velocity
composites plc

2022 Annual Report & Financial Statements

For the year ended 31 October 2022

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

Financial Highlights & Group Key Performance Indicators

Revenue	Gross Margin %
£12m	**23%**

Adjusted EBITDA [1]	Cash at Bank	Operating Loss
£(0.5)m	**£2.3m**	**£(1.3)m**

[1] Earnings before interest, tax, depreciation, amortisation and adjusted for share-based payments. The business uses this Alternative Performance Measure to appropriately measure the underlying business performance, as such it excludes costs associated with non-core activity. Share-based payments are added back to make the share-based payment charge clear to stakeholders. Workings are provided on p15 of the 2022 Annual Report and Financial Statements.

Our highly efficient nests help reduce waste & save money

The innovative visual inspection system is now in operation in our digital cell at Burnley HQ

Velocity Composites is the leading supplier of advanced composite material kits to the aerospace market

Chairman's Report

Andrew Beaden Executive Chairman

> **"We have contracted UK and US business which when in full production will significantly increase revenue, several times the FY22 level."**

Market Recovery

The global civil aerospace sector has started to recover and combined with a robust defence industry and opportunities outside aerospace, we are selling our services and technology into strong growing markets.

Our investment in innovation and extended supply chain services is paying off. As we enter 2023, our contracted business, when fully onboarded, is close to three times the run rate of most of FY22. This is mainly a result of our new US business, but also more work flowing from existing UK contracts.

The Company's future is underpinned by these long-term contracts with leading blue-chip industry customers and the accelerating need to meet sustainability targets. Composite material technology has a key part to play in light-weighting aircraft, along with enabling new fuel systems to be introduced. Our offering provides customers and suppliers with the ability to achieve far more ambitious sustainability goals.

FY22 Financial Results

Revenue increased 22% to £12.0m as the UK civil aerospace market recovered to an extent, although it remains significantly below pre-pandemic levels. It was essential, therefore, that Velocity expanded internationally, particularly into the US, which is the largest aerospace market in the world.

Over the past year, we have focused on developing our services and technology to further support customers productivity and sustainability goals. The Board decided to re-invest any margin growth and cost efficiencies back into growth opportunities. The EBITDA result of a £0.5m loss, was therefore expected, as we carried overheads to achieve our longer-term growth objectives. These initial objectives are achievable with the current contracted UK and US business for 2023 and 2024.

With inflation in all our major supply inputs, our gross margin came under very significant pressure, decreasing slightly from 26% to 23%. However, this should prove to be temporary as prices increase and efficiencies catch up in the medium term.

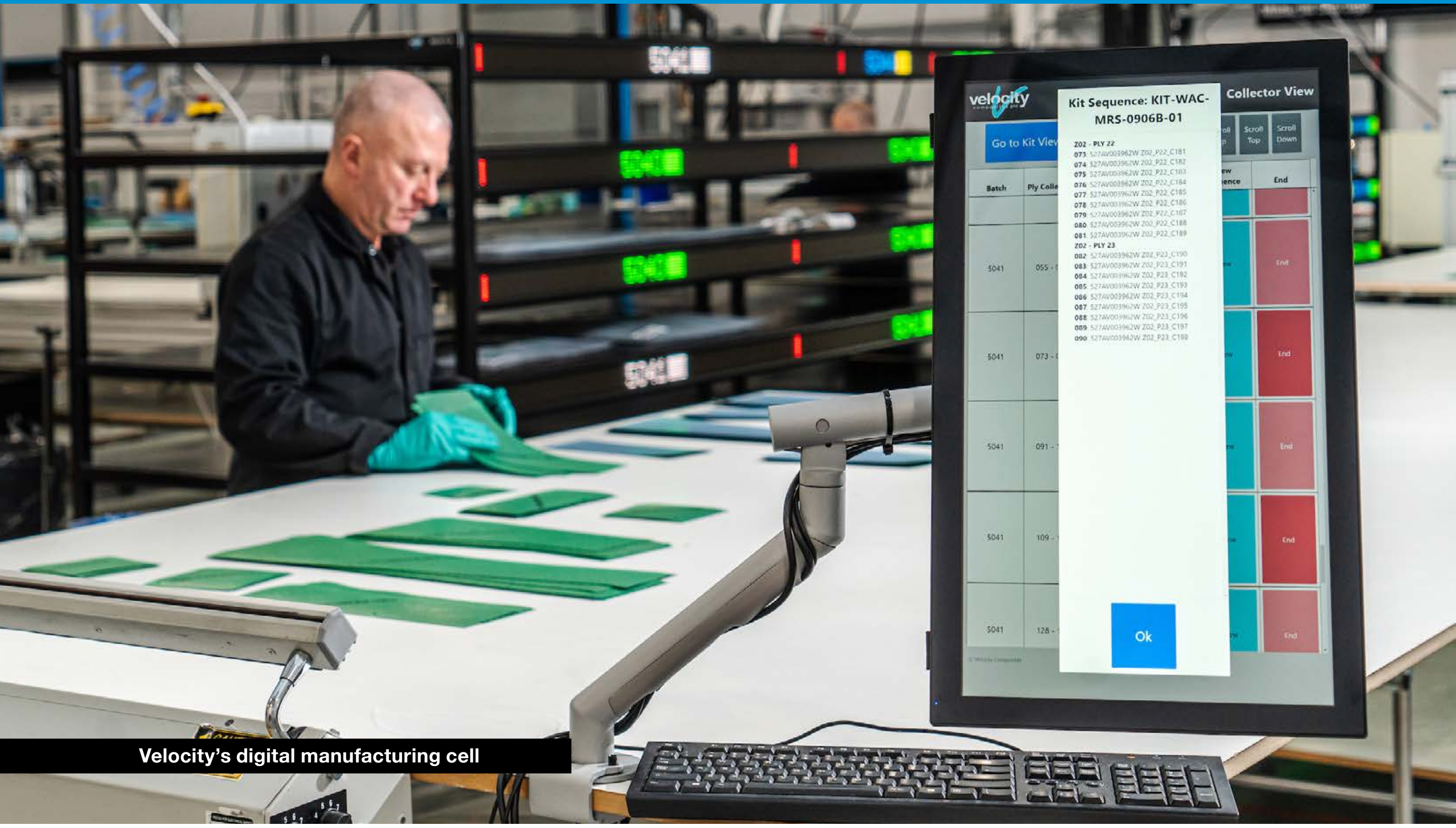
Given the challenges, the Board is pleased to have achieved a positive operating cash flow after tax as a result of effective working capital management. We were also able to recover some of our FY22 innovation costs through UK R&D tax credits.

The strategic progress and financial results are explained further in the Financial Review below.

Board

There were a number of changes to the Board during the year as we looked to strengthen and develop its composition.

Annette Rothwell joined the Board as a Non-executive Director in March 2022, bringing with her experience as a senior executive in global procurement and supply chain management across our core industry partners. Dr David Bailey, CEO of Composites UK, was appointed



Velocity's digital manufacturing cell

as a Non-executive Director in June 2022. He has had a long career in aerospace operational management, and has a deep understanding of composite technology, as well as tackling sustainability objectives, across aerospace and other industries. Both Annette and David are highly respected in the industries we serve.

Robert Soen stepped down from the Board as a Non-executive Director at the end of our financial year. He has moved to a more commercial part-time consultancy role at Velocity, working with our CEO, Jonathan Bridges, across various global supply chain projects. His contribution in the last three years has been immense and I want to thank him personally for his support. Annette has taken over as Chair of the Remuneration Committee and David has taken on a new role as Chair of our Sustainability Committee.

On behalf of the Board, I would also like to thank Chris Williams, who stepped down as Group Finance Director in December 2022 and we welcome Adam Holden, as our new Group Finance Director and Company Secretary.

Employees

Our staff have worked under significant pressure in the last few years and we are grateful for their efforts. Velocity's achievements in terms of innovation, new systems, advance manufacturing, and new business, are a lasting legacy to their hard work.

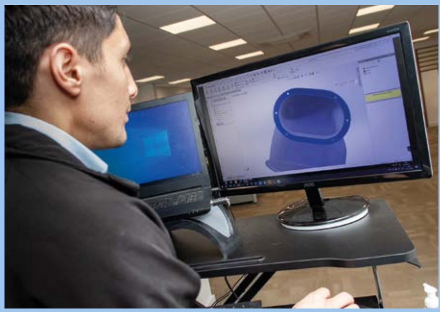
We also welcome new employees that have joined us in the USA. We expect the full commissioning of our facility in Alabama in 2023, with progress well advanced in 2022 thanks to the UK team's efforts around design and setup.

Velocity is committed to the development of a diverse and highly skilled workforce as a key asset for delivering our future growth. Retention and development of staff is therefore a critical objective for the business.

Sustainability

The environmental risks to our planet are the main driver for innovation in our industry. At Velocity, we have built a business that supports the efficient use of composite materials and delivers a significant reduction in waste.

Over time, we have invested in digital technologies on the manufacturing shop floor and in our engineering services. This has resulted in the development of the Group's advanced Velocity Resource Planning ("VRP") technology and supply chain services, which we believe has a major contribution to make in helping our customers and suppliers achieve their targets. Helping to meet sustainability



objectives is a key element of our customer service offering.

Industries outside aerospace, such as specialist automotive and various forms of electric powered transportation, are also looking to achieve similar sustainability objectives. We are active in trials and proof of concept projects in these other industrial sectors. We expect that over time these will become meaningful growth areas and help rebalance our customer portfolio.

Our new Non-executive Director, David Bailey, is chairing a specialist committee to oversee our business initiatives that drive forward sustainability across Velocity and support our customers and suppliers in their own objectives in this area. At Velocity we are proud to work across the supply chain to support those companies and their employees to achieve progressive improvements each year in sustainability objectives.

Outlook

As a result of our investments, we expect the business to grow significantly in the next two years. This growth is largely expected to come in the North American region, and we have designed our new facility in Alabama so it can be expanded to manage this expected expansion.

We have contracted UK and US business which, when in full production (at current OEM run rates), will significantly increase revenue, several times the FY22 level. This is combined with a strong pipeline of new business which can also potentially increase revenue even further over the next few years. To deliver our ambitious targets, we expect some growth to come from non-aerospace sectors, in industries such as high performance automotive, alternative fuel solutions and large consumer products. Global defence spending is also expected to increase significantly in the next few years, and we believe this will generate further growth and opportunities. With both demand for, and the costs of composite materials increasing, there will be greater pressure on manufacturers to save on material wastage, which is at the core of our VRP solution.

Both Airbus and Boeing produce regular and detailed market forecast documents which are available to download from their websites and key data is sourced from:

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

Ultimately, international sustainability targets will underpin the long-term growth opportunities and continued demand for our products and services.

The Board, employees and external investors have all supported the Company's growth aspirations and we expect a significant return on that investment.

Andrew Beaden
Chairman
23 January 2023

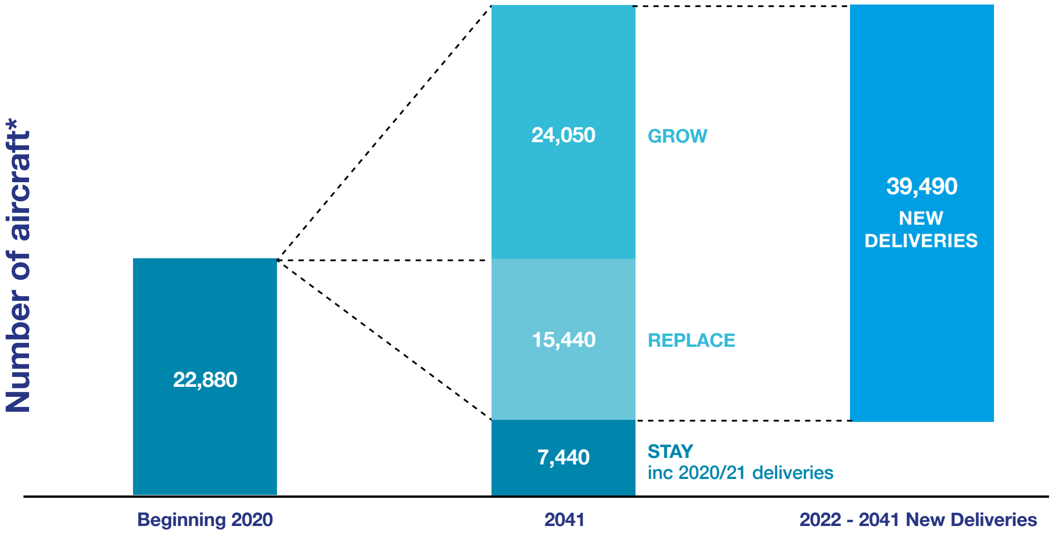
Velocity HQ, Burnley, Lancashire, UK

Both Airbus & Boeing predict circa 40,000 aircraft by 2041

Airbus: 39,490 Boeing: 41,170

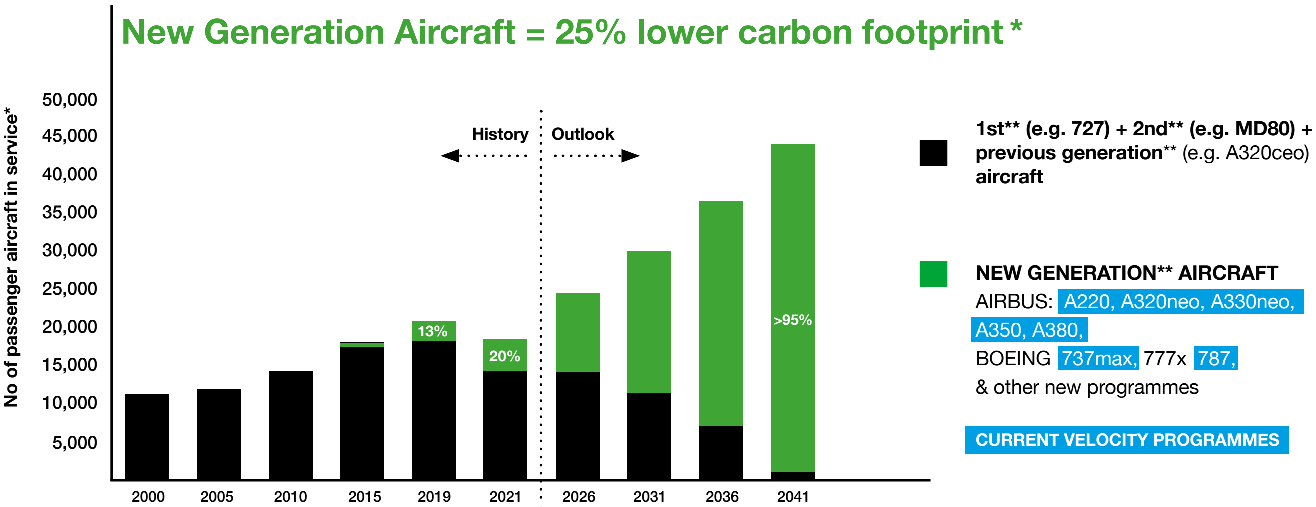
Source: Boeing (www.boeing.com/commercial/market/commercial-market-outlook)
and Airbus, Global Market Forecast (www.airbus.com/sites/g/files/jlcbta136/files/2022-07/GMF-Presentation-2022-2041.pdf)

Demand for new passenger & freighter aircraft



Source: Airbus, Global Market Forecast (www.airbus.com/sites/g/files/jlcbta136/files/2022-07/GMF-Presentation-2022-2041.pdf)
* Passenger aircraft above 100 seats & freighters with a payload above 10t AIRBUS

By 2041, new generation passenger aircraft will represent >95% of the fleet



* Western built passenger aircraft above 100 seats – pax aircraft only / **1st generation: A300, DC 9, DC10, 707, 727, 737, 747 / 2nd generation: A310, MD11, MD80, MD90,737, 747, 757, 767, F100
Previous generation: A320 Fam., A330, A340, 717,737NG, 747, 777 / New generation: A220, A320neo Fam., A330neo, A350, A380, 737Max, 777X, 787 & new programs

Source: Airbus, Global Market Forecast (www.airbus.com/sites/g/files/jlcbta136/files/2022-07/GMF-Presentation-2022-2041.pdf) AIRBUS

CEO Report

Jonathan Bridges Chief Executive

> **"US expansion: Industry approvals have been successfully granted, with end customer approval and first article testing to be completed in Q1 2023 and full rate production expected by August 2023."**

Overview

In FY22, business confidence started to improve in our existing and prospective customer base. We focused our business development on key scale opportunities, including outside the UK.

In the last few years, our strategy has switched to targeted investment to grow a smaller number of larger customers, we believed could benefit from utilising our advanced technology to support "total cost of ownership" ("TCO") business cases. TCO business cases focus on increased productivity, reduced inventory and higher levels of quality control.

Our new approach is to perform a detailed assessment of our customers' current front production operations and then provide them with a clear commercial business case, utilising the latest VRP solution. We have been able to do this due to the investments we have made in our technology in recent years. Being able to clearly detail all the benefits of our services to potential customers has given Velocity a healthy pipeline of opportunities. It was this approach that led to our largest contract agreement to date, announced post year end in December 2022. We have signed a five-year Work Package Agreement with GKN Aerospace in the United States expected to be worth in excess of US$100 million in revenue over five years.

It is testament to the hard work of the Velocity team that we delivered this agreement within our existing resources, under close cost control, with a smaller number of key staff due to the pandemic.

Customers

While existing programme customer rates are still to recover to pre-pandemic levels, our focus has been on the following pillars:

- Technology – to drive efficiencies and optimisation in existing programmes and assist in winning new business.
- Data – use the TCO business case model to clearly identify customer benefits to the point where the document created can be used as an internal business case for the customer, speeding up the pipeline process.
- Customers – focus on enhancing value with existing customers and targeted business development in key locations and markets (aerospace, high end automotive, lightweight transport).

Our customers are advanced manufacturers and innovators in their specialist technology field. We have tailored our services and new business approach to support them in delivering their specific sustainability and efficiency objectives.

The development of the TCO business case process has been instrumental in all our business development activities as we streamline and speed up the onboarding process. Working with global aerostructure manufacturers with complex supply chains, it was time consuming to communicate all the benefits of Velocity's offering through many layers of the organisation.

The TCO model has created a structured new business process. Working with actual customer data, we can identify all the savings available and compare this to the customer's current process in a detailed business case document. We have successfully used this with existing and new customers. Furthermore, by building relationships at the highest level within customer organisations we can ensure that Velocity receives senior leader sponsorship.

Velocity has also progressed opportunities to balance the ratio of civil aerospace and defence programmes in our customer portfolio to protect it from any future disruptions in any one part of the composites industry. The results of this can be seen in the mix of new contracts we have won and this will continue as we increase our presence in the large US defence industry.

Operational and Technology Progress

Our VRP system has created better controls, more efficient operational scenarios, and full traceability from long term demand or order management to the delivery of composite kits into customers' manufacturing areas. This has included the digitisation of the entire demand and forecasting system, plus the roll out of the digital cell from the development area into the production area. This proved invaluable in managing material supply chain issues in the first half of FY22, and the implementation of larger, more complex nesting scenarios for both existing customers and business development.

As the VRP system fully digitises, this will help Velocity as it expands into new geographic locations and means we can implement the standardisation of our processes and aid training of new staff; all with real time links back into central management.

In addition, we have started the implementation of a new business system for the non-VRP processes, which will help with the scalability and standardisation needed as the business expands into the US.

Development of our innovative visual inspection system

Velocity's new Advanced Manufacturing Facility in Alabama, USA

US Expansion

In December 2022, Velocity signed an agreement with GKN Aerospace in the US and has opened a facility close by to deliver the project. The Group remains on track for site approvals and first article testing by February 2023, in order for volume production to start in Q1 2023

The processes, equipment and technology used in the US are identical to the UK facilities which assisted the customer decision based on the proven service model, reputation and confidence in our delivery.

The facility itself can be scaled to support multiple customers in the region and work continues with other potential large-scale customers utilising the TCO business case and senior level approach, and we are working towards securing additional agreements in 2023.

Employees

As with previous years I am pleased to report that staff turnover has remained low. The Company has continued to invest for growth and, as such, has retained staff in critical areas. We have expanded teams in business development, technology development and information systems to support business improvement and bid activities.

This has been delivered by external recruitment, internal career development and external contractor support, and as new business moves into full implementation there will be budgeted proportionate growth in direct employees with targeted increases in indirect roles. We have welcomed Andy Caunce as Head of Operations to help as we return to growth in multiple locations.

Outlook

Looking ahead, our actions in FY22 have prepared the business for a return to growth in FY23 in terms of cost management, targeted investment, a forecasted increase in existing programme production rates and significant new business opportunities in the UK and the US.

We believe our TCO business case model and senior level engagement approach to key customers, coupled with an increase in existing production rates as aircraft deliveries recover, will deliver the planned growth. Our scalable and digital business model is expected to open up opportunities in the global industry at a scale much higher than historic programmes.

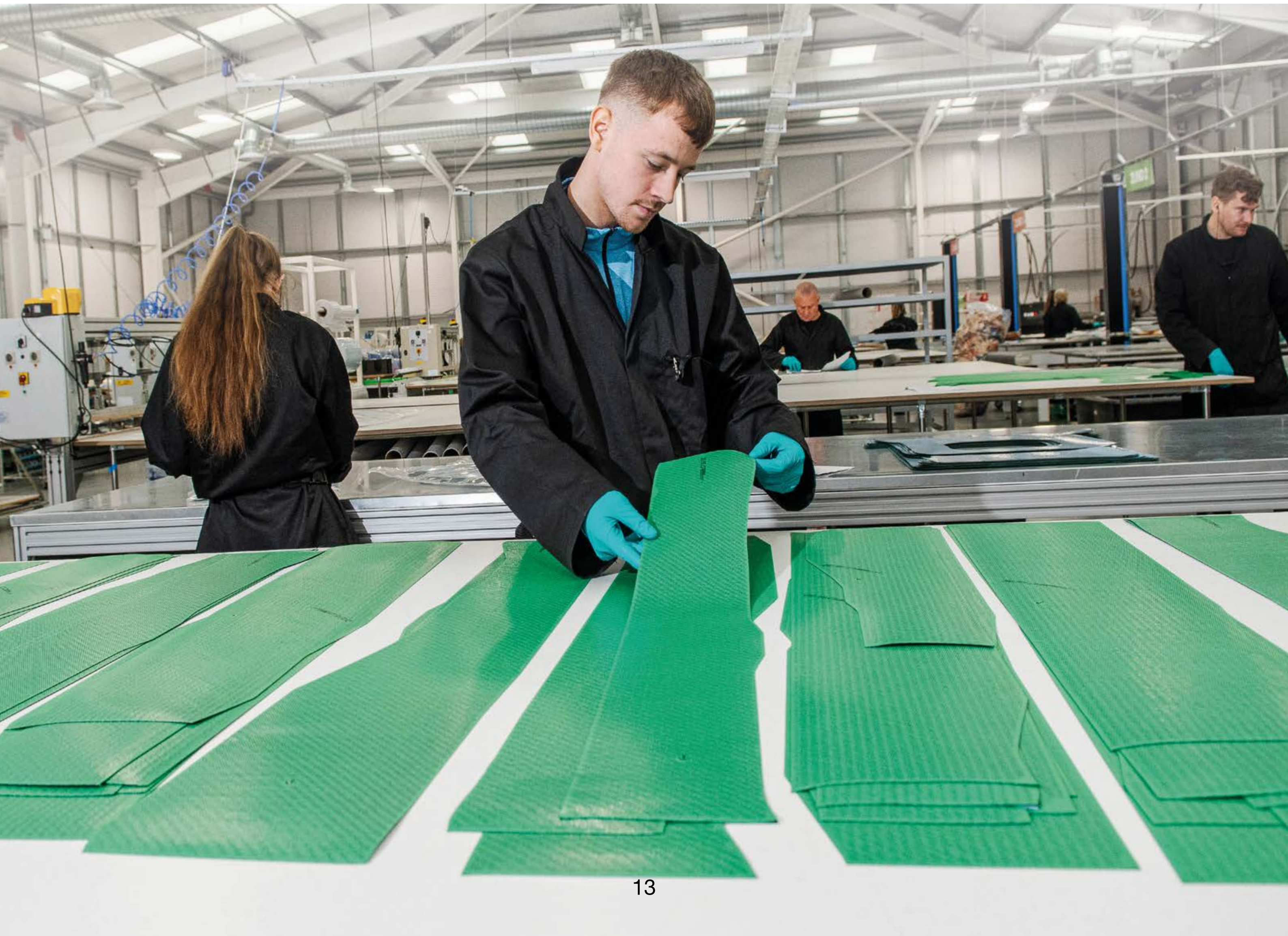
Our business model is more relevant now as customers look to prioritise their core business post Covid-19, and the industry strives to meet its sustainability targets. Composites will play an important role in reducing the use of fossil fuels through greater fuel efficiency.

Section 172 Statement

In accordance with section 172 of the Companies Act 2006, the Directors, collectively and individually, confirm that during the year ended 31 October 2022, they acted in good faith and have upheld their 'duty to promote the success of the Group' to the benefit of its stakeholder groups.

The Directors acknowledge the importance of forming and retaining a constructive relationship with all stakeholder groups. Effective engagement with stakeholders enables the Board to ensure stakeholder interests are considered when making decisions which is crucial for achieving the long-term success of the Group. The main mechanisms for wider stakeholder engagement and feedback can be found on page 25 onwards in the Statement on Corporate Governance.

Jonathan Bridges
Chief Executive Officer
23 January 2023



Our highly efficient nests help reduce waste & save money

Sustainable waste management processes

Reducing material waste entering landfill

Recycling practices

Velocity HQ's solar panels

Financial Review

Statement of Comprehensive Income

Revenue for FY22 of £12.0m (FY21: £9.8m) represents an increase of 22%, as a result of both recovery in civil aerospace production rates and smaller contract wins in the UK. Though UK sales and production volumes remain significantly below pre-pandemic levels, contracted long term business is now above those levels, with production at the new US operating facility to commence in 2023. When reviewing these historical results, it should be noted that a large element of the overhead cost base has been focused on services innovation and expansion of our business on a global basis.

	31 October 2022 £'000	31 October 2021 £'000
Operating loss	(1,317)	(1,364)
Add back:		
Share-based payments	170	90
Depreciation and amortisation	263	305
Depreciation on right of use assets under IFRS 16	432	421
Adjusted EBITDA	**(452)**	**(548)**

[2] Earnings before interest, tax, depreciation, amortisation, and adjusted for share-based payments. The business uses this Alternative Performance Measure to appropriately measure the underlying business performance, as such it excludes costs associated with non-core activity. Share-based payments are added back to make the share-based payment charge clear to stakeholders.

The increased volume has generated a gross profit of £2.7m, £0.2m ahead of the £2.5m achieved in FY21, resulting in a reported gross margin percentage of 23.0% (FY21: 26.0%). This reduction is expected to be temporary, as it results from a lag in some increased cost pressures, when compared to revising contracted pricing with customers. All things being equal, this timing difference, should correct itself through 2023.

Administrative expenses have increased £0.2m from £3.9m in FY21 to £4.1m in FY22. This small increase is a major achievement, given the significant investment in, and focus on, business development and innovation. Costs have increased in many areas and there was a major effort required to counter these pressures. Though we expect the cost base to increase with the US operations opening in 2023, the central costs will be spread over two to three times the activities, once the new contracted business is onboarded.

The increase in volume has therefore been offset by the investment in overheads to support the future growth, resulting in an Adjusted EBITDA[2] loss of £0.5m (FY21: loss of £0.5m).

The investment in business development, technology and staff development during FY22 means the Group is well placed for the now contracted volume growth in the forthcoming year. US growth will be delivered through the Work Package Agreement with GKN which will commence in early FY23 and is expected to be at full rate production by August 2023. Growth in the UK will be through an increase to existing contract volumes, with new opportunities to pursue in both regions, as aircraft deliveries continue to recover following the pandemic.

Therefore, Velocity is in an excellent position to deliver this growth, without a linear increase to its overhead base and will also benefit in FY23 from the technological investments that have driven efficiencies in the operational process.

Cashflow and Capital Investment

The decrease in the year end cash and cash equivalents position of £1.2m to £2.3m (FY21: £3.5m) is a reflection of a combination of factors. Firstly, the Adjusted EBITDA loss referred to above has been partially offset by a positive movement in working capital of £0.3m (FY21: £0.9m), resulting in a cash outflow from operations of only £0.2m (FY21: cash inflow from of operations of £0.3m). After adjusting for tax receipts in respect of R&D expenditure of £0.5m (FY21: £Nil), the overall result was a cash inflow from operating activities of £0.3m (FY21: £0.3m).

The tight control on working capital, can be further analysed as follows: A positive working capital movement through a £1.1m increase in trade and other payables from suppliers (FY21: decrease of £0.4m). £0.5m of this funded an increase in inventory (FY21: decrease of £1.0m), partly due to the increase in volume, but also follows a strategic decision to minimise the risk of supply chain disruption. Whilst there has also been an increase in trade and other receivables of £0.4m due from customers (FY21: decrease of £0.3m), this is a product of the increased volume, rather than an increase to terms as the overall trade receivable days have reduced to 68 days, compared to 76 days at the end of FY21.

A cash outflow from investment activities of £0.4m is reflective of the increase in Non-Current Assets to support the development of the production facility in the US. A further £1.1m has been used in financing activities, driven by repayments of the CBILS loan, the capital element of the Group's lease liabilities and associated financing costs.

Despite the loss in the year, the business remains in a net cash position at the end of the year, with £0.2m net cash (FY21: £1.0m). This includes Cash at Bank, offset by the outstanding CBIL balance and invoice discounting facility.

The Board consider this a significant achievement in cash management, given the investment milestones achieved in the last year and transformation of future business opportunities.

	31 October 2022 £'000	31 October 2021 £'000
Cash	2,344	3,476
CBIL loan	(2,009)	(2,516)
Invoice discounting facility	(175)	2
Net cash	**160**	**962**

One of Velocity's advanced cleanroom manufacturing areas

Going Concern

Management continues to undertake a significant level of cash flow forecasting and detailed financial projections for the following 24 month rolling period to 31 October 2024 have been prepared. A number of sensitivities have been performed to understand the cash flow impact of various scenarios and even in the most severe down-side scenario modelled the business had sufficient liquidity to continue trading as a going concern.

The aerospace sector lends itself to long-term planning due to the nature and length of customer programmes, typically a minimum of three years, but often five years or more. This has enabled the business to fully model the period to 31 October 2024 and undertake more strategic, longer-term planning for growth and full recovery emerging from the pandemic.

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

In preparing the latest two-year forecasts, Management has included revenue projections based on current demand, the newly signed Work Package Agreement with GKN in the US, plus a weighting of opportunities in the pipeline. The cost base included in the projections is reflective of the significant cost reductions that have already taken place in the Group, but also realistic about the investment required to implement the growth.

It is the investment in growth and technological advancements throughout FY22, which is anticipated to continue in FY23, that has resulted in the forecasts indicating that the Group's Invoice Discounting Facility, secured against Trade Debtors, will be utilised during certain months within the going concern period. Whilst this facility is designed to be short-term and can be withdrawn with 3 months' notice, the latest discussions have reflected the bank's support for Velocity's growth strategy and as such we expect this facility will remain available for the foreseeable future. Utilisation of the facility is forecast to be temporary as the benefits from the investment in growth become tangible in the second half of FY23. However, should alternative financing be required, the Group would preserve cash by delaying certain investment activities until longer-term funding could be implemented, such as asset-based financing against new capital expenditure or equity funding.

Alongside the robust forecasting and governance process, the Group has demonstrated strong cash flow management through the Covid-19 pandemic, successfully reducing inventory levels and navigating through right-sizing efforts to deliver significant reductions to administrative overheads.

Having due regard for these recent deliverables and latest projections, with available cash at 31 October 2022 of £2.3m, an invoice discount facility where the Group can borrow up to £3m dependent on debtor levels, access to an invoice discounting facility with one of our major customers, and continued support from our banks and shareholders, it is the opinion of the Board that the Group has adequate resources to continue to trade as a going concern.

Adam Holden
Group Finance Director
23 January 2023

Financial Highlights & Group Key Performance Indicators

Revenue	Cash at Bank	Gross Margin %	Operating Loss	Adjusted EBITDA[3]
£12m	**£2.3m**	**23.0%**	**£(1.3)m**	**£(0.5)m**

[3] Earnings before interest, tax, depreciation, amortisation and adjusted for share-based payments. The business uses this Alternative Performance Measure to appropriately measure the underlying business performance, as such it excludes costs associated with non-core activity. Share-based payments are added back to make the share-based payment charge clear to stakeholders. Workings are provided on p15 of the 2022 Annual Report and Financial Statements.

Principal Risks and Uncertainties

The Board is committed to managing risk within the business and maintains a risk register that is kept up to date with input from the senior management team. The Covid-19 pandemic clearly had an unprecedented impact on the aviation industry in the UK and the Board were required to quickly re-evaluate the business risks as the pandemic unfolded. Velocity had to manage a significant drop in sales from existing contracts by right sizing the cost base and working closely with customers to understand the ongoing demand. Management was also focused on managing cash flow, but mindful of the need for future investment to support the Company's growth strategy and offering to the market.

In addition, the Group undertook various risk mitigation activities which included planning ahead to help mitigate supply chain disruption; undertaking other capacity planning assessments with customers and suppliers; ensuring any tariff and tax changes were fully covered in contracts; and liaising with Government bodies to prepare for the different outcomes which may come to pass.

Moving into the post-pandemic period and the mitigating activities noted above remain extremely relevant. The expansion into the US using existing resources means that cash flow forecasting and capacity planning remain key priorities, whilst becoming familiar with trading regulations in a new geographical market will bring further challenges that the Group is looking forward to managing.

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

The Group's principal risks and actions to mitigate these risks are set out in the table below. These are the risks that Management feel are most material to the business and which might prevent the Group from achieving its strategic objectives if not managed accordingly.

Principal Risks and Uncertainties

PRINCIPAL RISK	MANAGEMENT PRIORITY	IMPACT	MITIGATION
Strategic Risks			
Loss of Key Contracts	**Medium**	The aerospace sector has a concentration of very large primary aircraft manufacturers and Tier 1 suppliers. These form the core of the Group's customer base. The loss of any of the Group's major contracts with these large customers may have a material impact on the business, prospects, financial condition, or operations. Management have been particularly wary of this during the current period of significant upheaval in the aerospace sector.	The Group nurtures relationships with key customers in order to understand their business and to identify further opportunities to support them. In addition to working tirelessly to deliver excellent customer service levels for the existing business, the Group is actively developing its pipeline with the aim of securing new contracts. Aircraft are increasingly being manufactured using composite material, a trend that has continued, despite the COVID-19 pandemic and will only add to the pipeline of work. Key to any mitigation is that the business operates through Long Term Contracts and when an initial contractual period comes to an end, unless the customer invokes the termination clause, the supply of product continues on the basis of 4-week firm demand commitment and 12-month forward demand forecast (against which the Company places orders on material suppliers with purchase order cover). Customers are contractually committed to any material orders within the lead time placed on their behalf. The Company's three biggest historic customers were successfully renewed during FY21, each for a minimum of 3 years. The first large US customer contract is for 5 years.
International Expansion	**High**	As evidenced by the announcement of the Work Package Agreement with GKN Aerospace in the United States, the Group's strategy is to expand into new markets that cannot be serviced from the UK production facilities. The successful implementation in Tallassee could lead to further plants servicing the geographical clusters	The Group has not only signed the Work Package Agreement with GKN Aerospace in the United States, but has seen other international customers actively engage. Management is therefore taking a measured approach by investing in the first production facility in the Southeast USA region and expansion into other markets (i.e. Europe) will be timed to manage the risks around cash flow, management time and bandwidth. In addition, any site development will be supported with contractual commitments from customers prior to any significant financial commitment by Velocity.

Principal Risks and Uncertainties

PRINCIPAL RISK	MANAGEMENT PRIORITY	IMPACT	MITIGATION
Strategic Risks (cont)			
International Expansion		(Cont) across the USA, with further international opportunities. In addition, new business development in Europe could offer up the need for a production unit. International expansion has inherent risks, along with potential delays in setting up new facilities.	(Cont)
Winning a Large Customer Contract	**Medium**	The winning of additional large customer contracts could absorb the capacity headroom and lead to supply issues if not closely managed. It could also be a distraction to Management.	Optimising the performance of the production units by working on efficiency improvements, utilising space more effectively and scheduling the work in the most efficient way is a key target for the business. Technological investments will also make a difference. The Group currently has capacity and a good structure of Executive and second line management to support additional demand, but has recruited accordingly to ensure the Work Package Agreement with GKN Aerospace in the US is a success.
Sustainability Credentials	**Low**	The Group recognises the importance of trading as a sustainable and socially responsible organisation and the impact on the environment of not putting in place measures that will help it to do so.	Management believes this a low risk, with Velocity's offering naturally supporting an increasingly green agenda. The Group minimises waste of composite material throughout the supply chain and recycles that which cannot be utilised, often something customers are unable to focus on. In addition, operating in the composite sector naturally supports many green or alternative energy sectors, such as electric vehicles, wind power and hydrogen cell production. The

Principal Risks and Uncertainties

PRINCIPAL RISK	MANAGEMENT PRIORITY	IMPACT	MITIGATION
Strategic Risks (cont)		(Cont)	(Cont)
Sustainability credentials	**Low**		Company also has adopted an EV car scheme and offers on-site charging at its Burnley facilities for employees, supported by green energy generated through its on-premises solar panels. Further recognising the importance of operating sustainably, the Board has introduced a Sustainability Committee, chaired by a Non-executive Director, to identify additional methods of promoting sustainability throughout the business.
Research and Development	**Low**	The Company invests in R&D projects in order to develop innovative new products.	R&D projects are reviewed by the Board and development opportunities are carefully reviewed by management at various stages to minimise any potential losses.
Exclusively Operating in the Aerospace Sector	**Medium**	Insufficient demand in the sector and particularly in the civil aerospace sector due to disruption such as the COVID-19 pandemic.	Risk is mitigated by the strength of the longer-term outlook of aircraft manufacturers and proven by past crises that have failed to stop the underlying growth trends in the aerospace market. Longer term we plan to diversify away from this sector through partnerships with our major suppliers and customers and have had some success already. The Company has also started to develop more of its customer base around military aerospace which has proven to be more robust.

Principal Risks and Uncertainties

PRINCIPAL RISK	MANAGEMENT PRIORITY	IMPACT	MITIGATION
Operational Risks			
Dependence on Third Party Supply	**Low**	The Group's business depends on products and services provided by third parties. Any interruption to the supply of products or services by third parties, problems maintaining quality standards and delivering product to specification, or problems in upgrading such products or services, the Company's business will be adversely affected. Appropriate stock levels must be maintained to meet customer contractual requirements.	The Group manages its relationships with suppliers through the commercial and operational teams. Many products are single sourced for Airplane frames, the product type being defined by the customer. Orders are placed according to the supplier delivery schedule, paid for on time and contractual buffer stocks maintained. Our rigorous forecasting processes allow us to identify shortages in supply early and where lead times are extended beyond our control, three-way discussions are actively sought out early between Velocity, the end customer and the material supplier to resolve.
Cyber Security	**Medium**	With an ever-increasing number of reported data leaks and ransomware events, there is a growing risk of cyber attack in today's society. With the sensitive data used by Velocity and the growth strategy projected, this will become increasingly prominent.	Management regularly reviews the strength of the IT infrastructure within the business and undertakes third party audits to reinforce this. Through a combination of encryption, regular backups, firewalls and limited third party access points the current structure is deemed secure.

Principal Risks and Uncertainties

PRINCIPAL RISK	MANAGEMENT PRIORITY	IMPACT	MITIGATION
Reliance on Key Individuals	**Medium**	The success of the Group will depend largely upon the expertise and relationships of the Board and other senior employees. The loss of any of the key individuals could impact the Group's ability to deliver its strategic goals.	Salary and benefit levels are competitive and reviewed on a regular basis, with bonus and equity schemes to reward longer term performance. Annual performance reviews and development plans are carried out throughout the organisation whilst operational staff are also benchmarked regularly to ensure Velocity remains an attractive place to work, with compensation reflective of a high-value manufacturer.
Price Inflation	**Medium**	Significant levels of inflation may adversely impact the performance of the Group.	Material price changes are contractually passed through from the supplier to the customer. All other inflation must be considered and prices re-negotiated with the customer where appropriate.
Financial and Compliance Risks			
Foreign Exchange Risk	**Medium**	As the Group purchases and sells products on a global basis, it is exposed to gains and losses linked to movements in the US Dollar and Euro foreign exchange rates. Group policy is to naturally hedge wherever possible. These exposures will increase with international expansion, particularly with the US Dollar to Sterling exchange rate. A weaker US Dollar would be expected to reduce profits and cash flows, and vice-versa for a weaker pound Sterling.	There is an approved Treasury policy which is managed and monitored by the Group Finance Director. However, the Group will look to naturally hedge wherever possible, matching foreign currency revenue with purchases of the same currency. In addition, short term cash flow forecasts highlight future surplus or shortfalls in foreign currency, allowing funding levels to be managed accordingly.

Principal Risks and Uncertainties

PRINCIPAL RISK	MANAGEMENT PRIORITY	IMPACT	MITIGATION
Liquidity Risk	**Medium**	Insufficient cash to meet the needs of the business in near or long term	Preparation of detailed cash flow forecasts allow the group to understand the financial position both now and in the future and can be used to mitigate the risk of there being insufficient funds available. The forecasts are kept up to date and reflect the latest views on sales, purchases and facilities available. Scenario analysis is also carried out to understand the liquidity implications should performance be favourable or adverse to forecast. Moving into FY2023 and financing the US growth through existing resources will be one of the key challenges facing the business. Ultimately the Company has access to both debt and equity financing and the listing on the AIM quotation was intentional to help provide access to equity finance if significant growth requires further significant investments.
Credit Risk	**Low**	Unable to collect due receivables from customers	The Group's trade receivables relate to amounts owed by aerospace supply chain companies who, by their nature, are large. Given the size and stability of its core receivables, together with the procedures in place to follow up any overdue debts, the Directors do not believe that the credit risk to the Group is significant.
Interest Rate Risk	**Low**	Ability to minimise exposure	The Group seeks to manage its interest rate risk through minimising exposure wherever possible and regularly reviewing interest rates available in the marketplace.

Statement of Corporate Governance

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

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

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

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

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

2. Seek to understand and meet shareholder needs and expectations

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

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

Engagement with other key shareholders is also welcomed, with the Directors and other executives meeting both private and institutional shareholders from time to time. The Annual General Meeting presents a further opportunity for all shareholders to meet the Board and other senior managers from across the business.

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

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

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

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

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

Employees
Velocity is an equal opportunity employer regardless of race, religion, gender, age, disability, sexual orientation, gender reassignment, marriage and civil partnership and pregnancy and maternity. Employees are kept up to date with the performance of the business through periodic briefings whilst all members of staff are encouraged to participate in the annual engagement survey and the feedback acted upon.

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

Community
The Group actively participates in the community and in apprenticeships and other schemes to provide opportunities for young people, such as T-Levels for BTEC Engineering students and Work Experience.

We are firm believers in supporting the local economies in which we operate and therefore always look to employ local people, having been awarded membership to the Lancashire Skills and Employment Hub as a business dedicated to supporting local skills and development. Velocity also operates within the Enterprise Advisor Network, supporting the development of the future generation of employees to ensure we are an employer of choice for the future.

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

The Board recognises that it has overall responsibility for ensuring the Group has in place a system of internal control that allows it to manage risk accordingly. The system does not prevent the Group from considering opportunities for growth but takes a balanced approach, safeguarding the assets of the business and providing reasonable assurance regarding compliance with laws and regulations. The system of internal control is therefore designed to manage rather than eliminate the risk and is prevalent across all areas of the business.

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

- An ongoing assessment to identify, evaluate and manage business risks;
- A Management structure with clearly defined responsibilities and authority limits;
- A comprehensive process of reporting financial results to the Board;
- An Audit Committee that reviews the effectiveness of the Group's risk management process and recommends any new significant risks are referred to the Board for consideration.
- Full appraisals and appropriate levels of authorisation of new contracts entered into, whether these be sales contracts, contracts related to research and development, operating or capital expenditure;
- Dual signatories on all bank accounts to safeguard the assets of the business.

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

At the date of this report the Board comprises the Chairman, Chief Executive Officer, Group Finance Director and two Non-Executive Directors.

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

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

The monthly Board meetings have a regular agenda with standing items of Health and Safety, HR and People, Chief Commercial & Supply Chain Officer report, Chief Programmes Officer report, Group Finance Director report and the management accounts. This enables the Board to discharge its duties with all Directors receiving appropriate and timely information and with briefing papers circulated to all Directors in advance of the meetings.

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

Audit Committee
The Audit Committee currently has three members, Andrew Beaden (Chair), David Bailey and Annette Rothwell. The Group Finance Director and external auditors attend by invitation. The Audit Committee responsibilities include the review of the scope, results and effectiveness of the external audit, the review of the Interim and Annual accounts, and the review of the Group's risk management and internal control systems. The Audit Committee advises the Board on the appointment of the external auditors and monitors their performance.

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

Nomination Committee
The Nomination Committee has two members, Andrew Beaden (Chair) and Annette Rothwell. The Nomination Committee meets as required and is responsible for proposing candidates for appointment to the Board, as well as advising on the structure and composition of the Board and succession planning.

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

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

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
No Meetings in Year	**10**	**4**	**2**	**2**
Andrew Beaden	10	4	2	2
Robert Soen*	9	4	2	2
Jonathan Bridges	10	N/a	N/a	N/a
Chris Williams**	10	4	N/a	N/a
Annette Rothwell***	6	2	1	1
David Bailey****	3	1	N/a	N/a

Committee	Andrew Beaden	Robert Soen	Jonathan Bridges	Chris Williams	Annette Rothwell	David Bailey
Audit	Chair	Member	N/a	N/a	Member	Member
Remuneration	Member	Chair*	N/a	N/a	Chair***	N/a
Nominations	Chair	Member	N/a	N/a	Member	N/a

Non-members are invited to attend committees as appropriate.

*resigned as Director, 31 October 2022
**resigned as Director, 7 December 2022
***appointed as Director, 29 March 2022
****appointed as Director, 9 June 2022
N/a - indicates that a director was not a member of a particular committee

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

Details on each of the directors, and their respective roles within the Company, are set out on pages 31 to 32 of this report.

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

Whilst the restrictions imposed by the Covid-19 pandemic have been lifted and the focus of the Board returns to delivering growth for Velocity, the Board also recognises that some of the key challenges and practices entered into during the pandemic (for example, cash flow forecasting) remain the same. With this in mind, the new and existing Board members have been set objectives that are relevant to the Group's current position and performance against these objectives will be monitored as the year progresses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Andrew Beaden
Chairman
23 January 2023

Board of Directors

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

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

Andrew is the current Chair of the Audit Committee.

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

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

Jonathan has a BSc in Materials Science from Coventry University.

Adam Holden
Group Finance Director
Adam joined as Group Finance Director and Company Secretary in December 2022 and has a wealth of accounting experience. In his previous role, Adam was Group Financial Controller at Bright Blue Foods ("BBF"), a multi-site manufacturer of ambient cakes and other baked goods. Adam has also worked as Financial Controller at Northern Rail although began his career at KPMG where he qualified as a Chartered Accountant.

Annette Rothwell
Independent Non-executive Director
Annette joined Velocity in March 2022 as a Non-Executive Director and is Chair of the Remuneration Committee. Annette has extensive experience in industries undergoing transformational change. Annette is a proven executive leader in General Management, Procurement and Supply Chain, Operational Excellence (CI) and Project Management working with senior

(l-r) Annette Rothwell, David Bailey, Andrew Beadon, Adam Holden & Jonathan Bridges stakeholders including regional and national government.

Since 2006, Annette has served in executive roles supporting CEOs within a number of global companies including FTSE100 listed Aerospace & Defence companies. Annette has experience in and around supply chains and has been responsible for procurement and supply chain activity, operational improvement across multiple companies and multiple cultures. Since 2011, Annette has served as a director on the board of the Midlands Aerospace Alliance, the regional body for the Aerospace, Defence and Security industry.

David Bailey
Independent Non-executive Director
Joining as a Non-executive Director in June 2022, David is an experienced executive with extensive management and technical expertise developed across the aerospace and power generation industries. He has contributed to the strategic direction of the UK's aerospace industry and cross-sector composites sector as a Board member of the Aerospace Growth Partnership and Composites Leadership Forum. He is a renowned aerospace supply chain specialist and has worked with the senior management teams of over 100 aerospace and defence suppliers.

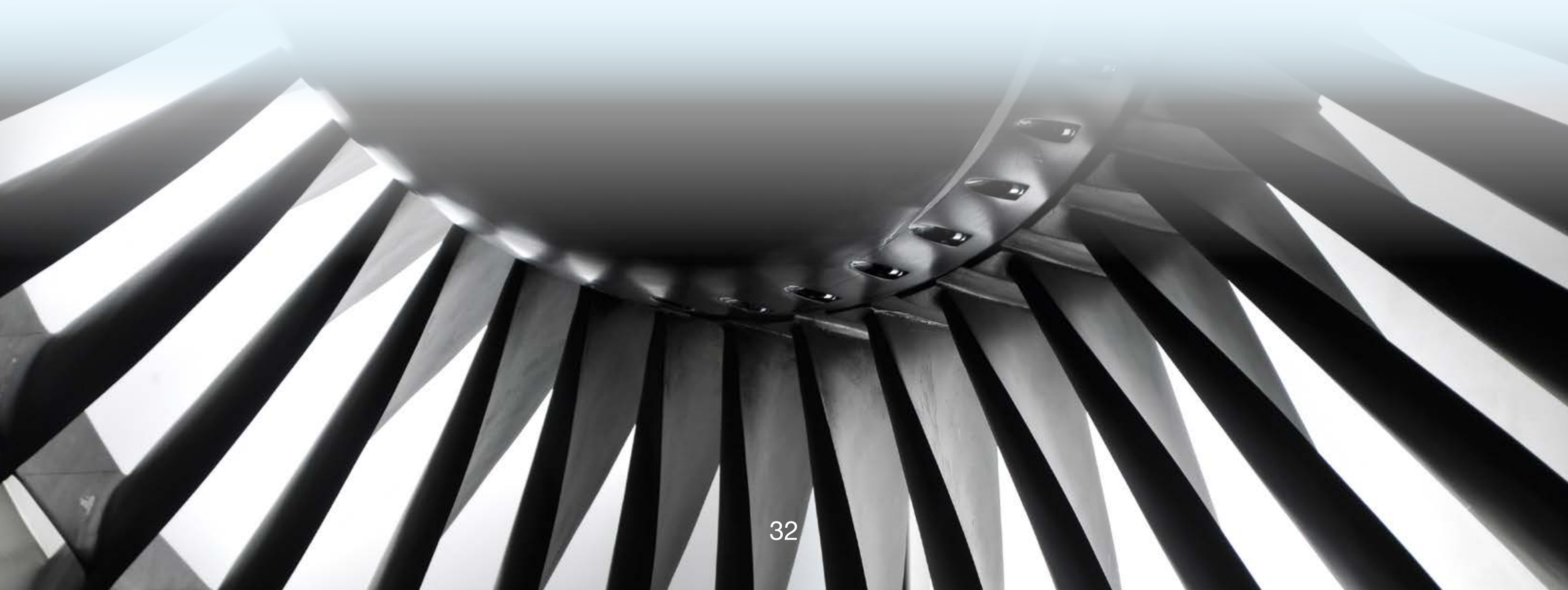
Since February 2020, David has been the CEO of Composites UK, the trade association for the UK composites industry with over 360 member companies. David formed Aerospace Consulting Limited in February 2020 to specialise in developing and delivering high-level consultancy projects in the aerospace industry.

Prior to establishing Aerospace Consulting, David was Chief Executive of the North West Aerospace Alliance (NWAA), the regional trade association for the aerospace and defence industry in the North West of England between 2011 and 2020. The NWAA is one of the largest aerospace clusters in the world, representing over 240 aerospace member companies (including organisations such as Airbus, BAE Systems, Brookhouse Aerospace, MBDA Missile Systems, Rolls-Royce, Safran, Senior Aerospace and Teledyne CML Composites).

David has a PhD in Gas Turbine Aerodynamics and an Aeronautical Engineering degree both from Loughborough University. David was made a Fellow of the Royal Aeronautical Society for services to the North West's Aerospace Industry in 2017.

Chris Williams
Group Finance Director
(resigned 7 December 2022)
Chris joined Velocity in August 2020 as Group Finance Director and brought with him a wealth of experience across many sectors, having previously been Finance Director for Bettys Tearooms, a multi-site hospitality business in Yorkshire, as well as Caparo Engineering, where he was a Divisional Finance Director for a number of Precision Engineering SMEs based in the Midlands. Chris stepped down from his role on 7 December 2022.

Robert Soen
Non-executive Director
(resigned 31 October 2022)
Robert joined Velocity in July 2019 as an independent Non-Executive Director and was the Chair of the Remuneration Committee throughout his tenure. Robert has worked extensively in aerospace and automotive supply chains, ending his executive career as Senior Vice President Supply Chain in GKN Aerospace Services Limited. Robert stepped down from the Board on 31 October 2022 to focus on his other business interests but has continued to act as an advisor, helping with Velocity's commercial and supply chain strategy as the business grows.



Senior Management

Strategic Operations Director

Jeff Armitage

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

Commercial & Supply Chain Director

Matthew Archer

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

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

Customer Programmes Director

James Eastbury

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

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

Financial Controller

Adam Newton

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

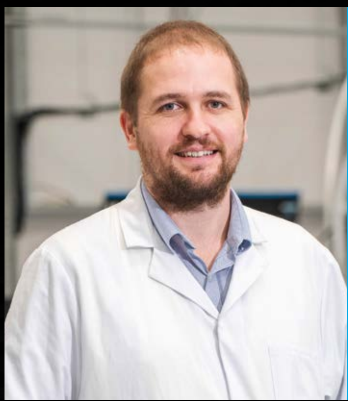
Adam is a Fellow of the Association of Chartered Certified Accountants

Head of Engineering

Emil Khan

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

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



Head of Technology

Sheldon Atherton

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

Sheldon is homegrown through the Velocity leadership development programme, developing his skills, knowledge and experience through Production, Systems Integration, Quality and Supply Chain.

Head of Operations

Andy Caunce

Andy joined Velocity in October 2022 as Head of Operations and brings with him many years of experience in both Manufacturing and Utilities sectors.

A strong leader with a background in Quality Management and Operational delivery which he developed whilst working for BAE SYSTEMS and United Utilities.

Andy has teams covering multiple sites and will drive efficiencies and improvements across all the Safety, Quality, Cost, Delivery and People measures within the operations teams.

HR Specialist

Amy Heap

Amy joined Velocity in October 2022, bringing with her over 6 years' experience from varied roles in HR. Amy has previously worked in many industries including the Educational, Health and Social Care and Manufacturing sectors, responsible for leading and directing all aspects of the Human Resource function.

Amy has a CIPD Level 5 Diploma in HR Management and is a member of the CIPD association.

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 October 2022.

Principal activities

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

Review of business and future developments

The Board has continued the development of the business, as referenced in the Financial Review on pages 15 to 17 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 principal risks review on pages 18 to 24.

Capital structure

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

Research and development

The Group continued to invest in research and development, in order to extend its geographical reach and improve the effectiveness of its technology. During the year the Group capitalised development costs of £136,000 (2021: £Nil) in-line with the Group's accounting policy.

Dividends

There were no dividends proposed or paid in the year (2021: £Nil).

Political donations

No political donations were made during the year (2021: £Nil).

Basis of preparation of the financial statements

The consolidated financial statements of Velocity Composites plc have been prepared in accordance with UK-adopted international accounting standards and International Financial Reporting Interpretations Committee (IFRIC). Further details are provided in note 2 to the financial statements.

Directors

The Directors who held office during the year and up to the date of this report, along with their interest in the shares of the Company at 31 October 2022 were as follows:

	At 31 October 2022	% Shareholding
Jonathan Karl Bridges	5,515,929	15.13%
Andrew Beaden	568,475 [4]	1.56%
Robert Soen (resigned 31 October 2022)	-	-
Chris Williams (resigned 7 December 2022)	-	-
Annette Rothwell (appointed 29 March 2022)	-	-
David Bailey (appointed 9 June 2022)	-	-
Adam Holden (appointed 7 December 2022)	-	-

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

Going concern

The Group has prepared base and sensitised financial projections for the next two years. The forecasts include revenue projections based on current demand, the newly signed Work Package Agreement with GKN in the US, plus a weighting of opportunities in the pipeline. The cost base included in the projections is reflective of the significant cost reductions that have already taken place in the Group, but also realistic about the investment required to implement the growth.

Alongside the robust forecasting and governance process, the Group has demonstrated strong cash flow management through the Covid-19 pandemic, successfully reducing inventory levels and navigating through right-sizing efforts to deliver significant reductions to administrative overheads.

Having due regard for these recent deliverables and latest projections, with available cash at 31 October 2022 of £2.3m, an invoice discount facility where the Group can borrow up to £3m dependent on debtor levels, access to an invoice discounting facility with one of our major customers, and continued support from our banks and shareholders, it is the opinion of the Board that the Group has adequate resources to continue to trade as a going concern. A more extensive disclosure of going concern can be found in the financial review on pages 15 to 17.

Indemnification of directors

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

Substantial shareholdings

At 31 October 2022, notification had been received of the following interests which exceed a 3% interest in the issued share capital of the Company, in addition to those of the Directors referred to above:

	Number of Ordinary Shares	% of Issued Share Capital
Gerard Antony Johnson	4,802,693	13.17%
Christopher Banks	4,802,693	13.17%
Stonehage Fleming	4,222,753	11.58%
Charles Stanley Clients	1,734,638	4.78%
Octopus Investments	1,567,058	4.30%
Braveheart Investment Group	1,500,615	4.12%
Hargreaves Lansdown, stockbrokers (EO)	1,482,062	4.07%
Amati Global Investors	1,150,294	3.16%

Corporate governance

The Statement of Corporate Governance on pages 25 to 30 sets out the Group's approach to good corporate governance.

Statement of directors' responsibilities

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the UK (UK-adopted international accounting standards) and applicable law. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that year. In preparing each of the Group and parent Company financial statements, the directors are required to:

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

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

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to auditor

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

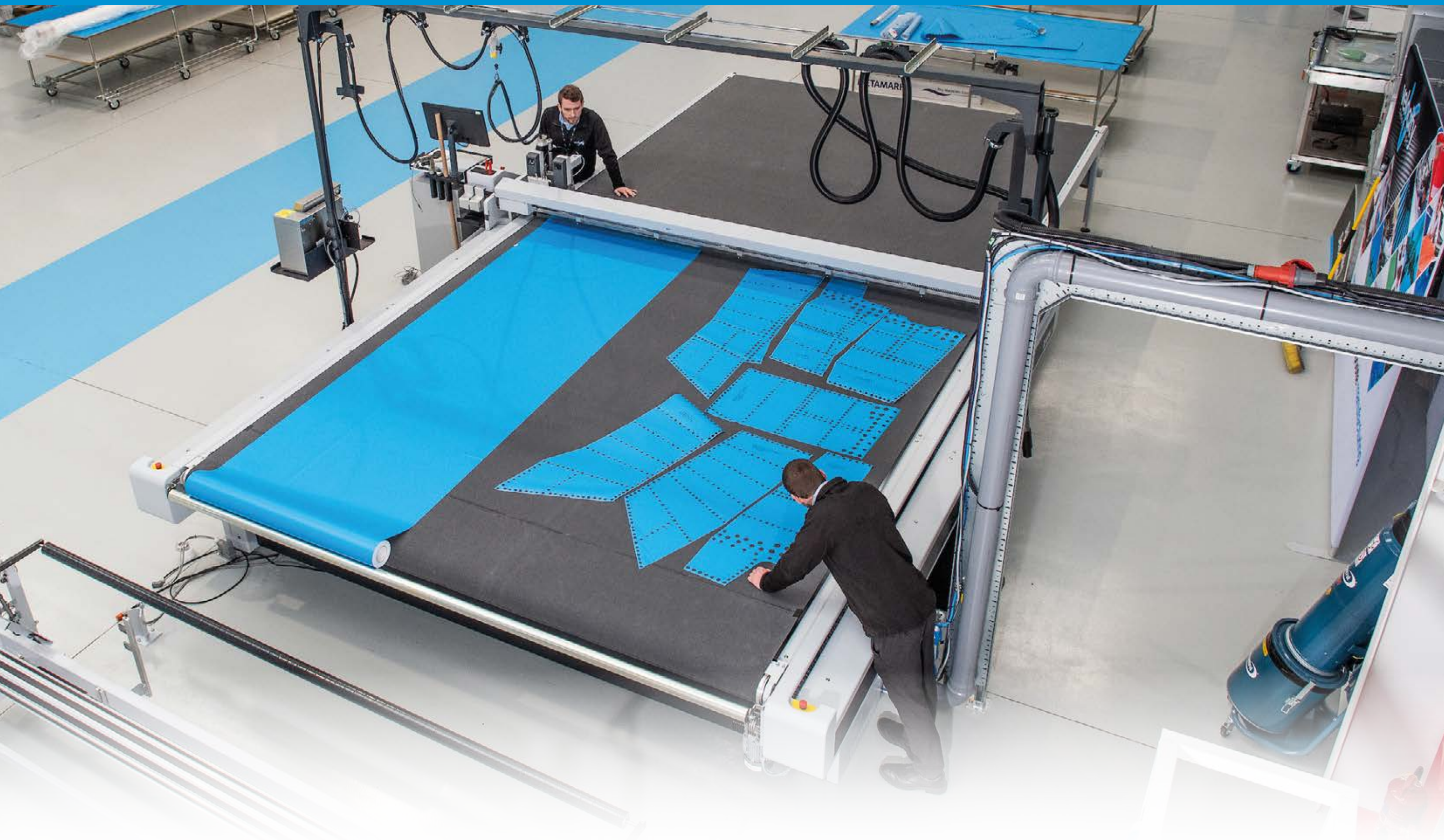
- so far as that director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- that director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's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

Auditor

Cooper Parry Group Limited, having expressed its willingness to continue in office, will be proposed for reappointment for the next financial year at the Annual General Meeting, in accordance with section 489 of the Companies Act 2006.

This report was approved by the Board of Directors on 23 January 2023 and signed on its behalf by:

Adam Holden
Company Secretary
23 January 2023



Directors' Remuneration Report

This report covers the financial period ended 31 October 2022.

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

Responsibilities

The Remuneration Committee has two members, Annette Rothwell and Andrew Beaden. The Committee is responsible for setting the remuneration packages for the Executive team as well as approving, where appropriate, the remuneration of senior staff. The Committee sets incentive plans for the Executive team to align their interests with those of the shareholders and to encourage the strategic development of the business.

Executive Directors

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

Remuneration Policy

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

Basic Salary

Salaries are reviewed annually and are benchmarked against businesses acting within the aerospace manufacturing sector. The review process is undertaken having regard to the development of the Group and the contribution that individuals will continue to make as well as the need to retain and motivate individuals.

The Executive Directors and Senior Management are also awarded other benefits (for example pension contributions) which are commensurate with their position within the Group and with the competitive marketplace. Basic salary can be paid in cash and equity instruments equal at the start of a year to the cash equivalent.

Share Options

Share options are awarded in order to provide a long-term incentive to the Executive Directors and Senior Management which aligns the interests of the Group with shareholders, with those of the individuals tasked with delivering the Group's strategic aims.

These include financial targets around profitability, and strategic targets around profitable growth and business development. Share options are also used where Directors and Senior Management have agreed to take part of their basic salary in equity. For several years most qualifying staff have taken 20% of their basic salary in equity alternatives. In January and March 2022, options were granted to certain Non-Executive Directors and members of the Senior Management team. A total of 0.5m options were issued.

Non-executive Directors

The salary of the Chairman is determined by the Board and the fees of the Non-Executive Directors are determined by the Board following a recommendation from the Chairman. The Chairman and Non-executive Directors are not involved in any discussions or decisions about their own remuneration. The fees of all the Non-executive Directors have remained frozen since 2019. Similar to senior management and Executive Directors, 20% of the Non-Executive Directors pay has been in the form of equity instruments since 2020.

Directors' Emoluments

Directors' emoluments for the year ended 31 October 2022 (or period of service) are summarised below:

	Cash paid salary [5] £'000	Pension £'000	Benefit in kind £'000	Year ended 31 October 2022 £'000	Year ended 30 October 2021 £'000
Executive					
Jonathan Bridges	110	12	11	133	131
Chris Williams	97	8	-	105	102
Non-Executive					
Andrew Beaden	64	2	-	66	66
Robert Soen (resigned 31.10.22)	28	-	-	28	29
Margaret Amos (resigned 15.09.21)	-	-	-	-	26
Annette Rothwell (appointed 29.03.22)	18	-	-	18	-
David Bailey (appointed 09.06.22)	15	-	-	15	-
Total	332	22	11	365	354

[5] All of the cash paid salaries above represent 80% of each individuals' basic salary for the year. Apart from Jonathan Bridges, the additional 20% was serviced through equity awards, via share options valued at the start of each year or on appointment and to be of equivalent value to the 20% cash amounts sacrificed. Jonathan Bridges' 20% is deferred until 2023 and when the Company reports a positive EBITDA.

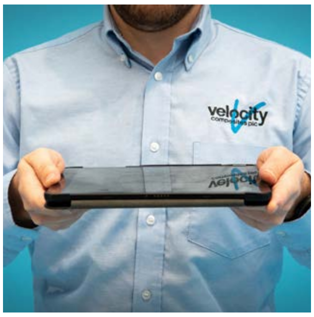
Share options

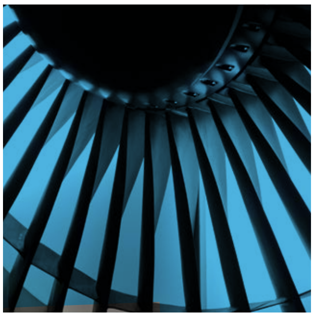
The following table sets out the share option movements for each of the Directors during the two years ended 31 October 2022. None of the options below have performance conditions attached and vest subject to continued employment.

	Chris Williams No.	Andrew Beaden No.	Rob Soen No.	Margaret Amos No.	Annette Rothwell No.	David Bailey No.
At 31 October 2020	**147,268**	**108,475**	-	**47,458**	-	-
Issued	125,000	-	28,805	-	-	-
Exercised	-	-	-	-	-	-
Lapsed	-	-	-	-	-	-
At 31 October 2021	**272,268**	**108,475**	**28,805**	**47,458**	-	-
Issued	103,529	76,235	33,412	-	20,940	-
Exercised	-	(108,475)	-	(47,458)	-	-
Lapsed	-	-	-	-	-	-
At 31 October 2022	**375,797**	**76,235**	**62,217**	-	**20,940**	-
Comprising shares that have:						
Vested	147,268	-	28,805	-	-	-
Not Vested	228,529	76,235	33,412	-	20,940	-
At 31 October 2022	**375,797**	**76,235**	**62,217**	-	**20,940**	-

COOPER PARRY

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





velocity composites plc

COOPER PARRY

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

OPINION

We have audited the financial statements of Velocity Composites plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 October 2022 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated and Company Statement of Financial Position , the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom ("UK adopted international accounting standards").

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 October 2022 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Our approach to the audit

We adopted a risk-based audit approach. We gained a detailed understanding of the Group's business, the environment it operates in and the risks it faces.

The key elements of our audit approach were as follows:

In order to assess the risks identified, the engagement team performed an evaluation of identified components and to determine the planned audit responses based on a measure of materiality, calculated by considering the significance of components as a percentage of the Group's total revenue and loss before taxation and Group's total assets.

Our Group audit scope focused on the Group's principal trading entity, Velocity Composites plc which was subject to a full scope audit and represents 100% of the Group's revenue in the year, 100% of the Group's loss before tax in the year and 100% of the Group's net assets at 31 October 2022.

Analytical procedures were undertaken on remaining components, using group materiality, which were not deemed to be material.

COOPER PARRY

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) we identified, including those which 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.

Risk of fraud in revenue recognition

Matter
Under Under International Standard on Auditing (UK) 240 there is a presumed risk that revenue is misstated due to fraud. The Group recognises revenue to the extent that economic benefits will flow to the Group and the revenue can be reliably measured. There is relatively little judgement involved in determining the timing and value of the amount to be recognised. We therefore assess the significant risk to be specifically with respect to manual journals posted to revenue.

Response
Our procedures in response to the risk included:

- Assessing accounting policies for consistency and appropriateness with financial reporting framework and in particular that revenue was recognised when the satisfaction of performance obligations were fulfilled;
- Obtaining an understanding of the processes through which the business initiate, record, process and report revenue transactions;
- Performing a walkthrough of the process as set out by management, to ensure controls appropriate to the size and nature of operations are designed and implemented correctly throughout the transaction cycle;
- Obtaining a complete listing of journals posted to revenue nominal codes. From this listing we selected a sample of unexpected manual adjustments which were vouched to evidence supporting the timing and measurement of the revenue recognised;
- Performing enhanced cut-off testing over October 2022 sales to ensure sales are recognised in the correct accounting period;
- Performing transactional revenue testing to confirm the existence of revenue;
- Reviewing of post year end credit notes to check for overstatement of revenue during the year.

Our procedures did not identify any material misstatements in the revenue recognised during the year.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in determining the nature, timing and extent of our audit procedures, in evaluating the effect of any identified misstatements, and in forming our audit opinion.

The materiality for the Group financial statements as a whole was set at £182,000. This has been determined with reference to the benchmark of the Group's revenue which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 1.5% of group revenue. Performance materiality has been set at 75% of group materiality.

The materiality for the parent company financial statements as a whole was set at £164,000. This has been determined with reference to the benchmark of the parent company's revenue which we consider to be an appropriate measure for a parent company such as this. Materiality has been capped to 90% of group materiality.

COOPER PARRY

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Challenging management on key assumptions included in their forecast scenarios;
- Considering the potential impact of various scenarios on the forecasts; and
- Reviewing management's disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information included in the annual report. 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period 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.

COOPER PARRY

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, UK adopted international accounting standards (IFRSs), and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions;
- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;

COOPER PARRY

- designing our audit procedures to respond to our risk assessment; and
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

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.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Melanie Hopwell (Senior Statutory Auditor)
For and on behalf of Cooper Parry Group Limited
Chartered Accountants and Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Caste Donington
Derby
DE74 2SA

23 January 2023

Consolidated Statement of Total Comprehensive Income

	Note	Year ended 31 October 2022 £'000	Year ended 31 October 2021 £'000
Revenue	4	11,959	9,767
Cost of sales		(9,213)	(7,228)
Gross profit		2,746	2,539
Administrative expenses		(4,063)	(3,903)
Operating loss	5	(1,317)	(1,364)
Operating loss analysed as:			
Adjusted EBITDA	29	(452)	(548)
Depreciation of property, plant and equipment		(210)	(229)
Amortisation		(53)	(76)
Depreciation of right-of-use assets under IFRS 16		(432)	(421)
Share based payments		(170)	(90)
Finance income and expense	8	(187)	(182)
Loss before tax from continuing operations		(1,504)	(1,546)
Corporation tax recoverable	9	167	340
Loss for the year and total comprehensive loss		(1,337)	(1,206)
Loss per share - basic (£) from continuing operations	10	(£0.04)	(£0.03)
Loss per share - diluted (£) from continuing operations	10	(£0.04)	(£0.03)

The notes on pages 52 - 80 form part of these financial statements.

There is no other comprehensive income in the current or prior year.

Consolidated and Company Statement of Financial Position

	Note	Group 31 October 2022 £'000	Group 31 October 2021 £'000	Company 31 October 2022 £'000	Company 31 October 2021 £'000
Non-current assets					
Intangible assets	11	173	91	173	91
Property, plant and equipment	12	1,099	1,051	1,099	1,051
Right-of-use assets	19	2,269	1,688	1,812	1,688
Total non-current assets		3,541	2,830	3,084	2,830
Current assets					
Inventories	14	1,407	877	1,407	877
Trade and other receivables	15	2,521	2,162	2,569	2,195
Corporation tax		-	341	-	341
Cash and cash equivalents	16	2,344	3,476	2,337	3,470
Total current assets		6,272	6,856	6,313	6,883
Total assets		9,813	9,686	9,397	9,713
Current liabilities					
Loans	18	503	514	503	514
Trade and other payables	17	2,207	1,058	2,207	1,058
Obligations under lease liabilities	19	405	309	313	309
Total current liabilities		3,115	1,881	3,023	1,881
Non-current liabilities					
Loans	18	1,506	1,998	1,506	1,998
Obligations under lease liabilities	19	1,792	1,240	1,442	1,240
Total non-current liabilities		3,298	3,238	2,948	3,238
Total liabilities		6,413	5,119	5,971	5,119
Net assets		3,400	4,567	3,426	4,594
Equity attributable to equity holders of the company					
Share capital	22	91	91	91	91
Share premium account		9,727	9,727	9,727	9,727
Share-based payments reserve		684	539	684	539
Retained earnings		(7,102)	(5,790)	(7,076)	(5,763)
Total equity		3,400	4,567	3,426	4,594

The notes on pages 52 - 80 form part of these financial statements. The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and not presented its own statement of profit and loss in these financial statements. The loss for the year was £1,338,000. The financial statements were approved and authorised for issue by the Board of Directors on 23 January 2022 and were signed on its behalf by:

Adam Holden
Director
Co No: 06389233

Consolidated and Company Statement of Changes in Equity

Consolidated statement of changes in equity

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Share-based payments reserve £'000	Total equity £'000
As at 31 October 2020	91	9,727	(4,626)	490	5,682
Loss for the year	-	-	(1,205)	-	(1,205)
	91	9,727	(5,831)	490	4,477
Transactions with shareholders:					
Share-based payments (note 23)	-	-	-	90	90
Transfer of share option reserve on vesting of options and issue of equity	-	-	41	(41)	-
As at 31 October 2021	91	9,727	(5,790)	539	4,567

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Share-based payments reserve £'000	Total equity £'000
As at 31 October 2021	91	9,727	(5,790)	539	4,567
Loss for the year	-	-	(1,337)	-	(1,337)
	91	9,727	(7,127)	539	3,230
Transactions with shareholders:					
Share-based payments (note 23)	-	-	-	170	170
Transfer of share option reserve on vesting of options and issue of equity	-	-	25	(25)	-
As at 31 October 2022	91	9,727	(7,102)	684	3,400

The notes on pages 52 - 80 form part of these financial statements

Consolidated and Company Statement of Changes in Equity

Company statement of changes in equity

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Share-based payments reserve £'000	Total equity £'000
As at 31 October 2020	91	9,727	(4,598)	490	5,710
Loss for the year	-	-	(1,206)	-	(1,206)
	91	9,727	(5,804)	490	4,504
Transactions with shareholders:					
Share-based payments (note 23)	-	-	-	90	90
Transfer of share option reserve on vesting of options and issue of equity	-	-	41	(41)	-
As at 31 October 2021	91	9,727	(5,763)	539	4,594

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Share-based payments reserve £'000	Total equity £'000
As at 31 October 2021	91	9,727	(5,763)	539	4,594
Loss for the year	-	-	(1,338)	-	(1,338)
	91	9,727	(7,101)	539	3,256
Transactions with shareholders:					
Share-based payments (note 23)	-	-	-	170	170
Transfer of share option reserve on vesting of options and issue of equity	-	-	25	(25)	-
As at 31 October 2022	91	9,727	(7,076)	684	3,426

The notes on pages 52 - 80 form part of these financial statements.

Consolidated and Company Statement of Cash Flows

	Group Year ended 31 October 2022 £'000	Group Year ended 31 October 2021 £'000	Company Year ended 31 October 2022 £'000	Company Year ended 31 October 2021 £'000
Operating activities				
Loss for the year	(1,337)	(1,206)	(1,338)	(1,206)
Taxation	(167)	(341)	(167)	(341)
Profit on sale of assets	(38)	(13)	(38)	(13)
Finance costs	187	182	187	181
Amortisation of intangible assets	53	76	53	76
Depreciation of property, plant and equipment	210	229	210	229
Depreciation of right-of-use assets	432	421	432	421
Share-based payments	170	90	170	90
Operating cash flows before movements in working capital	(490)	(562)	(491)	(563)
(Increase)/Decrease in trade and other receivables	(359)	302	(374)	294
(Increase)/Decrease in inventories	(530)	1,031	(530)	1,031
Increase/(Decrease) in trade and other payables	1,149	(446)	1,149	(440)
Cash (outflow)/inflow from operations	(230)	325	(246)	322
Tax received	510	-	510	-
Net cash inflow from operating activities	280	325	264	322
Investing activities				
Purchase of property, plant and equipment	(262)	(64)	(262)	(64)
Purchase of development expenditure	(136)	-	(136)	-
Proceeds from the sale of property, plant and equipment	42	13	42	13
Net cash used in investing activities	(356)	(51)	(356)	(51)
Financing activities				
Loan received	-	634	-	634
Finance costs paid	(187)	(181)	(187)	(181)
Loan repayment	(503)	(119)	(503)	(119)
Repayment of lease liabilities capital	(366)	(400)	(351)	(400)
Net cash used in financing activities	(1,056)	(66)	(1,041)	(66)
Net Increase/(Decrease) in cash and cash equivalents	(1,132)	208	(1,133)	205
Cash and cash equivalents at 01 November	3,476	3,268	3,470	3,265
Cash and cash equivalents at 31 October	2,344	3,476	2,337	3,470

The notes on pages 52 - 80 form part of these financial statements.

Notes to the Financial Statements

1. General information

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

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

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

2. Accounting policies

Basis of preparation
The consolidated financial statements of Velocity Composites plc have been prepared in accordance with UK-adopted international accounting standards and International Financial Reporting Interpretations Committee (IFRIC).

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 years presented, unless otherwise stated. The financial statements are presented in sterling and have been rounded to the nearest thousand (£'000). References to "FY22" refer to the year ended 31 October 2022, whilst references to "FY21" are in respect of the year ended 31 October 2021.

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

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings and are made up to 31 October 2022. Subsidiaries are consolidated from the date of acquisition, using the purchase method.

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

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

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

There are no new accounting standards or interpretations that are not yet fully effective that could be expected to have a material impact on the Group.

2. Accounting policies (continued)

Going concern

Management continues to undertake a significant level of cash flow forecasting and detailed financial projections for the following 24 month rolling period to 31 October 2024 have been prepared. A number of sensitivities have been performed to understand the cash flow impact of various scenarios and even in the most severe down-side scenario modelled the business had sufficient liquidity to continue trading as a going concern.

The aerospace sector lends itself to long-term planning due to the nature and length of customer programmes, typically a minimum of 3 years, but often 5 years or more. This has enabled the business to fully model the period to 31 October 2024 and undertake more strategic, longer-term planning for growth and full recovery emerging from the pandemic.

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

In preparing the latest two-year forecasts, Management has included revenue projections based on current demand, the newly signed Work Package Agreement with GKN in the US, plus a weighting of opportunities in the pipeline. The cost base included in the projections is reflective of the significant cost reductions that have already taken place in the Group, but also realistic about the investment required to implement the growth.

It is the investment in growth and technological advancements throughout FY22, and which is anticipated to continue in FY23, that has resulted in the forecasts indicating that the Group's Invoice Discounting Facility, secured against Trade Debtors, will be utilised during certain months within the going concern period. Whilst this facility is designed to be short-term and can be withdrawn with 3 months' notice, the latest discussions have reflected the bank's support for Velocity's growth strategy and as such we expect this facility will remain available for the foreseeable future. Utilisation of the facility is forecast to be temporary as the benefits from the investment in growth become tangible in the second half of FY23. However, should alternative financing be required the Group would preserve cash by delaying certain investment activities until longer-term funding could be implemented, such as asset-based financing against new capital expenditure or equity funding.

Alongside the robust forecasting and governance process, the Group has demonstrated strong cash flow management through the Covid-19 pandemic, successfully reducing inventory levels and navigating through right-sizing efforts to deliver significant reductions to administrative overheads.

Having due regard for these recent deliverables and latest projections, with available cash at 31 October 2022 of £2.3m, an invoice discount facility where the Group can borrow up to £3m dependent on debtor levels, access to an invoice discounting facility with one of our major customers, and continued support from our banks and shareholders, it is the opinion of the Board that the Group has adequate resources to continue to trade as a going concern.

2. Accounting policies (continued)

Revenue recognition

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

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

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

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

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

Inventory

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

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

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

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Goods or services supplied in a foreign currency are recognised at the exchange rate ruling at the time of accounting for this expenditure.

Provisions

A 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.

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.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the year the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

2. Accounting policies (continued)

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

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

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

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

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

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

Development costs	5 years

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

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

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

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

2. Accounting policies (continued)

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

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

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

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

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

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

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

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

The Group has current borrowings of CBIL loans and can utilise its invoice discounting facility in support of its working capital requirements.

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

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

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

2. Accounting policies (continued)

Financial assets (continued)

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

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

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

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

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

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

Leased assets

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

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

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

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

2. Accounting policies (continued)

Leased assets (continued)

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

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

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

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

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

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

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

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

Government grants
Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to cost are deferred and recognised in the profit or loss by deducting from the related expense over the period necessary to match them with the costs that they are intended to compensate.

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

2. Accounting policies (continued)

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

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

- the initial recognition of goodwill;

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable Company; or different Company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

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

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

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

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

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

Sensitivity analysis
A 5% increase in the levels of the current stock provision would lead to and finance impact of an increase in stock provision of £10k.

3. Financial instruments and risk management

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

Financial instruments

	Group 31 October 2022 £'000	Group 31 October 2021 £'000	Company 31 October 2022 £'000	Company 31 October 2021 £'000
Current assets				
Trade and other receivables	2,238	1,902	2,238	1,902
Trade and other receivables – prepayments	283	260	331	293
	2,521	2,162	2,569	2,195
Cash and cash equivalents – loans and receivables	2,344	3,476	2,337	3,470
Total loans and receivables	4,865	5,638	4,906	5,665
Current liabilities				
Trade and other payables	1,750	921	1,750	921
Trade and other payables – accruals	457	137	457	137
	2,207	1,058	2,207	1,058
Loans	503	514	503	514
Obligations under lease liabilities	405	309	313	309
Total current liabilities	3,115	1,881	3,023	1,881

For non-current liabilities please see notes 17 and 18.

Risk management

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

a) Market risk

Foreign exchange risk

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

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

3. Financial instruments and risk management (continued)

a) Market risk (continued)

Foreign exchange risk (continued)
Whilst the majority of the Group'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 Group'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 Groups exposure to foreign currency risk is as follows. This is based on the carrying amount of monetary financial instruments.

As at 31 October 2022

	US Dollar £'000	**Euro** £'000	**Total** £'000
Trade debtors	1,729	163	1,892
Cash and cash equivalents	1,352	249	1,601
Trade payables	(750)	(32)	(782)
Balance sheet exposure	2,331	380	2,711

As at 31 October 2021

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

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

	31 October 2022 £'000	**31 October 2021** £'000
US dollar	117	112
Euro	19	60

This analysis assumes that all other variables, in particular other exchange rates and interest rates remain constant. A 5% weakening of the above currencies against pound sterling in any year would have had the equal but opposite effect to the amounts shown above.

Interest rate risk
The Group carries borrowings from leases and CBIL loans. Lease borrowings are at a fixed rate of interest whilst the interest on the CBIL loans is a combination of fixed rate and Bank of England base rate plus 3.96%. The Directors do not consider there to be a significant interest rate risk on the element of loans linked to movements in the Bank of England base rate. The Group also has access to an invoicing discounting facility that carries a fixed monthly charge plus interest at a fixed rate of 2.25%.

3. Financial instruments and risk management (continued)

b) Credit risk

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

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

c) Liquidity risk

The Group 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 Group also has access to banking facilities including invoice finance which it utilises when needed in order to manage its liquidity risk.

As at 31 October 2022

	Within 1 year £'000	**One to two years** £'000	**Two to five years** £'000	**Over five years** £'000
Loan	503	503	1,003	-
Obligations under lease liabilities	405	419	1,373	-
Trade payables	1,134	-	-	-
Accruals	457	-	-	-
Other payables	174	-	-	-
Invoice discounting facility	175	-	-	-

As at 31 October 2021

	Within 1 year £'000	**One to two years** £'000	**Two to five years** £'000	**Over five years** £'000
Loan	514	536	1,462	-
Obligations under lease liabilities	309	225	1,015	-
Trade payables	639	-	-	-
Accruals	137	-	-	-
Other payables	14	-	-	-
Invoice discounting facility	-	-	-	-

The lease liability is shown exclusive of interest payments (the comparative information for FY21 has been updated to correctly exclude interest payments).

d) Capital risk management

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

4. Segmental analysis

The Group supplies a single type of product into a single industry and so has a single reportable segment. Additional information is given regarding the revenue receivable based on geographical location of the customer. An analysis of revenue by geographical market is given below:

	Year ended 31 October 2022 £'000	Year ended 31 October 2021 £'000
Revenue		
United Kingdom	11,906	9,702
Europe	10	26
Rest of the World	43	39
	11,959	9,767

During the year four customers accounted for 92.7% (2021: 95.06%) of the Group's total revenue for the year ended 31 October 2022. This was split as follows; Customer A – 43.10% (2021: 44.7%), Customer B – 33.4% (2021: 28.5%), Customer C – 11.44% (2021: 13.4%) and Customer D – 4.70% (2021: 8.51%).

The majority of revenue arises from the sale of goods. Where engineering services form a part of revenue it is only in support of the development or sale of the goods.

During the current and previous year, the Group operated in Asia. No revenue was generated in Asia during the year ended 31 October 2022 and year ended 31 October 2021 as the site operates as an Engineering Support Office for the Group. The US subsidiary is currently dormant, and no revenue has been generated since the US subsidiary was incorporated.

5. Operating loss

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

	Year ended 31 October 2022 £'000	Year ended 31 October 2021 £'000
Staff costs (see note 6)	3,090	2,854
Cost of inventories	8,079	6,335
Foreign exchange (gain)/loss	(259)	156
Amortisation of development costs	53	76
Depreciation:		
Owned assets	210	229
Property, plant and equipment under right-of-use assets	432	421
Profit on disposal of assets	(38)	(13)
Auditor's remuneration:		
Audit of the accounts of the Group	59	62
Other audit related services (relating to interim review)	14	12

6. Staff costs

	Year ended 31 October 2022 £'000	Year ended 31 October 2021 £'000
Wages, salaries and bonuses	2,575	2,435
Social security costs	261	240
Defined contribution pension costs	84	89
Share-based payments	170	90
	3,090	2,854

During the previous year the company took advantage of the government furlough scheme. In the year to 31 October 2021, £152k was claimed in relation to this scheme and this benefit is not included in the above totals. Staff costs net of furlough claims as at 31 October 2021 amounted to £2.7m during the financial year. The government ended the furlough scheme ended in September 2021 therefore £nil has been claimed in this financial year.

The average monthly number of employees including directors, during the year was as follows:

	Year ended 31 October 2022 Head count	Year ended 31 October 2021 Head count
Manufacturing	40	45
Administration	39	30
	79	75

7. Directors' costs

	Year ended 31 October 2022 £'000	Year ended 31 October 2021 £'000
Directors' remuneration included in staff costs:		
Wages, salaries and bonuses	343	333
Defined contribution pension costs	22	21
	365	354
Remuneration of the highest paid director(s):		
Wages, salaries and bonuses or fees	121	120
Defined contribution pension costs	12	11
	133	131

8. Finance income and expenses

	Year ended 31 October 2022 £'000	Year ended 31 October 2021 £'000
Finance expense		
Finance charge from lease liabilities	81	112
Other interest and invoice discounting charges	106	70
	187	182

9. Income tax

	Year ended 31 October 2022 £'000	Year ended 31 October 2021 £'000
Current tax income		
UK corporation tax on income for the year	-	-
UK corporation tax adjustment in respect of prior years – R&D	(167)	(340)
Total tax income	**(167)**	**(340)**

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 the loss for the year are as follows:

Tax rate	19.00%	19.00%
Loss for the year before tax	(1,504)	(1,546)
Expected tax credit based on corporation tax rate	(286)	(294)
Expenses not deductible for tax purposes	112	(12)
Adjustment in respect of prior year – R&D	(167)	(340)
Adjustment in respect of prior year – tax losses	(51)	-
Tax losses not recognised	225	306
Total tax income	**(167)**	**(340)**

On 3 March 2021, the Chancellor of the Exchequer announced that the corporation tax rate would increase to a maximum of 25% from 1 April 2023. It was substantively enacted on 24 May 2021. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax law and the corporation tax rates that have been enacted, or substantively enacted, at the Statement of Financial Position date. As such, the deferred tax rate applicable at 31 October 2022 is 25% and deferred tax had been re-measured at this date.

10. Loss per share

	Year ended 31 October 2022 £	Year ended 31 October 2021 £
Loss for the year	(1,337,000)	(1,206,000)
	Shares	**Shares**
Weighted average number of shares in issue	36,371,065	36,270,917
Weighted average number of share options	2,110,897	1,856,366
Weighted average number of shares (diluted)	38,481,962	38,127,283
Loss per share (£) (basic)	(£0.04)	(£0.03)
Loss per share (£) (diluted)	(£0.04)	(£0.03)

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

11. Intangible assets

Group and Company	**Development costs** £'000	**Total** £'000
Cost		
At 31 October 2020 and 31 October 2021	638	638
Additions	136	136
Disposal	(199)	(199)
At 31 October 2022	575	575
Amortisation		
At 31 October 2020	472	472
Charge for the year	76	76
At 31 October 2021	548	548
Charge for the year	53	53
Disposal	(199)	(199)
At 31 October 2022	402	402
Net book value		
At 31 October 2020	166	166
At 31 October 2021	90	90
At 31 October 2022	173	173

Impairment
The Group reviews the Development costs at each reporting year for indicators of impairment. An indication of impairment can be generated from the loss of a customer, or contracted sales. No impairment was judged to be required for either year.

12. Property, plant and equipment

Group and Company	Leasehold improve-ments £'000	Plant & machinery £'000	Motor vehicles £'000	Fixtures & fittings £'000	Total £'000
Cost					
At 31 October 2020	491	1,844	71	400	2,806
Additions	-	47	-	17	64
Disposal	-	-	(48)	-	(48)
At 31 October 2021	491	1,891	23	417	2,822
Additions	137	87	-	38	262
Disposal	-	(123)	-	-	(123)
At 31 October 2022	628	1,855	23	455	2,961
Depreciation					
At 31 October 2020	49	1,249	71	221	1,590
Charge for the year	50	136	-	43	229
Disposal	-	-	(48)	-	(48)
Balance at 31 October 2021	99	1,385	23	264	1,771
Charge for the year	50	116	-	44	210
Disposal	-	(119)	-	-	(119)
At 31 October 2022	149	1,382	23	308	1,862
Net book value					
At 31 October 2020	442	595	-	179	1,216
At 31 October 2021	392	506	-	153	1,051
At 31 October 2022	479	473	-	147	1,099

13. Investment in subsidiaries

	Group 31 October 2022 £'000	Group 31 October 2021 £'000	Company 31 October 2022 £'000	Company 31 October 2021 £'000
Subsidiary undertakings	-	-	-	-
	-	-	-	-

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

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

14. Inventories

	Group 31 October 2022 £'000	Group 31 October 2021 £'000	Company 31 October 2022 £'000	Company 31 October 2021 £'000
Raw materials & consumables	1,114	541	1,114	541
Finished goods	293	336	293	336
	1,407	877	1,407	877

Inventories totalling £1,407,000 (2021: £877,000) are valued at the lower of cost and net realisable value. The Directors consider that this value represents the best estimate of the fair value of those inventories net of costs to sell. The release of inventories provision during the previous year amounted to £593,000, in 2022 the release was £56,000.

The inventory at 31 October 2022 is after a stock provision of £208,000 (2021: £264,000). The provision reflects the aged stock profile consistent with FY21, as well as specific provisions related to slow moving stock as a result of reduced demand.

Inventories recognised as an expense during the year ended 31 October 2022 amounted to £8,079,000 (2021: £6,335,000), and these were included in cost of sales.

15. Trade and other receivables

	Group 31 October 2022 £'000	Group 31 October 2021 £'000	Company 31 October 2022 £'000	Company 31 October 2021 £'000
Trade receivables	2,227	1,883	2,227	1,883
Prepayments	283	260	281	259
Other receivables	11	19	11	19
Amounts due from subsidiary undertakings	-	-	50	34
	2,521	2,162	2,569	2,195

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 68 days (2021: 76 days) and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Details about the Group's impairment policies and credit risk are provided in note 3. Trade receivables (Group and Company) overdue by:

	31 October 2022 £'000	31 October 2021 £'000
Not more than 3 months	-	13
More than 3 months but not more than 6 months	-	-
More than 6 months but not more than 1 year	-	-
More than 1 year	-	-
	-	13

The overall expected credit loss is trivial (2021: trivial). There is no movement in allowance of impairment of trade receivables during each year.

Trade receivables (Group and Company) held in currencies other than sterling are as follows:

	31 October 2022 £'000	31 October 2021 £'000
Euro	165	194
US Dollar	1,742	1,651
	1,907	1,845

16. Cash and cash equivalents

	Group 31 October 2022 £'000	Group 31 October 2021 £'000	Company 31 October 2022 £'000	Company 31 October 2021 £'000
Cash at bank	2,344	3,476	2,337	3,470
	2,344	3,476	2,337	3,470

17. Trade and other payables

	Group 31 October 2022 £'000	Group 31 October 2021 £'000	Company 31 October 2022 £'000	Company 31 October 2021 £'000
Trade payables	1,134	639	1,134	639
Accruals and deferred income	457	137	457	137
Other taxes and social security	267	268	267	268
Other payables	174	14	174	14
Invoice discounting facility	175	-	175	-
	2,207	1,058	2,207	1,058

Book values approximate to fair values.

18. Bank loans

	Group 31 October 2022 £'000	Group 31 October 2021 £'000	Company 31 October 2022 £'000	Company 31 October 2021 £'000
Not later than one year	503	514	503	514
One to two years	503	536	503	536
Two to five years	1,003	1,462	1,003	1,462
	2,009	2,512	2,009	2,512

In FY20 the Company took out a Coronavirus Business Interruption Loan for £2.0m and on 19 January 2021 the term of this loan was extended to 6 years. Repayment by instalment commenced in August 2021, with the final instalment due in August 2026. The loan was interest free for the initial 12 months, followed by an interest rate of 3.96% above the Bank of England base rate which was 2.25% at 31 October 2022. This has since increased to 3.5% and therefore the rate payable at 23 January 2023 is 7.46%.

During FY21, the Company took out a further Coronavirus Business Interruption Loan for £0.45m secured against owned non-current assets. This is being repaid over 5 years with the first payment made in July 2021 and the final instalment due in June 2026. The loan was interest free for the initial 12 months, followed by an interest rate of 7.75% per annum.

19. Leases

Right-of-use-assets

Group	Land & buildings £'000	Plant & machinery £'000	Motor vehicles £'000	Total £'000
Cost				
Balance at 31 October 2020	1,364	561	58	1,983
Additions	414	-	61	475
Disposal	(137)	-	(9)	(146)
Balance at 31 October 2021	1,641	561	110	2,312
Additions	1,013	-	-	1,013
Disposal	(221)	-	-	(221)
Balance at 31 October 2022	2,433	561	110	3,104
Depreciation				
Balance at 31 October 2020	238	86	25	349
Depreciation charge for the year	298	104	19	421
Disposal	(137)	-	(9)	(146)
Balance at 31 October 2021	399	190	35	624
Depreciation charge for the year	300	104	28	432
Disposal	(221)	-	-	(221)
Balance at 31 October 2022	478	294	63	835
NBV				
At 31 October 2020	1,126	475	33	1,634
At 31 October 2021	1,242	371	75	1,688
At 31 October 2022	1,955	267	47	2,269

The associated right-of-use assets for property leases and other assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 October 2022.

19. Leases (continued)

Right-of-use-assets (continued)

Company	Land & buildings £'000	Plant & machinery £'000	Motor vehicles £'000	Total £'000
Cost				
Balance at 31 October 2020	1,364	561	58	1,983
Additions	414	-	61	475
Disposal	(137)	-	(9)	(146)
Balance at 31 October 2021	1,641	561	110	2,312
Additions	556	-	-	556
Disposal	(221)	-	-	(221)
Balance at 31 October 2022	1,976	561	110	2,647
Depreciation				
Balance at 31 October 2020	238	86	25	349
Depreciation charge for the year	298	104	19	421
Disposal	(137)	-	(9)	(146)
Balance at 31 October 2021	399	190	35	624
Depreciation charge for the year	300	104	28	432
Disposal	(221)	-	-	(221)
Balance at 31 October 2022	478	294	63	835
NBV				
At 31 October 2020	1,126	475	33	1,634
At 31 October 2021	1,242	371	75	1,688
At 31 October 2022	1,498	267	47	1,812

The associated right-of-use assets for property leases and other assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 October 2022.

Right-of-use lease liabilities

	Group £'000	Company £'000
At 31 October 2021	1,549	1,549
Repayment	(457)	(442)
Additions to right-of-use assets in exchange for increased lease liabilities	1,013	556
Other lease movements	92	92
At 31 October 2022	2,197	1,755

19. Leases (continued)

Right-of-use lease liabilities (continued)

Analysis by length of liability

Group	**Land & buildings** £'000	**Plant & equipment** £,000	**Motor vehicles** £'000	**Total** £'000
Current	353	42	10	405
Non-current	1,612	155	25	1,792
	1,965	197	35	2,197
Number of right-to-use assets leased	6	5	2	
Range of remaining term	1-10 years	1-10 years	1-4 years	

Company	**Land & buildings** £'000	**Plant & equipment** £,000	**Motor vehicles** £'000	**Total** £'000
Current	261	42	10	313
Non-current	1,262	155	25	1,442
	1,523	197	35	1,755
Number of right-to-use assets leased	5	5	2	
Range of remaining term	1-10 years	1-10 years	1-4 years	

Reconciliation of minimum lease payments to present value

Group	**Minimum lease payments** £'000	**Interest** £'000	**Present value** £'000
31 October 2022			
Not later than one year	505	100	405
Later than one year and not later than two years	505	86	419
Later than two years and not later than five years	1,545	172	1,373
	2,555	358	2,197
31 October 2021			
Not later than one year	378	69	309
Later than one year and not later than two years	292	67	225
Later than two years and not later than five years	1,181	166	1,015
	1,851	302	1,549

19. Leases (continued)

Right-of-use lease liabilities (continued)

Reconciliation of minimum lease payments to present value (continued)

Company	**Minimum lease payments** £'000	**Interest** £'000	**Present value** £'000
31 October 2022			
Not later than one year	400	87	313
Later than one year and not later than two years	400	72	328
Later than two years and not later than five years	1,248	134	1,114
	2,048	293	1,755
31 October 2021			
Not later than one year	378	69	309
Later than one year and not later than two years	292	67	225
Later than two years and not later than five years	1,181	166	1,015
	1,851	302	1,549

Low value leases
The Group leases comprise both office and assembly space, under low value leases. The total value of the minimum lease payments due is payable as follows:

Group and Company	**31 October 2022** £'000	**31 October 2021** £'000
Property, plant and equipment		
Not later than one year	-	4
Later than one year and not later than two years	-	-
Later than two years and not later than five years	-	-
Later than five years	-	-
	-	4

Low value leases not classed as right-of-use assets due to the minimal value of the lease, relate to a building security contract, all other prior year operating leases have been classed as right-to-use asset on transition to IFRS 16. Payments made under such leases are expensed on a straight-line basis.

20. Deferred tax

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

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

Group and Company	**31 October 2022** £'000	**31 October 2021** £'000
Unrecognised deferred tax in respect of losses at 31 October 2021	(840)	(534)
Corporation tax loss adjustments in respect of prior year	(51)	-
Corporation tax losses arising during the year	(174)	(306)
Adjustment for movement in corporation tax rate	(336)	-
Unrecognised deferred tax in respect of losses at 31 October 2022	(1,401)	(840)

The Group has unused tax losses which were incurred by the holding company. A deferred tax asset of £1,401,000 (2021: £840,000) is not recognised in these accounts. Corporation tax losses can be carried forward indefinitely and can be offset against future profits which are subject to UK corporation tax.

21. Reconciliation of liabilities arising from financing activities

Group	**Lease liabilities < one year** £'000	**Other short-term borrowings** £'000	**Lease liabilities > one year** £'000	**Other long-term borrowings** £'000	**Total** £'000
At 31 October 2020	411	500	1,060	1,500	3,471
Cash flows					
Repayment	-	-	(400)	(119)	(519)
Proceeds	-	-	-	634	634
Non-cash					
Increase to lease liabilities	-	-	475	-	475
Transfer from long-term to short term borrowings	(102)	14	105	(17)	-
At 31 October 2021	309	514	1,240	1,998	4,061
Cash flows					
Repayment	(457)	(503)	-	-	(960)
Proceeds	-	-	-	-	-
Non-cash					
Other differences	-	-	92	-	92
Increase to lease liabilities	-	-	1,013	-	1,013
Transfer from long-term to short term borrowings	553	492	(553)	(492)	-
As at 31 October 2022	405	503	1,792	1,506	4,206

21. Reconciliation of liabilities arising from financing activities (continued)

Company	Lease liabilities < one year £'000	Other short-term borrowings £'000	Lease liabilities > one year £'000	Other long-term borrowings £'000	Total £'000
At 31 October 2020	411	500	1,060	1,500	3,471
Cash flows					
Repayment	-	-	(400)	(119)	(519)
Proceeds	-	-	-	634	634
Non-cash					
Increase to lease liabilities	-	-	475	-	475
Transfer from long-term to short term borrowings	(102)	14	105	(17)	-
At 31 October 2021	309	514	1,240	1,998	4,061
Cash flows					
Repayment	(442)	(503)	-	-	(945)
Proceeds	-	-	-	-	-
Non-cash					
Other differences	-	-	92	-	92
Increase to lease liabilities	-	-	556	-	556
Transfer from long-term to short term borrowings	446	492	(446)	(492)	-
As at 31 October 2022	313	503	1,442	1,506	3,764

22. Share capital

	31 October 2022 £	31 October 2021 £
Share capital issued and fully paid		
36,458,997 (2021: 36,303,064) Ordinary shares of £0.0025 each	91,147	90,758

Ordinary shares have a par value of 0.25p. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

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

Movements in share capital	**Nominal value £**	**Number of shares**
Ordinary shares of £0.0025 each		
At the beginning of the year	90,758	36,303,064
Exercising of share options	389	155,933
Closing share capital at 31 October 2022	91,147	36,458,997

On 29 March 2022, the Company issued 108,475 new ordinary shares of £0.0025 each to satisfy the exercise of options granted under the Group's 2020 Share Option Scheme.

On 5 October 2022, the company issued a further 47,458 new ordinary shares of £0.0025 each to satisfy the exercise of options granted under the Group's 2020 Share Option Scheme.

Options
Information relating to the Velocity Composites plc Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting year, is set out in note 23.

23. Share-based payments

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

The share options dated 13 March & 17 October 2017 have no attached performance conditions and have vested as a resulted of continued employment. The options may be exercised at any point up to the tenth anniversary of the grant date.

The 100,000 share options dated 29 October 2019 have no attached performance conditions and vest subject only to continued employment. They vest after 3 years, or earlier if a vesting event occurs as defined in the rules of the Scheme. They were awarded in relation to joining senior management, providing an equity incentive around the performance of the business.

The 667,680 share options dated 29 October 2019 have attached performance conditions linked to adjusted EBITDA. They vest after two years, or earlier if a vesting event occurs in the rules of the Scheme. The options may be exercised at any point up to the tenth anniversary grant date. There were 1,480,000 originally issued and as of the year ended 31 October 2022, 812,320 of these share options had lapsed due to people leaving the business.

The 459,132 shares options dated 30 October 2020 have no attached performance conditions and have been issued in exchange for qualifying staff agreeing to accept 20% of their basic salary in equity alternatives.

23. Share-based payments (continued)

The 28,805 shares options dated 1 April 2021 have no attached performance conditions and have been issued in exchange for qualifying staff agreeing to accept 20% of their basic salary in equity alternatives.

The 250,000 shares options dated 1 April 2021 have no attached performance conditions and vest subject only to continued employment. They vest after 3 years, or earlier if a vesting event occurs as defined in the rules of the Scheme. They were awarded in relation to joining senior management, providing an equity incentive around the performance of the business.

During the year ended 31 October 2022, further share options were granted as follows:

479,999 shares options dated 26 January 2022. These options have no attached performance conditions and have been issued in exchange for qualifying staff agreeing to accept 20% of their basic salary in equity alternatives.

20,940 shares options dated 29 March 2022. These options have no attached performance conditions and have been issued in exchange for qualifying staff agreeing to accept 20% of their basic salary in equity alternatives.

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

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

The following options were outstanding as at 31 October 2022:

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	95,676	-	95,676
17 October 2017	0.6926	17 Oct 2019	17 Oct 2027	30,000	-	30,000
29 October 2019	0.2065	29 Oct 2022	29 Oct 2031	-	100,000	100,000
29 October 2019	0.2065	29 Oct 2021	29 Oct 2031	-	667,680	667,680
30 October 2020	0.2065	01 Nov 2021	01 Nov 2026	459,132	-	459,132
01 April 2021	0.0025	01 Apr 2021	01 Apr 2026	28,805	-	28,805
01 April 2021	0.1300	01 Apr 2021	01 Apr 2026	-	125,000	125,000
01 April 2021	0.1580	01 Apr 2021	01 Apr 2026	-	125,000	125,000
26 January 2022	0.0025	26 Jan 2023	01 Nov 2027	-	479,999	479,999
29 March 2022	0.0025	29 Mar 2023	01 Nov 2027	-	20,940	20,940
				613,613	1,518,619	2,132,232

The Group recognised a cost of £170,000 (2021: £90,000) relating to share-based payment transactions which are all equity settled, an equivalent amount being transferred to share-based payment reserve. This reflects the fair value of the options, which has been derived through use of the Black-Scholes model.

The cost of share-based payments is included in “Administrative expenses” within the Statement of total comprehensive income. The share-based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised. The table below sets out the movement to the share-based payment reserves in the year.

23. Share-based payment (continued)

Movement in share options

Scheme and grant date	As at 1 Nov 2021 £'000	Issued £'000	Expired £'000	Exercised £'000	Vested £'000	As at 30 Oct 2022 £'000
1 January 2017	264	-	-	-	-	264
13 March 2017	55	-	-	-	-	55
17 October 2017	22	-	-	-	-	22
29 October 2019	80	27	-	-	-	107
30 October 2020	97	-	-	-	(25)	72
01 April 2021	7	-	-	-	-	7
01 April 2021	7	7	-	-	-	14
01 April 2021	7	7	-	-	-	14
26 January 2022	-	94	-	-	-	94
26 January 2022	-	31	-	-	-	31
29 March 2022	-	4	-	-	-	4
	539	170	-	-	(25)	684

24. Related party transactions

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

The Group has previously engaged IN4.0 Access Limited, which provides consulting services. One of the directors of IN4.0 Talent Recruitment Limited is a director of Velocity Composites plc. The Group paid £37,270 (2021: £Nil) to IN4.0 Access Limited during the year and had £Nil outstanding at the year end (2021: £Nil).

During the year the Group engaged Northwest Aerospace Alliance, which provides membership and subscription services for the Aerospace Industry. One of the directors of Northwest Aerospace Alliance Limited is a director of Velocity Composites plc. The Group paid £5,775 (2021: £Nil) to Northwest Aerospace Alliance during the year and had £1,000 outstanding at the year end (2021: £Nil).

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

	31 October 2022 £'000	31 October 2021 £'000
Related parties	(1)	-

25. Ultimate controlling party

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

26. Capital commitments

At 31 October 2022 the Group had £582,000 (2021: £Nil) of capital commitments relating to the purchase of leasehold improvements, plant and machinery and fixture and fittings.

27. Pension commitments

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £84,488 (2021: £89,337) were charged to the Consolidated Income statement. Contributions outstanding at 31 October 2021 were £14,107 (2021: £13,557).

28. Contingent liabilities

At 31 October 2022 the Group had in place bank guarantees of £Nil (2021: £Nil) in respect of supplier trade accounts.

As at 31 October 2022, the providers of the Invoice Discounting Facility hold a debenture that provides a fixed and floating charge on the assets of the Company.

29. Adjusted EBITDA

EBITDA is considered by the Board to be a useful alternative performance measure reflecting the operational profitability of the business. Adjusted EBITDA is defined as earnings before finance charges, taxation, depreciation, amortisation and adjusted for share-based payments. Share-based payments are added back to make the share-based payment charge clear to stakeholders.

Reconciliation from operating loss	**Year ended 31 October 2022** £'000	**Year ended 31 October 2021** £'000
Operating loss	(1,317)	(1,364)
Add back:		
Share-based payments	170	90
Depreciation of property, plant and equipment	210	229
Amortisation	53	76
Depreciation of right-of-use assets under IFRS 16	432	421
Adjusted EBITDA	(452)	(548)

Advisers

Company registration number:	06389233	
Company Secretary and Registered office:	Adam Holden (appointed 7 December 2022) AMS Technology Park Billington Road Burnley Lancashire BB11 5UB	
Nominated adviser and broker	Cenkos Securities Plc 6-8 Tokenhouse Yard London EC2R 7AS	
Bankers:	National Westminster Bank 1 Hardman Boulevard Manchester M3 3AQ	Royal Bank of Scotland 1 Hardman Boulevard Manchester M3 3AQ
Legal Advisers	DWF LLP 1 Scott Place 2 Hardman Street Manchester M3 3AA	Fieldfisher LLP 17th Floor No 1 Spinningfields 1 Hardman Street Manchester M3 3EB
Independent Auditor	Cooper Parry Group Limited Sky View Argosy Road East Midland Airport Castle Donington Derby DE74 2SA	
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA	
Financial PR	SEC Newgate UK Limited 14 Greville Street London EC1N 8SB	

Notice of General Meeting

Notice is hereby given that the Annual General Meeting (Meeting) of Velocity Composites plc (Company) will be held at the offices of the Company at AMS Technology Park, Billington Rd, Burnley BB11 5UB on 28 February 2023 at 10:00am to consider, and if thought fit, pass the following resolutions. Resolutions 1 to 9 (inclusive) will be proposed as ordinary resolutions and resolutions 10, 11 and 12 will be proposed as special resolutions.

Ordinary business

Ordinary resolutions

1. To receive and adopt the Annual Report and Accounts of the Company for the year ended 31 October 2022 and the reports of the directors and independent auditors thereon.
2. To approve the Directors' Remuneration Report contained within the Company's Annual Report and Accounts for the year ended 31 October 2022.
3. To re-appoint as a non-executive director David Warren Bailey who retires from office in accordance with the Company's Articles of Association and offers himself for re-appointment.
4. To re-appoint as a non-executive director Annette Rothwell who retires from office in accordance with the Company's Articles of Association and offers herself for re-appointment.
5. To re-appoint as a non-executive director Andrew Michael Beaden who retires from office in accordance with the Company's Articles of Association and offers himself for re-appointment.
6. To re-appoint as a director Adam Holden who retires from office in accordance with the Company's Articles of Association and offers himself for re-appointment.
7. To re-appoint as a director Jonathan Karl Bridges who retires from office in accordance with the Company's Articles of Association and offers himself for re-appointment.
8. To re-appoint Cooper Parry Group Limited as independent auditors of the Company, from the conclusion of this Annual General Meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors to determine the auditors' remuneration.

Special business

Ordinary resolutions

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

   9.1 up to a maximum nominal amount (within the meaning of Section 551(3) and (6) of the Act) of £30,382.50 (such amount to be reduced by the nominal amount allotted or granted under paragraph 9.2 below in excess of such amount); and

   9.2 comprising equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount (within the meaning of Section 551(3) and (6) of the Act) of £60,765.00 (such amount to be reduced by any allotments or grants made under paragraph 9.1 above) in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever, these authorisations to expire at the conclusion of the next Annual General Meeting of the Company (or if earlier on 28 May 2024), unless previously revoked or varied by the Company (save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry, and the directors may allot shares, or grant rights to subscribe for or to convert any security into shares in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired).

Special resolution

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

    10.1 to the allotment of equity securities for cash in connection with or pursuant to an offer of, or invitation to acquire, equity securities (but in the case of the authorisation granted under resolution 9.2 above, by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the directors may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

    10.2 to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 10.1 above) up to an aggregate nominal amount of of £18,229.50.

    such authority to expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on 28 May 2024), unless previously revoked or varied by the Company (save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired).

11. That, subject to the passing of resolution number 10 above, the directors be and they are hereby empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution number 10 or by way of a sale of treasury shares as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

    11.1 the allotment of equity securities up to an aggregate nominal amount of £9,114.75; and

    11.2 used for the purposes of financing (or refinancing, if such refinancing occurs within six months of the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice, and shall expire upon the expiry of the general authority conferred by resolution 10 above, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offers or agreements as if the power conferred by this resolution had not expired.

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

12.1 the maximum aggregate number of shares that may be purchased is 3,645,899;

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

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

12.3.1 105 per cent of the average of the middle market quotations for the ordinary shares of the Company (as derived from the AIM Appendix to the Daily Official List of London Stock Exchange plc) for the five business days immediately preceding the day on which such share is contracted to be purchased; and

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

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

12.5 unless previously renewed, revoked or varied, this authority shall expire on 28 May 2024, or if earlier, at the conclusion of the next Annual General Meeting of the Company.

By order of the Board

Adam Holden
Company Secretary
23 January 2023

Registered Office: AMS Technology Park, Billington Road, Burnley, Lancashire, BB11 5UB
Registered in England and Wales No. 06389233

Notes to Notice of Annual General Meeting

1. Only those shareholders registered in the Company's register of members at: 6.30pm on Friday 24 February 2023; or if this meeting is adjourned, at 6.30pm on the day two days prior to the adjourned meeting (excluding non-business days) shall be entitled to vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

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

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

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

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

7. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed notice clearly stating your intention to revoke your proxy appointment to the Company's registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, by no later than 10.00am on Friday 24 February 2023. In the case of a member that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or a duly appointed attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Equiniti Limited no later than 10.00am on Friday 24 February 2023. If you attempt to revoke your proxy appointment but the revocation is received after the time specified, then your proxy appointment will remain valid.

8. As at 6.30pm on 23 January 2023 (the latest practicable date prior to the printing of this notice) (i) the Company's issued share capital consisted of 36,458,997 ordinary shares, carrying one vote each, and (ii) the total voting rights in the Company were 36,458,997. The Company's website will include information on the number of shares and voting rights.

9. Please note that as shareholders may not be able to attend this year's Annual General Meeting, the Company is proposing to allow shareholders the opportunity to raise any issues or concerns arising from the business proposed to be conducted at the meeting. Appropriate questions on the business of the meeting should be emailed to ir@velocity-composites.com before 6.30pm on Friday 24 February 2023 and responses will be posted on the Company's website, www.velocity-composites.com on the morning of the Annual General Meeting. The Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

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

11. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company by 6.30pm on Friday 24 February 2023 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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

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

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

Resolution 1

Report and accounts

The directors will present the audited financial statements of the Company for the year ended 31 October 2022 together with the directors' report and the auditor's report on those financial statements.

Resolution 2

Remuneration report

The directors will present the remuneration report for the year ended 31 October 2022 for approval. This vote is not mandatory but is considered best practice.

Resolutions 3 to 7 inclusive

Re-election of directors

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

Resolution 8

Re-appointment of auditors and fixing of auditors' remuneration

At every Annual General Meeting at which accounts are laid before shareholders, the Company is required to appoint an auditor to hold office from the end of the meeting until the next such meeting. This Resolution 8 proposes that Cooper Parry Group Limited be re-appointed as the Company's auditors to hold office until the next Annual General Meeting and that the directors be authorised to set their remuneration.

Resolution 9

General authority to allot new shares

Resolution 9, if passed, will grant authority for the directors to issue new shares within the best practice limits set by The Investment Association. The authority set out in paragraph 9.1 would permit allotments of new shares up to approximately one-third of the current issued share capital. The authority set out in paragraph 9.2 would permit allotments of new shares up to approximately two-thirds of the current issued share capital but would apply only in the case of an allotment of shares made pursuant to a rights issue (pre-emptive offer). The power granted by this resolution will expire on the conclusion of next year's Annual General Meeting or, if earlier, on 28 May 2024.

Resolution 10

General disapplication of pre-emption rights

Resolution 10, which is proposed as a special resolution, will, if passed, give the directors power, pursuant to the authority to allot granted by resolution 9, to allot equity securities (as defined by section 560 of the Act) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings: (a) in relation to pre-emptive offers and offers to holders of other equity securities if required by the rights of those securities or as the directors otherwise consider necessary, up to a maximum nominal amount of £30,382.50 which represents approximately one-third of the current issued share capital (excluding treasury shares) as at 23 January 2023 (being the latest practicable date prior to the publication of this notice) and, in relation to rights issues only, up to a maximum additional amount of £60,765.00 which represents approximately two thirds of the current issued share capital (excluding treasury shares) as at 23 January 2023 (being the latest practicable date prior to the publication of this notice); and (b) in any other case, up to a maximum nominal amount of £18,229.50 which represents approximately 20 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 23 January 2023 (being the latest practicable date prior to the publication of this notice).

The power granted by this resolution will expire on the conclusion of the next Annual General Meeting of the Company (or, if earlier, on 28 May 2024). The directors have no present intention to exercise the authority conferred by this resolution.

Resolution 11

Disapplication of statutory pre-emption rights to finance an acquisition or other capital investment.

In addition to the powers granted by Resolution 10, Resolution 11 will empower the directors to allot ordinary shares in the capital of the Company for cash on a non-pre-emptive basis.

- to a maximum nominal value of £9,114.75, representing approximately 10 per cent of the issued ordinary share capital of the Company as at 23 January 2023 (the latest practicable date before publication of this document); and
- used only for the purposes of financing (or refinancing, if such financing occurs within six months of the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles of Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

The rights of pre-emption disapplication sought pursuant to Resolutions 10 and 11 represent, in aggregate, approximately 30% of the issued ordinary share capital of the Company as at 23 January 2023.

Resolution 12

Authority to make market purchases of own shares

Resolution 12, which is proposed as a special resolution will give the Company authority to purchase its own shares in the market up to a limit of approximately 10% of its issued ordinary share capital (excluding treasury shares) at 23 January 2023, being the latest practicable date prior to the publication of this notice. The maximum and minimum prices are stated in the resolution. Whilst they do not currently have any intention to utilise this authority the directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. The directors will exercise this authority only if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally. In the event that shares are purchased, they would either be cancelled (and the number of shares in issue would be reduced accordingly) or, in accordance with the Companies Act 2006, be retained as treasury shares. The Company may consider holding repurchased shares pursuant to the authority conferred by this resolution as treasury shares. This gives the Company the ability to transfer treasury shares quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base.

Velocity Composites Plc
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www.velocity-composites.com

Registered No: 06389233