revenues; and
- Key audit matters were identified as the risk that the revenue cycle includes fraudulent transactions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter

The revenue cycle includes fraudulent transactions

There is a risk that revenue has been misstated through fraudulent entries, or entries made in error. This is considered to be a key audit risk given the importance of reported revenue to key stakeholders. Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', this is also a presumed risk, present in all entities. We therefore identified this risk as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit

Our audit work included, but was not restricted to:

- Assessing the accounting policies to ensure compliance with the financial reporting framework and in particular that revenue was recognised at the point when the risks and rewards of ownership were transferred to the customer
- Testing of a sample of revenue transactions in the year through agreement to source documentation in order to verify the sale and the point at which the revenue was recognised
- Testing a sample of revenue transactions just prior and post the 31 October 2017 year end to ensure that the transactions have been recorded in the correct financial year
- Trend analysis and ratio analysis to identify any potential unusual movements in revenue.

The company's accounting policy on this risk is shown in note 2 to the financial statements and related disclosures are included in note 4.

Key observations

Our work did not result in any indicators of fraud within the revenue recorded for the year, and no adjustments have been proposed for potential errors. We conclude that the revenue recognition policy as set out on page 30 is applied consistently, and in line with IAS 18 'Revenue'. Disclosures included within the financial statements have been tested to ensure they are free from material misstatement.

continued...

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

Our application of materiality

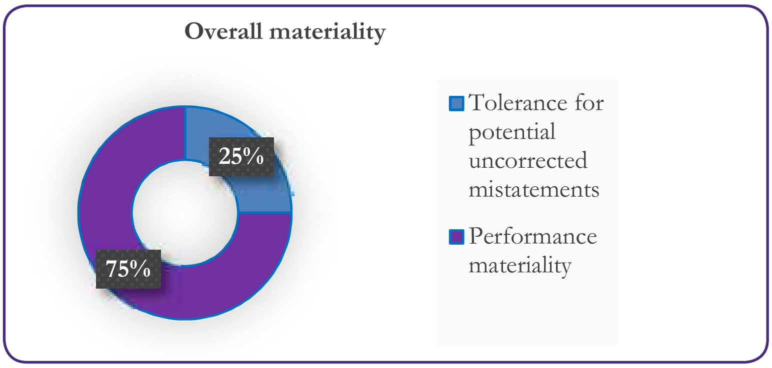
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £160,000, which is 0.75% of the company's total revenues. This benchmark is considered the most appropriate because of the importance that management apply to this measure in relation to the performance of the business, and the measure on which growth is monitored.

Materiality for the current year is higher than the level that we determined for the year ended 31 October 2016 to reflect the growth of the business, as highlighted through the increase in revenue in the year from £14,614,000 to £21,369,000.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

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



We determined the threshold at which we will communicate misstatements to the audit committee to be £8,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

Our audit approach was based on a thorough understanding of the company's business and is risk based, and in particular included:

- evaluation of the company's internal controls environment including its IT systems and controls.
- an assessment of material accounting policies for compliance with the financial reporting framework
- an evaluation of significant management estimates or judgments

continued...

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 4 to 18, 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 of 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 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.

continued...

Grant Thornton

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

Michael Frankish
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
22 January 2018

Statement of Total Comprehensive Income

	Note	Year ended 31 October 2017 £'000	Year ended 31 October 2016 £'000
Revenue	4	21,369	14,614
Cost of sales		(17,438)	(11,135)
Gross profit		3,931	3,479
Administrative expenses excluding exceptional costs		(3,481)	(3,770)
Exceptional administrative expenses	7	(931)	-
Other operating income		21	22
Operating loss	5	(460)	(269)
Finance expense	8	(167)	(86)
Loss before tax from continuing operations		(627)	(355)
Income tax (expense)/income	9	(73)	81
Loss for the period and total comprehensive loss		(700)	(274)
Loss per share - Basic (£) from continuing operations	10	(£0.02)	(£0.01)
Loss per share - Diluted (£) from continuing operations	10	(£0.02)	(£0.01)

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

Statement of Financial Position

Velocity Composites Plc - Financial statements for the year ended 31 October 2017

	Note	31 October 2017 £'000	31 October 2016 £'000
Non-current assets			
Intangible assets	11	317	-
Property, plant and equipment	12	1,083	773
Total non-current assets		1,400	773
Current assets			
Inventories	13	3,266	2,345
Trade and other receivables	14	6,148	2,942
Corporation tax		-	29
Cash and cash equivalents	15	5,414	39
Total current assets		14,828	5,355
Total assets		16,228	6,128
Current liabilities			
Trade and other payables	16	5,623	5,187
Grant income deferred	17	22	43
Corporation tax		35	-
Net obligations under finance leases	18	145	92
Total current liabilities		5,825	5,322
Non-current liabilities			
Deferred tax liabilities	19	106	97
Net obligations under finance leases	18	211	106
Total non-current liabilities		317	203
Total liabilities		6,142	5,525
Net assets		10,086	603
Equity attributable to equity holders of the company			
Share capital	20	89	-
Share premium account	20	9,727	-
Share-based payments reserve		367	-
Retained earnings		(97)	603
Total equity		10,086	603

The financial statements were approved and authorised for issue by the Board of Directors on 22 January 2018 and were signed on its behalf by

Alan Kershaw
Company Secretary

Co No: 06389233

The notes on pages 29-48 form part of these financial statements

Statement of Changes in Equity

Velocity Composites Plc - Financial statements for the year ended 31 October 2017

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Share-based payments reserve £'000	Total equity £'000
As at 31 October 2015	-	-	916	-	916
Loss for the year	-	-	(274)	-	(274)
	-	-	642	-	642
Transactions with shareholders:					
Dividend payment	-	-	(39)	-	(39)
As at 31 October 2016	-	-	603	-	603

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Share-based payments reserve £'000	Total equity £'000
As at 31 October 2016	-	-	603	-	603
Loss for the year	-	-	(700)	-	(700)
	-	-	(97)	-	(97)
Transactions with shareholders:					
Issue of ordinary share capital	30	10,471	-	-	10,501
Bonus issue of ordinary share capital	59	(59)	-	-	-
Share-based payments	-	-	-	367	367
Costs associated with issue of equity (from the AIM listing)	-	(685)	-	-	(685)
As at 31 October 2017	89	9,727	(97)	367	10,086

The notes on pages 29-48 form part of these financial statements

Statement of Cash Flows

Velocity Composites Plc - Financial statements for the year ended 31 October 2017

	Year ended 31 October 2017 £'000	Year ended 31 October 2016 £'000
Operating activities		
Loss for the year	(700)	(274)
Taxation	73	(81)
(Profit)/ Loss on disposal of assets	(3)	1
Finance costs	167	86
Amortisation of intangible assets	80	-
Depreciation of property, plant and equipment	263	281
Share-based payments	367	-
Grant income amortisation	(21)	(22)
Operating cash flows before movements in working capital	226	(9)
(Increase)/Decrease in trade and other receivables	(3,206)	(908)
(Increase)/Decrease in inventories	(921)	(940)
Increase/(Decrease) in trade and other payables	1,461	294
Cash generated from operations	(2,440)	(1,563)
Income taxes received/ (paid)	-	(240)
Net cash (Outflow)/ inflow from operating activities	(2,440)	(1,803)
Investing activities		
Purchase of property, plant and equipment	(271)	(120)
Development expenditure capitalised	(397)	-
Proceeds from the sale of property, plant and equipment	4	-
Net cash used in investing activities	(664)	(120)
Financing activities		
Proceeds from issue of shares	10,501	-
Payments of share issue costs	(685)	-
Finance costs paid	(167)	(86)
(Decrease) / Increase in invoice discounting	(1,025)	2,040
Repayment of finance lease capital	(145)	(114)
Dividends paid	-	(39)
Net cash generated from financing activities	8,479	1,801
Net increase/ (decrease) in cash and cash equivalents	5,375	(122)
Cash and cash equivalents at 01 November	39	161
Cash and cash equivalents at 31 October	5,414	39

The notes on pages 29-48 form part of these 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.

The Company's principal activity is that of the sale of kits of composite material and related products to the aerospace industry. The Company re-registered from a private limited company to a public limited company on 27 April 2017, and its shares were admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange on 18 May 2017 (see note 20).

2. Accounting policies

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

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

Going concern
Having made reasonable enquiries, the Directors are of the opinion that the Company has sufficient resources to continue in operational existence for the foreseeable future and hence these financial statements have been prepared on a going concern basis. This assessment has been supported by the preparation and consideration of detailed forecasts for the three years to 31 October 2020 to project the future growth of the Company, and flexing these forecasts through sensitivity analyses.

The forecasts include consideration of the cash position of the Company and the appropriate utilisation of the various facilities available for funding this growth. We have also discussed with our bankers and other financial advisers the resultant trading performance and they have indicated a strong desire to continue to support the funding of these growth activities.

Changes in accounting policies

New standards, amendments and interpretations issued and not applied to these financial statements:
The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued the following standards which are yet to be applied by the Company:

- IFRS 15 'Revenue from Contracts with Customers'. This standard is effective for accounting periods beginning on or after 1 January 2018 and will be required to be first applied to the Company's financial reporting for the year ending 31 October 2019. The directors are undertaking an assessment of the potential impact of IFRS 15.
- IFRS 16 'Leases'. This standard was issued on 13 January 2016 and is effective for accounting periods beginning on or after 1 January 2019 and will first apply to the Company's financial reporting for the year ending 31 October 2020. The standard requires lessees to recognise assets and liabilities for all leases with lease terms of more than 12 months, unless the underlying asset is of low value. The directors are undertaking an assessment of the potential impact of IFRS 16.

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 Company.

2. Accounting policies (continued)

Revenue Recognition
Revenue is derived from the engineering and sale of goods and is measured at the fair value of the consideration received or receivable excluding discounts, VAT and other sales taxes or duty. The Company recognises revenue when the engineered goods are delivered to the customer, at which stage the risks and rewards have transferred to the customer and it is probable that future economic benefits will flow to the entity. Invoices raised by the Company are incorporated into the invoice discounting facility provided by the Company's bankers. The asset or liability arising is recognised within the statement of financial position.

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.

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 Company'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 Company 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.

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

2. Accounting policies (continued)

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:

Plant and machinery	15% straight line
Motor vehicles	25% straight line
Fixtures and fittings	15% straight line

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 Company's underlying business performance.

Foreign currency translation
Transactions entered into by the Company in a currency other than Sterling, the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the Statement of Financial Position date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

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. 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 Company. The Company does not use derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments. The Company does not issue or use financial instruments of a speculative nature.

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

<u>Loans and receivables</u>
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.

2. Accounting policies (continued)

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

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 when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision. The Company does not currently carry a provision for uncollectable receivables.

Financial liabilities

The Company 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. The Company does not currently have any borrowings, and utilises invoice discounting in support of its working capital requirements.

Share Capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company'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 Company operates an equity-settled share-based compensation plan in which the Company 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

Finance Lease

Where substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a 'finance lease') the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

2. Accounting policies (continued)

Operating Lease
Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an 'operating lease'), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Current taxation
The tax currently payable is based on the taxable profit of the period. Taxable profit differs from profit as reported in the 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 Company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the statement of financial position date.

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;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit.

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 Company 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 chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. The Company supplies a single type of product into a single industry and so has a single 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 Company financial information.

Critical accounting estimates and judgements
The Company 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.

2. Accounting policies (continued)

Judgements and accounting estimates and assumptions

Useful lives of depreciable assets - Management reviews the useful lives of depreciable assets (both tangible and intangible) at each reporting date. At the reporting date management assesses that the useful economic lives represent the expected life of the assets to the Company. Actual results, however, may vary due to unforeseen events.

3. Financial instruments & Risk Management

The Board has overall responsibility for the determination of the Company'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 Company's competitiveness and flexibility. The Company reports in Sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Company does not use derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments. The Company 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 Company 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 Company.

Financial instruments

Financial instruments by category	Year ended 31 October 2017	Year ended 31 October 2016
	£'000	£'000
Current assets		
Trade and other receivables – loans and receivables	5,921	2,728
Trade and other receivables – non financial assets	227	214
	6,148	2,942
Cash and cash equivalents – loans and receivables	5,414	39
Total loans and receivables	11,335	2,767
Current liabilities		
Trade and other payables – at amortised cost	5,045	4,815
Trade and other payables – non financial liabilities	578	372
	5,623	5,187

3. Financial instruments & Risk Management (continued)

Risk Management

The Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the Board and their policies are outlined below.

a) Market risk

Foreign exchange risk
The Company is exposed to transaction foreign exchange risk in its operations both within the UK and overseas. Transactions are denominated in Sterling, US Dollars and Euros. The Company 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 Company.

The carrying value of the Company's foreign currency denominated assets and liabilities comprise the inventories in Note 13, trade receivables in Note 14, cash in Note 15 and trade payables in Note 16.

Whilst the majority of the Company's financial assets are held in Sterling, movements in the exchange rate of the US Dollar or Euro against Sterling do have an impact on both the result for the year and equity. The Company's assets and liabilities that are held in US Dollar or Euro are held in those currencies for normal trading activity in order to recover funds from customers or to pay funds to suppliers. The Company does not speculatively hold positions in US Dollar or Euro, and therefore the Company considers the residual risk at the year end to be insignificant.

Interest rate risk
The Company carries no significant borrowings apart from leases. 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 Company. In order to minimise this risk the Company 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 Company results in trade receivables which the management consider to be of low risk, other receivables are likewise considered to be low risk. However, three of the customers comprise in excess of 10% of the revenue earned by the Company (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.

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

3. Financial instruments & Risk Management (continued)

c) Liquidity risk (continued)

2016	Within 1 year £'000	One to two years £'000	Two to five years £'000	Over five years £'000
Finance lease liability	118	92	39	-
Trade payables	2,327	-	-	-
Accruals	288	-	-	-
Other payables	31	-	-	-
Invoice discounting facility	2,169	-	-	-

2017	Within 1 year £'000	One to two years £'000	Two to five years £'000	Over five years £'000
Finance lease liability	172	137	103	-
Trade payables	3,421	-	-	-
Accruals	480	-	-	-
Other payables	-	-	-	-
Invoice discounting facility	1,144	-	-	-

The finance lease liability is shown gross, inclusive of interest payments.

c) Capital risk management

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

4. Segmental analysis

The Company supplies a single type of product into a single industry and so has a single 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 2017 £'000	Year ended 31 October 2016 £'000
Revenue		
United Kingdom	21,225	14,517
Europe	144	97
	21,369	14,614

During the year three customers accounted for 78.3% of the Company's total revenue for the year ended 31 October 2017. This was split as follows; Customer A – 53.9%, Customer B – 13.7% and Customer C – 10.7%. 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.

5. Loss from operations

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

	Year ended 31 October 2017 £'000	Year ended 31 October 2016 £'000
Staff costs (see Note 6)	3,634	2,512
Foreign exchange losses	8	635
Amortisation of development costs	80	-
Depreciation:		
Owned assets	158	152
Assets held under finance leases	105	129
(Profit)/ Loss on disposal of assets	(3)	1
Grant income amortisation	(21)	(22)
Operating lease payments	226	143
Auditor's remuneration:		
Audit of the accounts of the Company	37	29
Taxation compliance services	3	3
Other taxation advisory services	51	-
Other non-audit services (relating to interim review)	9	-
Other assurance services (relating to IPO)	134	-

6. Staff costs

	Year ended 31 October 2017 £'000	Year ended 31 October 2016 £'000
Wages, salaries and bonuses	2,931	2,253
Social security costs	329	259
Pension costs	39	-
Share-based payments	335	-
	3,634	2,512

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

	Year ended 31 October 2017 Head count	Year ended 31 October 2016 Head count
Manufacturing	74.5	61.5
Administration	31.5	28.0
	106.0	89.5

6. Staff costs (continued)

Directors costs

	Year ended 31 October 2017 £'000	Year ended 31 October 2016 £'000
Directors' remuneration included in staff costs:		
Wages, salaries and bonuses	613	482
Pension costs	12	-
Share-based payments	232	-
	857	482

In addition to the remuneration above, the non-executive directors have submitted invoices for their fees as follows:

	18	98
Remuneration of the highest paid director(s):		
Wages, salaries and bonuses or fees	241	111

7. Exceptional administrative expenses

	Year ended 31 October 2017 £'000	Year ended 31 October 2016 £'000
Fees associated with AIM Listing	667	-
Share-based payments	264	-
	931	-

Exceptional expenses incurred during the year are in relation to costs of converting the Company from a private limited company to a public limited company and the subsequent admission of the Company to trading on AIM during the year. Total costs incurred were £1,352,000 with £685,000 charged to share premium as being directly related to newly issued shares. In addition, shares were issued to Mark Mills, Matthew Turner and Nigel Turner in January 2017 (as per Note 20) which resulted in an exceptional charge of £264,000.

8. Finance income and expenses

	Year ended 31 October 2017 £'000	Year ended 31 October 2016 £'000
Finance expense		
Finance charge from Finance leases	55	32
Other interest & invoice discounting charges	112	54
	167	86

9. Income tax

	Year ended 31 October 2017 £'000	Year ended 31 October 2016 £'000
Current tax (income)/expense		
Current tax on profits for the period	70	-
Adjustment for under provision in prior periods	(6)	(29)
	64	(29)
Deferred tax expense		
Origination and reversal of temporary differences	9	(29)
Adjustments in respect of prior periods	-	(1)
Rates adjustment	-	(22)
	9	(52)
Total tax (income)/expense	**73**	**(81)**

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:

	2017	2016
Tax rate	19.50%	20.00%
(Loss) for the year before tax	(627)	(355)
Expected tax credit based on corporation tax rate	(122)	(71)
Expenses not deductible for tax purposes	198	10
Other differences	3	(2)
Rate adjustment	-	(17)
Prior year adjustment	(6)	(1)
Total tax (income)/expense	**73**	**(81)**

The UK corporation tax rate was 20% between the period 1 April 2015 to 31 March 2017. The rate reduced to 19% with effect from 1 April 2017 and will reduce to 17% with effect from 1 April 2020. This will reduce the Company's future current tax credit/charge accordingly. The deferred tax liability as at 31 October 2017 has been calculated based on a rate of 17% based on when the Company expects the deferred tax liability to reverse.

10. (Loss)/earnings per share

	Year ended 31 October 2017 £	Year ended 31 October 2016 £
(Loss) for the year	(700,000)	(274,000)
	Shares	Shares
Weighted average number of shares in issue	28,378,444	20,077,200*
Share options	638,200	-
Weighted average number of shares (diluted)	29,016,644	20,077,200*
Loss per share (£) (basic)	(£0.02)	(£0.01)
Loss per share (£) (diluted)	(£0.02)	(£0.01)

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

* restated in accordance with the provisions of IAS33 to reflect the impact of the bonus issue and subdivision of shares on 06 March 2017 (see Note 20).

11. Intangible assets

	Development Costs £'000	Total £'000
Cost		
At 31 October 2016	-	-
Additions	397	397
At 31 October 2017	397	397
Amortisation		
At 31 October 2016	-	-
Charge for the year	80	80
At 31 October 2017	80	80
Net book value		
At 31 October 2016	-	-
At 31 October 2017	317	317

During the year, the Directors reviewed the amount expended in relation to development expenditure, and following the IPO and subsequent increase in development activities, determined that the previously insignificant costs were now such that they required capitalisation in the current year in accordance with the accounting policy on Page 30

12. Property, plant and equipment

	Leasehold Improvements £'000	Plant & machinery £'000	Motor vehicles £'000	Fixtures & Fittings £'000	Total £'000
Cost					
At 31 October 2015	-	1,117	136	157	1,410
Additions	57	47	-	16	120
Disposal	-	(1)	-	-	(1)
At 31 October 2016	57	1,163	136	173	1,529
Additions	114	358	19	83	576
Disposal	-	-	(9)	-	(9)
At 31 October 2017	171	1,521	146	256	2,096
Depreciation					
At 31 October 2015	-	382	45	48	475
Charge for the year	-	198	42	41	281
At 31 October 2016	-	580	87	89	756
Charge for the year	12	192	32	27	263
Disposal	-	-	(8)	-	(8)
At 31 October 2017	12	772	111	116	1,011
Net book value					
At 31 October 2015	-	735	91	109	935
At 31 October 2016	57	583	49	84	773
At 31 October 2017	159	749	35	140	1,083

Net book value of assets under finance lease agreements:	£000's
At 31 October 2015	390
At 31 October 2016	330
At 31 October 2017	506

13. Inventories

	31 October 2017 £'000	31 October 2016 £'000
Raw materials & consumables	2,792	2,158
Finished goods	474	187
	3,266	2,345

Inventories totalling £3,266k (2016 - £2,345k) 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 write off of inventories during the year is not material.

14. Trade and other receivables

	31 October 2017 £'000	31 October 2016 £'000
Trade receivables	4,647	2,606
Prepayments and accrued income	227	214
Other receivables	1,274	122
	6,148	2,942

No trade and other receivables were due in greater than one year.

Trade receivables overdue by:

	31 October 2017 £'000	31 October 2016 £'000
Not more than 3 months	565	578
More than 3 months but not more than 6 months	56	4
More than 6 months but not more than 1 year	42	-
More than 1 year	4	-
	667	582

No receivables have been impaired as none are considered to be uncollectable.

Trade receivables held in currencies other than sterling are as follows:

	31 October 2017 £'000	31 October 2016 £'000
Euro	891	3
US Dollar	2,316	52
	3,207	55

15. Cash and cash equivalents

	31 October 2017 £'000	31 October 2016 £'000
Cash at bank	5,414	39
	5,414	39

Of the total cash balance, £4,534,000 relates to cash to be used in compliance with the conditions relating to the EIS investment i.e. new product development and investment into new overseas territories.

16. Trade and other payables

	31 October 2017 £'000	31 October 2016 £'000
Current		
Trade payables	3,421	2,327
Accruals	480	288
Other tax and social security	578	372
Other payables	-	31
Invoice discounting facility	1,144	2,169
	5,623	5,187

Book values approximate to fair values.

17. Grant income deferred

	31 October 2017 £'000	31 October 2016 £'000
Opening balance	43	65
Grant income amortisation	(21)	(22)
Closing balance	22	43

18. Leases

Operating leases

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

	31 October 2017 £'000	31 October 2016 £'000
Motor vehicles		
Not later than one year	20	27
Later than one year and not later than two years	10	17
Later than two years and not later than five years	-	9
Later than five years	-	-
	30	53
Land and buildings		
Not later than one year	219	109
Later than one year and not later than two years	219	-
Later than two years and not later than five years	559	-
Later than five years	-	-
	997	109

18. Leases (continued)

Finance leases
The Company leases plant and equipment under finance leases which are secured against the assets. Future lease payments are due as follows:

	Minimum lease payments	Interest	Present value
31 October 2016			
Not later than one year	118	26	92
Later than one year and not later than two years	92	18	74
Later than two years and not later than five years	39	7	32
Later than five years	-	-	-
	249	51	198
31 October 2017			
Not later than one year	172	27	145
Later than one year and not later than two years	137	18	119
Later than two years and not later than five years	103	11	92
Later than five years	-	-	-
	412	56	356

19. 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:

	31 October 2017 £'000	31 October 2016 £'000
Deferred tax liability		
Opening balance	97	149
Recognised in profit and loss	9	(52)
Closing balance	106	97

The deferred tax liability has arisen due to the temporary differences on accelerated capital allowances.

20. Share capital

	31 October 2017 £	31 October 2016 £
Share capital issued and fully paid		
35,795,539 Ordinary shares of £0.0025 each	89,489	-
99 Ordinary shares of £1 each	-	99

Ordinary shares carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up.

On 13 January 2017, the Company issued seven new £1 ordinary shares to Mark Mills and three new £1 ordinary shares each to Nigel Turner and Matthew Turner (being sons of Peter Turner). The shares were issued at nominal value. The Company has received a deed of indemnification from Mark Mills and Peter Turner for all taxation costs (excluding employer's National Insurance) arising from the allotment of the shares.

On 14 February 2017, the Company issued a further two new £1 ordinary shares to Mark Mills and a further one new £1 ordinary share each to Nigel Turner and Matthew Turner. The shares were issued at nominal value with consideration at market value, resulting in a share premium account of £71,429.

On 02 March 2017, the Company passed a resolution to reduce the share premium account by £58,696. On 06 March 2017 passed a resolution to apply such sum in paying up in full 58,696 ordinary shares of £1 each, and allot and issue 58,696 new shares to the existing shareholders. The resolution resulted in a net share premium account of £12,733, and the Company then subdivided its entire issued share capital such that 58,812 issued ordinary shares of £1 each became 23,524,800 ordinary shares of £0.0025 nominal value each.

On 18 May 2017, the Company issued 12,270,739 £0.0025 ordinary shares for admission to Alternative Investment Market (AIM) of the London Stock Exchange for a cash consideration of £0.85 per share. Total placing proceeds were £14,430,128 which included the sale of existing shareholders shares.

A share premium of £10,399,452 arose on the issue of new shares and £685,022 of advisers' fees have been debited to the share premium account resulting in a closing share premium account of £9,727,163, a net increase of £9,714,430. The remaining £546,000 of the advisers' fees were charged to the Statement of Comprehensive Income. Further listing fees of £121,000 were incurred in the year and charged to the Statement of Comprehensive Income, and therefore total exceptional expenditure relating to AIM listing fees of £667,000 were charged to the Statement of Comprehensive Income (Note 7).

The Placing proceeds were discharged as follows:

	£'000
Selling Shareholders	4,000
Advisers fees	1,188
Company net proceeds	9,242
Total proceeds	14,430

20. Share capital (continued)

Movements in share capital	Nominal value £	Number of shares
At the beginning of the year		
99 Ordinary shares of £1 each	99	99
Shares issued during the year		
Issues of shares for consideration	17	17
Bonus issue of Ordinary shares of £1 each	58,696	58,696
Subdivided £1 Ordinary shares into £0.0025 shares	-	23,465,988
Placing of new shares	30,677	12,270,739
Closing share capital at 31 October 2017	89,489	35,795,539

21. Share-based payment

The Company's employees are granted option awards under the Velocity Composites Limited Enterprise Management Incentive and Unapproved Scheme. The share options have no attached performance conditions and vest subject only to continued employment. They vest after 2 years, or earlier if a vesting event occurs as defined in the rules of the Scheme. Once vested, options may be exercised at any point up to the 10th Anniversary of the grant.

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 company recognised a cost of £367,472 (2016 – NIL) 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 2017.

The following options were outstanding as at 31 October 2017:

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	-	603,200	603,200
17 October 2017	0.6926	17 Oct 2019	17 Oct 2027	-	35,000	35,000
				-	638,200	638,200

The cost of share-based payments is included in "Administrative expenses" within the Statement of total comprehensive income.

As set out in Note 20, shares were issued to Mark Mills and to Matthew Turner and Nigel Turner (Peter Turner's sons) the costs attributed to which (£267,000) are also treated as share-based payments, and included in Exceptional administrative expenses (Note 7).

22. Related party transactions

Compensation of key management personnel:

	31 October 2017 £'000	31 October 2016 £'000
Short term employment benefits	841	637
Share-based payments	326	-
	1,167	637

Dividends were paid to the following shareholders:

	31 October 2017 £'000	31 October 2016 £'000
J K Bridges	-	13
G A Johnson	-	13
C Banks	-	13
Dividend payments	-	39

The following transactions took place with related parties (purchases or dividends)/sales:

	31 October 2017 £'000	31 October 2016 £'000
Dividends to shareholders	-	(39)

On 13 January 2017, the Company issued three new £1 ordinary shares each to Nigel Turner and Matthew Turner (being sons of Peter Turner) at nominal value (see note 21), and on 14 February 2017, issued them a further one new £1 ordinary share each, which were issued at nominal value with consideration at market value, resulting in a share premium account of £71,429.

The Company engages Abode Services Limited, which provides graphic design services. One of the directors of Abode is Christopher Banks (director / key management personnel during the period). The Company paid £5,076 (2016: £NIL) to Abode 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 2017 £'000	31 October 2016 £'000
Dividends to shareholding directors	-	(16)

23. 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 Company.

24. Events after the reporting date

On 1 November 2017 and 2 November 2017, the Company was notified that Mark Mills and Peter Turner purchased a further 58,824 and 55,555 ordinary shares at a price of £0.85 & £0.90 per ordinary share, resulting in a beneficial interest of 5.26% and 0.16% respectively. Further details can be found on the Company's website.

25. Capital commitments

At 31 October 2017 the Company had £90,320 (2016: £186,099) of capital commitments relating to the purchase of plant and machinery (2016: relating to the establishment of the Fareham premises).

26. Pension commitments

The Company makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £39,007 (2016: NIL) were charged to the Income statement. Contributions outstanding at 31 October 2017 were NIL.

27. Contingent liabilities

At 31 October 2017 the Company had in place bank guarantees of £250,000 (2016: NIL) in respect of supplier trade accounts. The company is not aware of any conditions which would realise these contingent liabilities.

28. Reconciliation of Reported and Adjusted Profit

The reported results have been adjusted for exceptional items and for the additional expenditure on future growth within the UK and Overseas.

Profit before tax	31 October 2017 £'000	31 October 2016 £'000
Reported profit before tax	(627)	(355)
Adjustments:		
Exceptional IPO related administrative expenses	667	-
Exceptional share-based payments	264	-
Future growth expenditure relating to UK and overseas	446	-
Adjusted profit before tax	750	(355)

Earnings per share	31 October 2017 £'000	31 October 2016 £'000
Adjusted profit before tax	750	(355)
Income tax (expense) / income	(73)	81
Adjusted Profit / (Loss) for the year	677	(274)
	Shares	Shares
Weighted average number of shares in issue	28,378,444	20,077,200
Share options	638,200	-
Weighted average number of shares (diluted)	29,016,644	20,077,200
Adjusted earnings / (loss) per share (£) (basic)	£0.02	(£0.01)
Adjusted earnings / (loss) per share (£) (diluted)	£0.02	(£0.01)

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