# ANNUAL REPORT 2024

& Financial Statements for the year ended 31.10.24

velocity composites plc


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velocity composites plc

# Highlights

Revenue
**£23m**
FY23 £16.4m

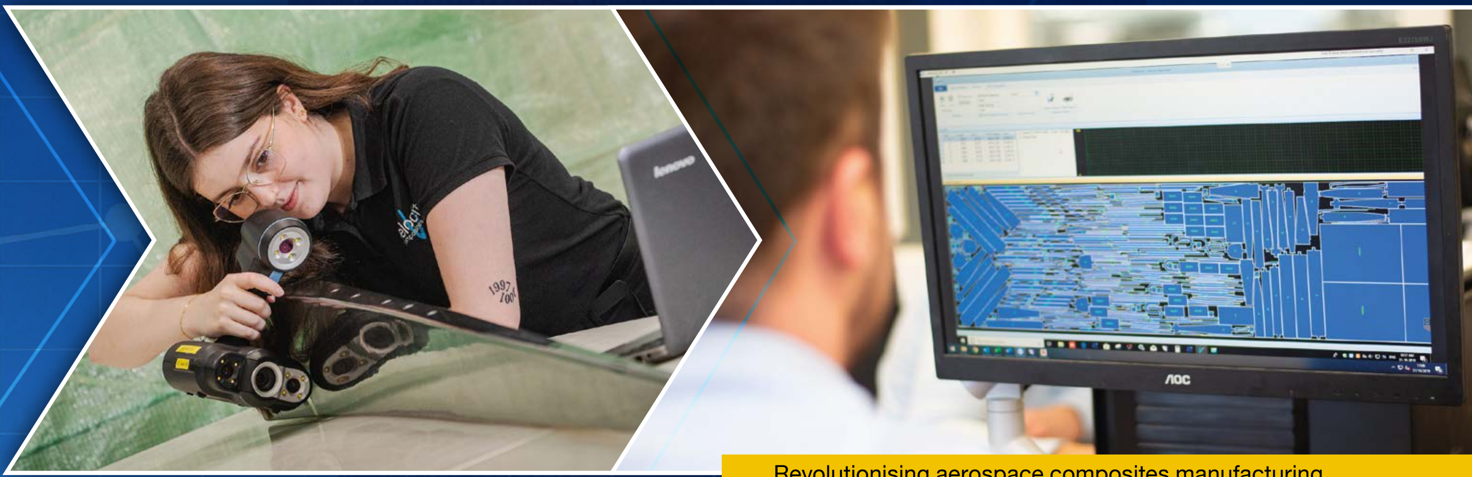
Gross Margin %
**25.9%**
FY23 18.8%

Adjusted EBITDA [1]
**£0.4m**
FY23 £(1.6)m

Cash at Bank
**£1.7m**
FY23 £3.2m

Operating Loss
**£(0.9)m**
FY23 £(2.8)m

[1] Earnings before interest, tax, depreciation, amortisation, exceptional items 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 p12 of the 2024 Annual Report and Financial Statements.



Revolutionising aerospace composites manufacturing

Our highly efficient nests reduce material waste & save money

Creating a lean and scalable supply chain in a more-for-less era


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

# Chairman's Report

by **Andy Beaden** | Chairman

**"Revenue increased 40% to £23 million, up from £16.4 million in FY2023, which itself represented a 37% rise on the prior year."**

## Introduction

Velocity has achieved another year of exceptional growth. Revenue increased 40% to £23 million, up from £16.4 million in FY23, which itself represented a 37% rise on the prior year. Notably, the business achieved adjusted EBITDA profitability for the full year and became cash positive in the second half. We are firmly on course to achieve our objective of long-term profitability and strong cash flow generation. The 40% revenue growth was a remarkable achievement, when you consider short-term production rates for OEMs in the civil aircraft industry remained flat or declined in some areas during the year.

The growth underscores the considerable potential within Velocity's current contracts, which will see further progress as the anticipated increases in build rates materialise over the coming years. Our engineering and business development teams are pursuing a broad range of new opportunities with current and potential new customers. The well documented disruptions at Boeing evidently impacted the underlying supply chain which prompted us to pause several advanced opportunities in the US and refocus on alternative markets. This has included the defence sector, as NATO countries are expected to increase spending. The five-year breakthrough contract we agreed in December 2022 with a leading US manufacturer, has strengthened our presence in the defence market.

## Environmental

Velocity is committed to supporting the aerospace industry's environmental objectives, including reducing emissions and waste, and promoting efficient resource use. Carbon fibre, as a key material, offers significant potential to lower environmental impact, the unit cost and oil-based inputs make waste reduction essential. Velocity's services focus on minimising material waste, contributing to a net positive environmental outcome.

We are equally proud of fostering a safe and secure manufacturing environment, maintaining world-class employee safety standards.

## Innovation

Our proprietary Velocity Resource Planning (VRP) technology continues to deliver operational excellence. This year, VRP was fully implemented at our new US facility, transforming it into a world-class advanced manufacturing site. This innovation enhances efficiency and raises service levels for our customers, reinforcing our leadership in advanced material resource planning.

## People

Our lean, technology-enabled back-office structure is a key advantage for Velocity. Centralised teams in the UK support multiple factories across R&D, Engineering, Sales, and Finance, enabling scalability and cost-efficiency. To support our expected growth, we have invested in hiring and training a significant number of new employees during the year, incurring upfront costs that will deliver long-term commercial benefits. Alongside this investment in our operational and engineering teams, we strengthened our senior management team, adding expertise in Finance, Operations, and the US market.

### Board

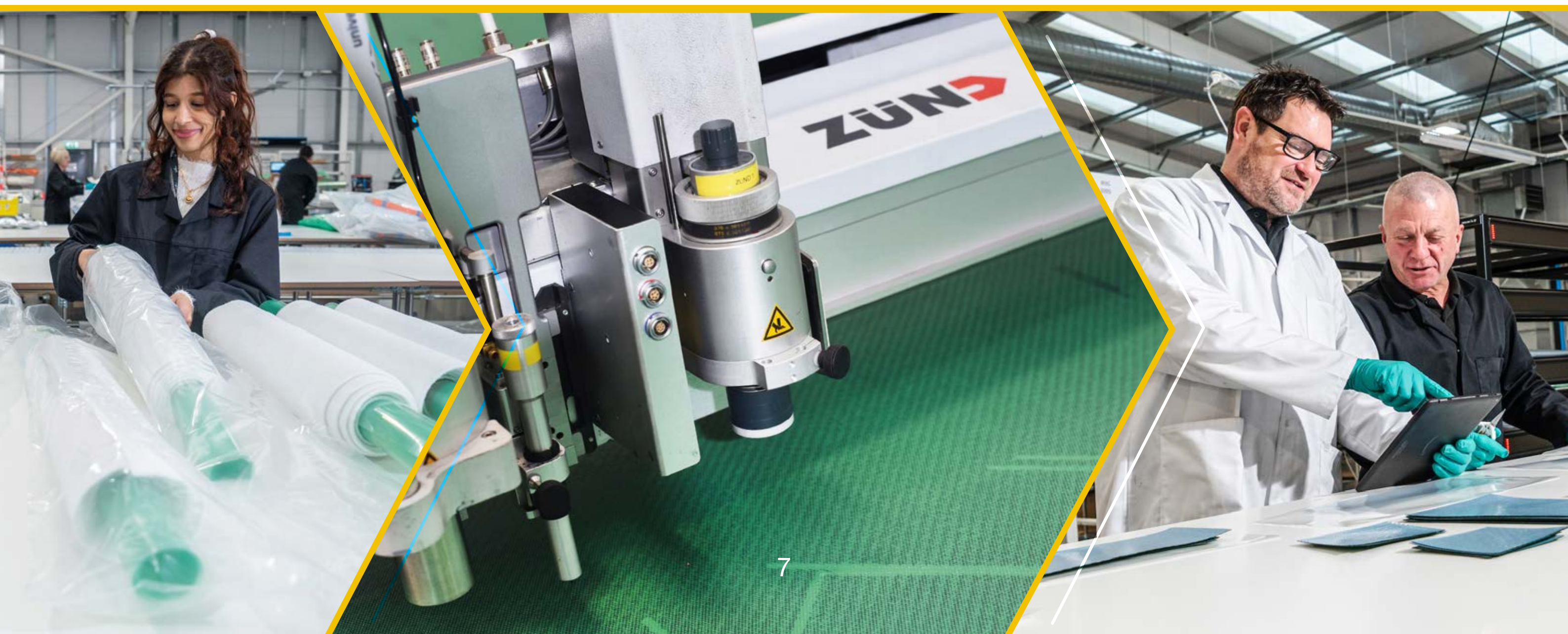
I would like to extend my gratitude to Andrew Hebb for his invaluable contributions during his second tenure as Interim CFO and Company Secretary. Andrew stepped down in the summer of 2024, and we were delighted to welcome Rob Smith as our new permanent CFO, Company Secretary and Board Director. The Board's extensive industry expertise, combined with a highly capable executive management team, is one of the reasons Velocity is outperforming industry growth rates.

### Outlook

Looking ahead, the Board is confident of delivering another strong year of growth in FY25, underpinned by our contractual business base. In response to recent inflationary pressures, which affected short-term margins, we successfully negotiated price increases with all key customers. While market uncertainties persist, Velocity's consistent growth record provides confidence that we are at a turning point and expect to move towards sustained profitability and cash generation.

On behalf of the Board, I extend my heartfelt thanks to all stakeholders, especially our investors, for their continued support.

**Andrew Beaden**
Chairman
28 January 2025



# Chief Executive Officer's Report

by **Jon Bridges** | Chief Executive Officer

**"The migration to composite materials in newer aircraft models continues, as OEM's focus on improved sustainability, as well as an expected increase in Western defence expenditure, will continue to result in more opportunities for Velocity."**

### Overview

This has been another year of double-digit growth for Velocity. We have weathered the production challenges facing the global aerospace industry, and we are entering 2025 in a healthy position to support customers as they look to ramp up production. The migration to composite materials in newer aircraft models continues, as OEM's focus on improved sustainability, as well as an expected increase in Western defence expenditure, will continue to result in more opportunities for Velocity.

Revenue was up 40% to £23.0m (FY23: £16.4m), driven by growing US sales, and we had a positive adjusted EBITDA of £0.4m, the first time since the Covid-19 pandemic (FY23: loss £1.6m). The Group has maintained a healthy cash and liquidity position with cash-inflows from operating activities of £0.4m (FY23: outflows of £1.8m). We anticipate further growth in FY25 and beyond, as higher monthly production rates are expected in the global aerospace industry.

### US Contract

Sales in the US quadrupled to £7.9m (FY23: £2.0m) following the onboarding work from a leading US manufacturer at our site in Alabama. This is part of the five-year contract, announced in December 2022, with expected total revenue of £79m ($100m) as announced at the time.

At the half year, we had successfully completed the First Article Inspection (FAI) requirements needed from our customer and were awaiting completion of the FAI process between our customer and the OEM. Whilst we experienced delays in FY24, we have been working directly with our US customer and the OEM to complete the necessary work in Q1 FY25, allowing the US site to fully discharge the existing contracted business, with sales increasing further as a result.

### Customers

During FY24, we renewed a number of long-term, existing contracts with customers, which included price increases that factored in the increased costs of labour, energy and finance that occurred since they were last renewed. We have agreed with all key customers that while contracts are typically rolling three to five-year agreements, inflation costs will be reviewed annually based on pre-agreed indices to ensure that any price changes are proportionate and accounted for in their annual budgeting.

### Operational Development

We are rolling out our Odoo-based Velocity Resource Planning (VRP) system into our UK sites, following the successful implementation in the US. VRP provides better controls, more efficient operational scenarios and full traceability from long-term demand or order management to the delivery of composite kits to customers. The system


brings all the bespoke data processing, batch traceability and life managements used to date into one system that includes the more "normal" and transactional process such as finance and order processing. This enables uniform and real time management of the entire business across all manufacturing and forward stock location sites without local variations to the system architecture, bringing immediate improvements to the resolution of system data along with a standard platform for new sites. This improvement helps our sustainability reporting as we measure, track and improve our carbon footprint across all aspects of our business.

## Market and Business Development

At the start of FY24, existing customers in key programmes (particularly A350) and bid customers in other programmes (B737, B787) were forecasting significant build rate increases as the industry started to return to pre-pandemic production levels. In our trading update in September 2024, the Company highlighted delays to planned production rate increases across the global aerospace industry, in part due to the well-publicised issues facing Boeing, which had a short-term impact on the Group's expected growth in FY24.

Since then, the two largest civil aircraft manufacturers have reported record order backlogs and positive book to bill ratios in 2024. We have noted that the manufacturers are forecasting increased aircraft deliveries in 2025, in an expected return to more predictable and higher monthly production rates. This will in turn flow down to Velocity's order books. For example, A350 production is planned to double by 2028, the largest programme in the UK to which Velocity is a supplier.

However, to ensure Velocity has a broader range of relationships, and to hedge against future problems in the civil aircraft market, our business development teams are building on our relationships and developing our business case with defence OEMs in Europe and the US. Global defence expenditure is expected to continue to rise in response to continuing Geo-Political uncertainties. Our services are identical for defence customers who share similar issues to civil aircraft manufacturers in terms of the need to improve fuel and operating efficiencies.

This is progressing along the expected long-term timelines for opportunities of this scale, and complexity. Among other things, we are working to fulfil the requirements for export controls and accreditations around protected data needed to work closely with this sector.

## Outlook

The Board expects further revenue growth in FY25 and beyond, while the Company retains a focus on investing in operating efficiency and service delivery excellence on behalf of all of our key customers.

The long-term outlook for the industry is strong and shareholders will benefit as production rates increase for both existing and new business. We are confident that our services and business model will deliver the expected growth.

**Jonathan Bridges**
Chief Executive Officer
28 January 2025


# Business Strategy and Update

### Business Locations

Velocity Composites plc currently operates internationally over three sites.

### Burnley, Lancashire - UK North and HQ

The Burnley facility is co-located with the company's HQ and serves our customers in the North of the UK and Northern Ireland, along with any specialist manufacturing needed to support the other sites. The Burnley facility is AS9100, AS9120 and NADCAP approved, along with any specific OEM approvals needed by our customer base.

It also includes a separate technical centre enabling the Company to design, engineer and test new products and technologies without impacting production capacity.

### Fareham, Hampshire – UK South

The Fareham facility was launched in September 2016 to service additional customers within the Southern portion of the UK and also to offer its services to mainland northern Europe, given its proximity to the ports of Portsmouth and Southampton. The Fareham facility is a full manufacturing plant, that benefits from the central support of the HQ in Burnley.

### Tallassee, Alabama – USA

The Tallassee facility was fully refurbished and opened in 2023 to support a new business contract with a key customer announced in December 2022. This facility is a mirror of Velocity's other UK based manufacturing plants and is also served by the central HQ teams in Burnley, UK. All equipment, infrastructure and processes are identical to the proven technology and techniques used in the UK.

### Malaysia

We have three engineers based in Malaysia who support the UK sites allowing services to be provided to UK customers over a longer working day due to time differences.

### 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 2024, 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 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.

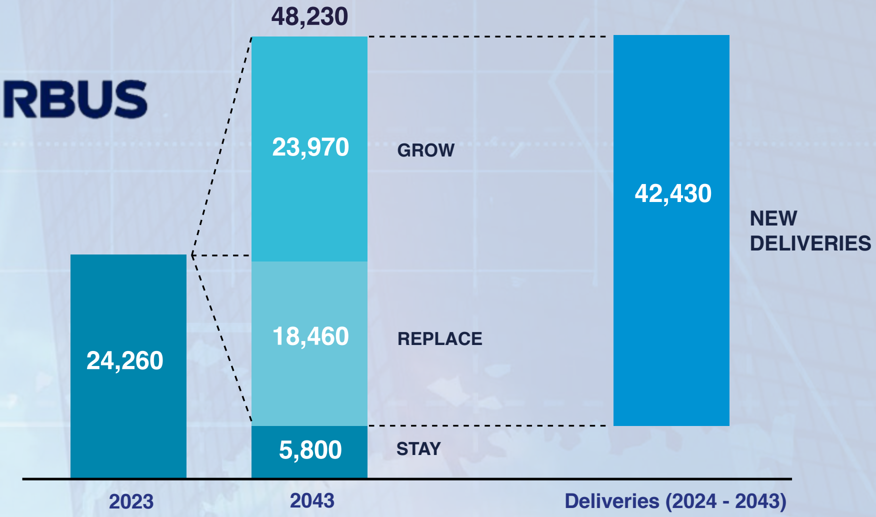
# Both Airbus & Boeing predict 40,000+ aircraft by 2043

# Airbus: 42,430 Boeing: 43,975

Source: Commercial Market Outlook 2024-2043 (www.cmo.boeing.com)
and Airbus, Global Market Forecast 2024 (www.airbus.com/en/products-services/commercial-aircraft/market/global-market-forecast)

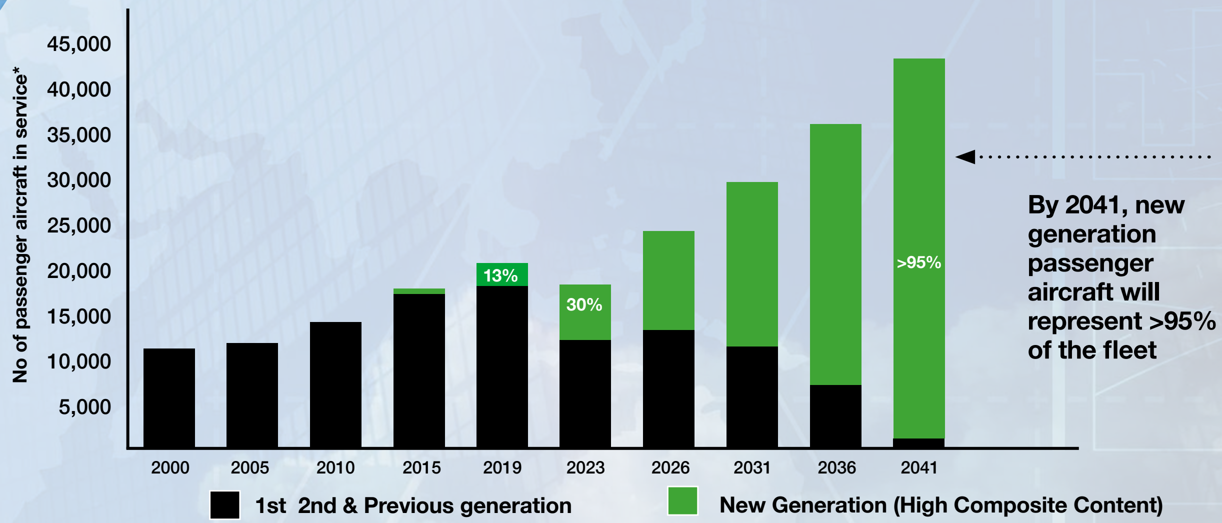
## Demand for 42,430 new aircraft between 2024 and 2043

AIRBUS




**Source: Airbus, Global Market Forecast 2024 (pg15)**
**(https://www.airbus.com/en/products-services/commercial-aircraft/global-market-forecast)**
* Passenger aircraft above 100 seats & freighters with a payload above 10t

## Sustainability driving growth - new generation aircraft




1 * Western built passenger aircraft above 100 seats – pax aircraft only
2 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
3 New generation: A220, A320neo Fam., A330neo, A350, A380, 737Max, 777X, 787 & new programs

Source: Airbus, Global Market Forecast '22 (www.airbus.com/sites/g/files/jlcbta136/files/2022-07/GMF-Presentation-2022-2041.pdf)
2023 figure: Airbus, Global Market Forecast '24 (pg 26) (www.airbus.com/sites/g/files/jlcbta136/files/2024-07/GMF%202024-2043%20Presentation_4DTS.pdf)

# Financial Review

by **Rob Smith** | Chief Financial Officer

| Reconciliation from operating loss | 31 October 2024 £'000 | 31 October 2023 £'000 |
|---|---|---|
| Operating loss | (931) | (2,817) |
| Add back: | | |
| Share-based payments | 143 | 206 |
| Depreciation and amortisation | 622 | 413 |
| Depreciation on right of use assets under IFRS 16 | 540 | 472 |
| Exceptional Administrative costs | - | 120 |
| **Adjusted EBITDA** | **374** | **(1,606)** |

## Statement of Comprehensive Income

Group revenue for FY24 increased 40.2% to £23.0m (FY23: £16.4m) as sales from our US site ramped through the year.

Gross profit improved to £6.0m (FY23: £3.1m) as a result of the increased sales revenue and higher gross margin percentage of 25.9% (FY23: 18.8%) that was achieved through a better sales mix, inflation adjustments and improved operational efficiencies delivered in FY24 that are expected to flow through to future years.

Administrative expenses in FY24 were £7.0m (FY23: £5.8m, excluding exceptional items), an increase of 20.7%. The main driver for the higher expenditure was incremental costs associated with the US operations. The US specific administrative expenses, before Group recharges, were £1.6m in FY24 (FY23: £1.2m) as we continue to invest in our capability in the US. The increase in volume was therefore partially offset by overheads associated with growing the US operation and resulted in an adjusted EBITDA profit of £0.4m (FY23: EBITDA loss of £1.6m).

The ramp-up in the new US facility has continued at pace with additional cutting and freezer storage capacity being added as well as on-going investment in people to improve our capabilities. Two work packages are now fully transferred and running in line with end customer demand. A third work package, that was expected to transfer during FY24, has been subject to additional approvals from the end customer, this process is being finalised in the first half of FY25 with full production volumes now anticipated in the second half of FY25. The third work package will not require significant incremental overheads and will utilise existing capacity.

There is considerable further potential growth through OEM production rate increases on existing programmes as well as opportunities on other programmes with new and existing customers. Velocity has built an excellent capability to deliver this growth without a linear increase to its overhead base or installed manufacturing capacity.

Losses after tax for the year for the Group amounted to £0.8m (FY23: £3.1m). The reduced loss was a direct result of the increased revenue.

## Cashflow and Capital Investment

The cash and cash equivalents balance as at 31 October 2024 was £1.7m (FY23: £3.2m).

| | 31 October 2024 £'000 | 31 October 2023 £'000 |
|---|---|---|
| Cash | 1,663 | 3,178 |
| CBILS loan | (971) | (1,473) |
| Invoice discounting facility | - | (68) |
| **Net cash** | **692** | **1,637** |

Operating cash inflow before working capital movements for FY24 was £0.3m (FY23: £1.7m outflow), this being attributable to increased revenue during the year. The movements in working capital netted to a £0.4m outflow in FY24 (FY23: £0.1m outflow), and after other adjustments for taxation received, the final cash inflow from operations was £0.4m (FY23: £1.8m outflow).

Working capital movements can be further analysed as follows: There was a negative working capital movement through a £0.4m decrease in trade and other payables from suppliers (FY23: increase of £2.4m). Inventory decreased by a £0.2m (FY23: increase of £1.3m), largely due to improvements in operational efficiencies. Trade receivables increased by £0.2m (FY23: £1.1m) driven by the increased turnover offset by utilisation of supplier finance arrangements provided by our lead US customer. Overall trade receivable days were 53 days, compared to 71 days at the end of FY23.

Cash outflow from investment activities was £0.6m (FY23: £2.1m). The reduction in investment activities was a result of a return to normal levels following the investment in commencement of operation at our Tallassee facility in FY23.

Financing activities cash outflow was £1.4m in the year (FY23: £4.8m generation including £6.6m proceeds from issue of ordinary shares). The outflow can be further analysed as: - finance costs paid £0.4m (FY23: £0.3m), repayment of loans £0.5m (FY23: £0.5m) and repayment of finance lease capital £0.5m (FY23: £0.5m).

The Company was in a Net Cash position at the end of the year, of £0.7m (FY23: £1.6m). This includes Cash at Bank, offset by the outstanding CBILS balance and invoice discounting facility.

## Going Concern

The financial statements have been prepared on a going concern basis as the directors believe that the Group has access to sufficient resources to continue in business for the foreseeable future. This is discussed more fully in the Directors' Report on pages 36 to 39.

**Rob Smith**
Chief Financial Officer
28 January 2025

## Financial Highlights & Group Key Performance Indicators

| Revenue | Gross Margin % | Adjusted EBITDA[2] | Cash at Bank | Operating Loss |
|---|---|---|---|---|
| **£23m** | **25.9%** | **£0.4m** | **£1.7m** | **£(0.9)m** |
| FY23 £16.4m | FY23 18.8% | FY23 £(1.6)m | FY23 £3.2m | FY23 £(2.8)m |

[2] Earnings before interest, tax, depreciation, amortisation, exceptional items 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 p12 of the 2024 Annual Report and Financial Statements.

# Principal Risks & 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.**

In recent years the global economy has had to deal with challenges from the Covid-19 pandemic as well as war in Ukraine and the ongoing conflict in the Middle East. The aviation industry was significantly impacted by the travel restrictions introduced during the pandemic and orders for new aircraft were either postponed or cancelled. Throughout the aerospace industry, manufacturing output and capacity was sharply reduced during 2020 and 2021. Demand has returned to the market; however, industry has faced a number of challenges in rebuilding capacity with aircraft production rates still not reaching pre-pandemic levels. The well publicised quality issues at Boeing and Spirit followed by industrial action have further hindered industry recovery with aircraft output being affected. These issues have cascaded down the supply chain and resulted in short-term demand fluctuations that Velocity continues to manage.

The geopolitical and macro-economic environment has continued to present opportunities and challenges. Inflationary pressures over the past two years have had a significant impact throughout the supply chain and our internal labour and utility costs have increased significantly. Velocity has worked closely with its customers to pass through these additional costs during FY24 and has agreed mechanisms that allow for an automatic pass through in the future to avoid the lag that affected our margins. Whilst the majority of the programmes that Velocity supplies to are civil aircraft, the business is seeing a significant increase in demand on defence programmes and is working to win defence sector opportunities with existing and potential new customers.

The Group undertakes 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.

The expansion into the US using existing resources meant that cash flow forecasting and capacity planning became a key priority. These disciplines have been maintained to ensure that we operate efficiently.

Despite the short-term uncertainties in the aerospace sector, the overall industry forecasts continue to be positive. The strength of the longer-term forecast from the aircraft manufacturers, suggests that there will be a 10-fold increase (Source: Airbus and Boeing Global Market Forecast) in the use of composites over the next 20 years. The Board is reassured by past precedents of crises in the industry that have not curtailed the underlying trend of growth in the market.

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

| Principal Risk | Management Priority (Change in Year) | Impact | Mitigation |
|---|---|---|---|
| **Strategic Risks** | | | |
| **Loss of Key Contracts / Customer Concentration** | **Medium (Unchanged)** | 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 continues to wary of this risk given the current dynamics 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. 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. |
| **International Expansion** | **Medium (Reduced)** | The Group's strategy is to expand into new markets that cannot be serviced from the Company's UK production facilities. The Group has successfully opened and operated a new facility in Alabama, USA and this could lead to further plants servicing the geographical clusters across the USA.<br><br>New business development in Europe could offer up the need for a production unit in the mid-term. International expansion has inherent risks, along with potential delays in setting up new facilities. | The Group has successfully established its first overseas operation and has gained valuable lessons and insights on this process. Additionally, the Group has recruited a senior CFO with considerable international experience.<br><br>Further international expansion 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 Risk | Management Priority (Change in Year) | Impact | Mitigation |
|---|---|---|---|
| **Winning a Large Customer Contract** | **Medium (Unchanged)** | 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. | The main focus for business development continues to be on customers that can be serviced from the Group's three established sites thereby minimising any capital expenditure requirement. The business has adopted discounted cash-flow models to assess the working capital requirements to augment its existing gate process.<br><br>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** | **Medium (Increased)** | 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 material 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 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 (Unchanged)** | 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. |

| Principal Risk | Management Priority (Change in Year) | Impact | Mitigation |
|---|---|---|---|
| **Exclusively operating in the Aerospace Sector** | **Low (Reduced)** | Insufficient demand in the sector and particularly in the civil aerospace sector due to disruption such as the Covid-19 pandemic. | Management increasingly sees our sector knowledge, experience and reputation as an opportunity and not a risk.<br>Risk is mitigated by the strength of the longer-term outlook of civil aircraft manufacturers which forecast that aircraft numbers will double in the next 20 years, with new aircraft being made using a much higher carbon fibre content.<br>The Company has also started to develop more of its customer base around defence programmes, a sub-set of the market that is seeing renewed investment.<br>Given the strength of the civil and military aerospace, the Company will diversify into defence given the substantial demand in this area before investing in new sectors at this stage. |
| **Operational Risks** | | | |
| **Dependence on Third Party Supply** | **Low (Unchanged)** | 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 air frames and engines, 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.<br>During FY24 Velocity signed supply agreements with its two main raw material suppliers.<br>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. |

| Principal Risk | Management Priority (Change in Year) | Impact | Mitigation |
|---|---|---|---|
| **Cyber Security** | **Medium (Unchanged)** | 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. |
| **Reliance on Key Individuals** | **Medium (Unchanged)** | 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. During FY24 the company issued share options under a new Long-term Incentive Plan to senior managers and Executive employees. |
| **Price Inflation** | **Medium (Reduced)** | 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. Labour cost inflation has been added to all new and renewed contracts as an automatic annual increase. All other inflation must be considered, and prices re-negotiated with the customer where appropriate. Inflation rates have trended down over the past year, but the company continues to monitor and react to changes as appropriate. |

| Principal Risk | Management Priority (Change in Year) | Impact | Mitigation |
|---|---|---|---|
| **Financial and Compliance Risks** | | | |
| **Foreign Exchange Risk** | **Medium (Unchanged)** | 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 Chief Financial Officer. However, the Group will look to naturally hedge wherever possible, matching foreign currency revenue with purchases of the same currency.<br><br>In addition, short-term cash flow forecasts highlight future surplus or shortfalls in foreign currency, allowing funding levels to be managed accordingly. |
| **Liquidity Risk** | **Medium (Reduced)** | 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. As the US business has ramped the business became EBITDA positive and cash generative in H2 FY24.<br><br>Ultimately the Company has access to both debt and equity financing and the listing on the AIM market helps provide access to equity finance if significant growth requires further significant investment. |
| **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. |

# Sustainability Report

### Our Commitment

From the way we source our materials to the technology that provides our data-driven processes, we are a responsible organisation committed to operating in an ethical, sustainable way.

Velocity's customers have been able to benefit by reducing material waste by up to 20 per cent, while also creating operational, stock and process efficiencies in a way which enables them to be more sustainable themselves.

These savings not only help companies to become more efficient and competitive but can help mitigate the impact of rising material costs while closing the gap on achieving the very real environmental targets for the aerospace sector. The Government has set a legally binding target for the UK to reach net zero by 2050 and has published a Jet Zero Strategy setting out what will be needed to ensure that aviation plays its part in meeting this target.

### Environmental, Social and Corporate Governance

All members of the Board believe strongly in the value and importance of Environmental, Social and Corporate Governance and in our accountability to all of Velocity's stakeholders, including investors, staff, customers and suppliers.

Velocity Composites plc has developed an ESG process to enhance its risk management and ensure regulatory compliance. We believe that our focus on ESG will benefit investors and customers who prioritise sustainability and ethical practices, strengthening our market position and brand reputation. Our ESG initiatives drive operational efficiencies and innovation, leading to long-term profitability and resilience.

The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code. The Board believes that the QCA Code is most appropriate for the size, risks, complexity and operations of the Company and is reflective of the Group's values. Details of the Group's compliance with the 10 principles of the Code are set out in our Governance policy on pages 25 to 29.

### Addressing the opportunities and challenges of aerospace net zero

By the nature of what we do as composites kitting suppliers, we sit at the heart of the issues surrounding the journey towards net zero and becoming increasingly sustainable. To that end, using the principles of an Environmental, Social and Governance (ESG) Strategy helps us to measure our impact on the environment and society.

We are a data-driven organisation. Smart technology and real time data is at our fingertips and enables ourselves and our partners to make informed decisions based on true information. However, as we make huge strides in technology, we are aware that we are part of the solution and the problem, and we see it as our responsibility to address the challenges presented by the ambitions of the industry and the journey to net zero.

We need to continually ask ourselves; how can we become more efficient, make composites easier to manufacture with, reduce weight further, and create materials that are even lighter and stronger to enable aircraft to fly faster and further whilst using less fuel? With their characteristics of strength, durability and lightness, carbon fibre composites are being adopted to meet global net zero strategies across many industry sectors including automotive, defence, renewable energy, and construction.

The optimisation of the use of raw materials is a significant challenge for the composites sector. The increasing need to reduce waste, make efficiencies through the manufacturing process and deliver to the highest quality standards makes our service increasingly compelling for our customers.

However, because of their long lead times, controlled storage requirements, shelf life and batch traceability needs, single sources and limited raw material formats (roll widths, roll lengths), the supply chain needs to be managed effectively to prevent over ordering, under ordering, poor utilisation and loss of traceability.

Any of this presents a challenge, but when they and their effects are added together over extended lead times, with multiple raw material streams per individual kit, the need for real time management is critical, and this is before any raw material enters a production area.

## The UK is a world leader

Velocity's technology and service model starts with long-term demand management of our customers' kit consumption to determine our raw material order book and continues for many months until the raw material is delivered, kit manufacturing takes place, and the kit is delivered into our customers' production areas.

Whilst the value of raw materials is significant, the products they help create are worth vastly more. This will only increase as sectors including renewable energy, transport, defence, infrastructure and construction ramp up their use of composites in line with net zero goals.

The UK is a world leader in composite manufacture. Composites UK has recently published the size of the UK's Composites Sector Revenues for the last three years and it has grown from £10.7 billion in 2021 to £13.4 billion in 2023. At the same time, UK Composites Sector employment has grown from 47,500 to 49,843.

Worldwide, the composites market industry is projected to grow from £86 billion in 2022 to £167 billion by 2030 with an annual compound growth rate of 8.63 per cent until 2030.

The future will be defined by the need to do more, with less, in the face of ever-increasing international competition. The UK cannot meet its net zero targets without composites. They are both a strategic asset and key differentiator for the UK and will underpin government strategies around Hydrogen, innovation, industrial and transport decarbonisation, exports and net zero.

The needs of net zero will only ever become more pressing, so the long-term business case for more sustainable composites looks compelling.

## Propel the industry forward

The way this technology, and the real time data it creates, can be adapted and exploited to revolutionise composite supply chains across all sectors is helping to propel the aerospace industry forward.

Against this, there is the rising demand in the Defence sector for composite materials on land, in the air and at sea with various conflicts around the globe coming into sharp focus.

In the supply chains, this means we have opportunities to adapt our technology and data to meet these demands, whilst at the same time considering the needs of decarbonisation and circularity of products into other uses.

With a global shortage of carbon fibre also on the horizon, a truly 'circular economy' for composites makes absolute sense.

To move us further towards becoming a sustainable business in the true sense of the word, we have created our own ESG Committee at Velocity which is making progress along the road to Net zero with individuals responsible for specialist areas in finance, operations, projects and sales.

As a starting point, we looked to the United Nations and its

17 Sustainable Development Goals (SDGs). Of these, we have identified our priorities to benchmark and measure progress, and this means setting targets for emissions reductions, monitoring energy usage and looking at all operations and processes.

For the environment part of ESG, we are looking at reducing unconsumed raw materials, re-using offcuts from the manufacturing process, and recycling composite materials.

Indeed, Velocity Composites has always been about more than just cutting shapes. We have used our in-house proprietary technology and data to ensure our customers get the best value by providing kits which reduce all forms of waste from the composites supply chain.

Our managed service allows companies to wholly remove the composite supplier management out of their supply chain, outsourcing the whole process to us where we can manage every step in real time within our dedicated teams and digital processes, whilst providing full traceability and creating operational savings and improvements in cash flow.

The icing on the cake is the realised material savings from our demand management and nesting operations to produce the kits we supply just-in-time to our customers.

## Reduce material waste by 20 per cent

Using our processes and technology, Velocity's customers have been able to reduce material waste by up to 20 per cent, while also creating operational, stock and process efficiencies in a way which supports staff and manufacturing areas to be more productive.

A key element of composite waste, and savings that can be made in the supply chain, are related to expired material risk, and we use our technology and data to manage and optimise our raw material order books to align with our customers demand, control material life when we receive it and reduce waste in our kit manufacturing areas.

With the Velocity technology and data to manage the entire supply chain better these 'famine and feast' cycles of available raw materials are eliminated, enabling our kit manufacturing to focus on raw material efficiency optimisation and on-time deliveries. This in turn allows our customers to focus on part manufacture, defending their manufacturing plans and internal continuous improvement activities to drive their own efficiencies.

Because of this our own current level of raw material operational waste across all of our programmes stands at a fraction of one per cent – and we continually aim to improve this as our technology, data and processes improve.

## Achieving very real environmental targets

These savings not only help companies to become more efficient and competitive but can help mitigate the impact of rising material costs while closing the gap on achieving the very real environmental targets for the aerospace sector which stand at 15 per cent carbon reduction by 2030, 40 per cent by 2040, and achieving net zero by 2050.

As the industry progresses along the net zero journey, improvements become more marginal, and so the granularity of the real time data that Velocity creates and possesses becomes ever more valuable as we collectively identify and deliver the savings needed.

Addressing the social element of ESG means considering employees, sharing important information for their own roles and in their everyday lives and encouraging uptake of these principles in the communities in which we operate.

The governance of ESG also plays a key part in how we are conducting this programme. Indeed, we are constantly looking at how we are managed and how transparent we are to our employees and shareholders. ESG investors rightly want to support companies that make decisions that are beneficial for the environment and society.

As we move along the road to net zero, we are continuing to establish our ESG framework. The measures we are setting this year will set the benchmarks for the net zero plan next year.

With an ambitious programme to reach net zero by 2050, the aerospace industry has set itself a challenge, but along the way there are also real opportunities for the supply chain to conduct increasingly efficient, profitable business models.

At Velocity, we feel that our business model, along with the digital data we generate and analyse, puts us in a strong position to play an important part in helping our suppliers, ourselves and our customers meet the needs of the wider industry for now and the longer term.

## Streamlined Energy and Carbon Reporting Regulation (SECR) Statement

At Velocity Composites plc, we are committed to reducing energy and greenhouse emissions in line with our corporate targets. During the year we have implemented Eco Vardis this will allow Velocity to gain accreditation on ESG risk and compliance, meet corporate sustainability goals, and drive impact at scale by guiding the sustainability performance improvement of Velocity and our value chain.

For the financial year ending 31 October 2024, we are also reporting under the Streamlined Energy and Carbon Reporting legislation (SECR) for the first time.

In the reporting year, Velocity Composites plc Group consumed 1,822,354kWh of energy associated with Scope 1 and 2 greenhouse gas emissions.

The greenhouse gas emissions associated with the above supplies have been calculated to be 24.09 tonnes (6.5%) of CO2e 'Scope 1' and were associated with natural gas purchases, diesel fuel and propane. 'Scope 2' emissions were 347.13 tonnes (93.5%) and were associated with electricity purchases.

A summary of energy and emissions for 2024 is shown below, going forward in preceding years comparative information will be available.

**VELOCITY COMPOSITES PLC (GROUP)**

| | kWh Consumption | % | Tonnes CO2e | % |
|---|---|---|---|---|
| **Scope 1 Energy** | | | | |
| Natural Gas consumption | 26,297 | 1.44% | 1.11 | 0.30% |
| Diesel (fuel for vans) | 102,393 | 5.62% | 22.98 | 6.19% |
| **Scope 2 Energy** | | | | |
| Electricity Purchases | 1,693,664 | 92.94% | 347.13 | 93.51% |
| | 1,822,354 | 100% | 371.22 | 100% |
| Scope 1 | 128,690 | 7.06% | 24.09 | 6.49% |
| Scope 2 | 1,693,664 | 92.94% | 347.13 | 93.51% |
| | **1,822,354** | **100%** | **371.22** | **100%** |

Our energy consumption per million pounds gross turnover was 79,212kWh and the CO2 emissions were 16,140kg per million pounds.

Our electricity and gas consumption has been calculated based upon kWh metered and invoiced supplies in all instances.

# 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 OEMs, 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 Chief Financial Officer. 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:

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 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 North West 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, Chief Financial Officer 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, Chief Financial Officer 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 three 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 Chief Financial Officer and external auditor 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 three members, Annette Rothwell (Chair), Andrew Beaden and David Bailey. 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 three members, Andrew Beaden (Chair), Annette Rothwell and David Bailey. 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 five 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 |
| Jonathan Bridges | 10 | N/a | N/a | N/a |
| Rob Smith* | 3 | N/a | N/a | N/a |
| Annette Rothwell | 10 | 4 | 2 | 2 |
| David Bailey | 9 | 4 | 2 | 2 |

| Committee | Andrew Beaden | Jonathan Bridges | Rob Smith | Annette Rothwell | David Bailey |
|---|---|---|---|---|---|
| Audit | Chair | N/a | N/a | Member | Member |
| Remuneration | Member | N/a | N/a | Chair | Member |
| Nominations | Chair | N/a | N/a | Member | Member |

* appointed 3 June 2024
N/a - indicates that a director was not a member of a particular committee

Non-members are invited to attend committees as appropriate.

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

Details on each of the directors, and their respective roles within the Company, are set out on pages 30 to 31 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 on a timely basis, 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 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 Chief Financial Officer 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/brokers 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
28 January 2025

(L-R) Jonathan Bridges, Annette Rothwell, Andrew Beaden, Rob Smith & David Bailey

# 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 Fellow 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 32 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 and is a Director of the North West Aerospace Alliance.

**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 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 2005 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.

**Rob Smith – Chief Financial Officer and Company Secretary appointed 3 June 2024**

Rob is a chartered management accountant with significant experience in leadership roles in a number of AIM quoted technology companies, where he has been instrumental in leading growth strategies and improving operational efficiencies. Rob has a proven track record in advanced manufacturing at both CFO and CEO level, including manufacturing systems implementation and international commercial leadership. Most recently Rob served as Group CFO at Biome Technologies plc and prior to that, in the CFO and CEO roles at Filtronic plc between 2014 and 2020, an electronics designer and manufacturer of advanced filters, antennas and transceivers.

Rob was Finance Director of APC Technology Group, a specialist distributor and manufacturer of electronic components and semiconductor products with a focus on green technology industries between 2010 and 2014.

# Executive Team

## Matthew Archer | Chief Commercial and Compliance Officer

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

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

## James Eastbury | Chief Customer Officer

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 13 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.

## Kevin Hickey | Chief Operations Officer

Kevin re-joined the Company in July 2023. He was previously the Site Leader for the Velocity Composites Fareham Facility from January 2017 to December 2020.

Kevin has over 40 years' experience in the Aerospace sector, a degree in Business Management and held senior management position within Operations, Engineering, Quality and Sourcing. He is currently responsible for the harmonising of all our facilities worldwide ensuring Velocity Composites maximise their effectiveness in the supply chain.

# Senior Management Team

## Sheldon Atherton | Head of Technology and Quality Systems

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.


## Lee Berry | Manufacturing Manager

Lee Joined in December 2023 as Manufacturing Manager and brings with him over 19 years of management experience within the composites industry delivering strong leadership, process improvement, high quality, and operational excellence.

Previous positions have provided the opportunity to hone skills in project management; staff development; training; health & safety; Quality management systems; reducing costs; adhering to procedures; customer service; problem-solving; relationship management.

## Paul Britton | Manufacturing Manager (Fareham)

Paul joined the Company in September 2023. Paul has over 39 years' experience in the Aerospace industry. Previously he has been involved in the manufacturing process for the following projects Boeing 737, Dash 8, A350 Wing Panels & Hawk Canopy/ Windscreen.

Paul oversees the Safety, Quality, Cost, Delivery & People management system in Fareham, striving to meet Metric/KPI targets set.

## Amy Heap – HR Specialist

Amy joined Velocity in October 2022, bringing with her over 7 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.

# Senior Management Team

## Katie Kininmonth | Finance Manager

Katie joined Velocity in August 2020. Katie has 20 years' experience in Finance beginning her career at a top 10 international firm and going on to work in a number of large retail and manufacturing businesses, Katie has previous plc experience.

Katie is responsible for the management of the finance team, preparation of the financial information working alongside the Chief Financial Officer to complete the Statutory and regulatory reporting for the business and a key contact for internal and external stakeholders.

## Daniel McNamara | Planning & Supply Chain Manager

Daniel joined Velocity in 2018 and has nearly a decade of experience operating within high-level composite supply chains. Daniel began his career completing a planning and supply apprenticeship at Gurit, a distinguished manufacturer and global supplier of advanced composite materials.

Leading the global Planning and Supply Chain Team, Daniel is responsible for managing sustained customer interface and demand, and the business's global supply base, with responsibilities including both indirect and direct procurement activities across all three Velocity sites, ensuring operational enablement and adherence to agreed contractual requirements.

## Max Page | Engineering Manager

Max joined Velocity in 2021 as a Customer Project Engineer at the Fareham facility. Previously experienced in aircraft fuel systems, Velocity was his first exposure to composites.

Max leads the customer projects half of Velocity's engineering function. Responsible for engineering processes needed to transfer work into Velocity such as data handling and FAI. Max is excited to be part of such a crucial time for Velocity's growth and is keen to put the engineering department at the leading edge of this growth.

## Shoaib Tahir | Commercial Finance Manager

Shoaib joined Velocity in April 2023, bringing with him years of experience in finance across engineering & manufacturing industries, with a key focus on commercial development & implementation. Shoaib previously worked as the Group Financial Controller at National Floorcoverings, where he was responsible for developing and executing key business strategies for both the short and long term while improving margin performance across the group. He is responsible for the financial planning & analysis to drive operational efficiencies and navigate the business through the growth while achieving forecasted budgets, in addition to meeting stakeholder expectations.

Shoaib is a Member of the Association of Chartered Certified Accountants (ACCA)

# Senior Management Team

## Matthew Fisher | Manufacturing Engineering Manager

Matthew joined Velocity soon after its launch back in 2008 and has been involved extensively in the creation of the business. Matthew has an extensive knowledge of composites and processes, and he has helped build the engineering team as well as the R&D strategy for the business, including the Digital Manufacturing Cell and associated software.

Prior to Velocity Matthew worked for Aerovac as Production Manager, specialising in the design, costing and technical engineering of reusable vacuum bagging equipment used to manufacture a myriad of different composites structures, from F1 chassis structures to A220 Wing Stringers and Spars. Matthew has over 26 years' experience of the composites Industry and currently holds the position of Manufacturing Engineering Manager working closely with the New Business and Operations teams to install new projects and deliver continuous improvement to both new and existing programmes.

## Byeong Kim | US Subsidiary Site Lead

Byeong joined Velocity in September 2022 as the first US subsidiary employee originally as an Engineer.

Byeong has been awarded the US Site Lead position through strong mentorship and dedication. He is currently working alongside the Chief Operations Officer to establish a strong team and build out the facility.


# Directors' Report

**The directors present their report and the audited financial statements for the year ended 31 October 2024.**

### 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 12 to 14 and is pleased with the progress made in the past year.

### Financial risk management

Details of the Board's approach to financial risk management can be found in the principal risks review on pages 15 to 20.

### Capital structure

Details of the Company's share capital, together with details of the movements, are set out in note 23 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 £372,000 (2023: £833,000) in-line with the Group's accounting policy.

### Dividends

There were no dividends proposed or paid in the year (2023: £Nil).

### Political donations

No political donations were made during the year (2023: £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 direct interest in the shares of the Company at 31 October 2024 were as follows:

| | At 31 October 2024 | % Shareholding |
|---|---|---|
| Jonathan Karl Bridges | 5,515,929 [3] | 10.31% |
| Andrew Beaden | 680,975 [4] | 1.27% |
| Annette Rothwell | - | - |
| David Bailey | - | - |
| Rob Smith | 40,000 | 0.07% |

[3] Includes 1,500,000 shares in the name of Mrs E Bridges

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

The table above does not include shares held under options, via the Company's employee share option arrangements, which include share options under a salary sacrifice plan, were Director's and senior management swap part of their base salaries for an equity interest in the Company.

Total shares held under these plans for Directors was 421,443 shares as at 31 October 2024.

## Going concern

The financial statements have been prepared on a going concern basis as the directors believe that the Group has access to sufficient resources to continue in business for the foreseeable future.

The key business risks and conditions that may impact the Group's ability to continue as a going concern are the utilisation of existing resources to finance growth, investment and expenditure; the rates of growth and cash generated by Group revenues, the timing of breakeven and positive cashflow generation and the ability to secure additional debt or equity financing in future if this became necessary. The primary area of judgement that the Board considered, in the going concern assessment, related to revenue expectations and visibility.

The Board was mindful of the guidance surrounding a severe but plausible assessment and, accordingly, considered a number of scenarios in revenue reduction against the original plans. A reverse stress test was constructed to identify at which point the Group might run out of its available cash. The test was designed specifically to understand how far revenue would need to fall short of the base case forecast and does not represent the directors view on current and projected trading. The test was modelled over an 18-month period from the date of signing the accounts and was based on budgeted trading that took into account contracted orderbook and existing revenue streams from current and contracted customer programmes.

The sales revenue in the budgeted model was reduced evenly across the Group to the point where the projected month-end cash was equal to zero at any point during test period. In the model, zero month-end cash was reached in March 2026 when projected sales revenue was reduced to 80.6% of budget. For the reverse stress test, the Board specifically excluded any significant upsides to this scenario. This is despite strong incremental demand potential at both existing and new customers. This most severe scenario also excludes any mitigating reduction in the cost base that the Board would clearly undertake in this event.

In all scenarios modelled, including the reverse stress test, the Group has sufficient resources to operate and meet its liabilities throughout the going concern review period without the inclusion of the impact of mitigating actions.

At 31 October 2024, the Group had a gross cash balance of £1.7m, a CBIL loan balance of £1.0m and undrawn availability of £1.5m under invoice discounting facilities of £3.0m. As at 24 January 2025 had a gross cash balance of £1.6m, a CBIL loan balance of £0.8m and undrawn availability of £1.3m under invoice discounting facilities of £3.0m. On a base case scenario adopted for their assessment, the Board is comfortable that the Group can continue its operations for at least a 12-month period following the approval of these financial statements.

As a result of this review, which incorporated sensitivities and risk analysis, the Directors believe that the Group has sufficient resources and working capital to meet their present and foreseeable obligations for a period of at least 12 months from the approval of these financial statements.

## Indemnification of Directors

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

## Corporate governance

The Statement of Corporate Governance on pages 25 to 29 sets out the Group's approach to good corporate governance.

## Substantial shareholdings

At 31 October 2024, 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 |
|---|---|---|
| Amati Global Investors | 5,650,294 | 10.56% |
| Seneca Partners | 4,519,236 | 8.45% |
| Stonehage Fleming | 4,458,956 | 8.33% |
| Christopher Banks | 4,252,693 | 7.95% |
| Gerry Johnson | 4,200,000 | 7.85% |
| Rathbones | 2,915,341 | 5.45% |

### 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 28 January 2025 and signed on its behalf by:

**Rob Smith**
Company Secretary
28 January 2025

# Directors' Remuneration Report

**This report covers the financial year ended 31 October 2024.**

**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 three members, Annette Rothwell (Chair), Andrew Beaden and David Bailey. 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 Executive Members have agreed to take part of their basic salary in equity. For several years 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. In March 2023 0.8m options were granted. In January 2024 a further 0.4m options were granted.

### 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. 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 2024 (or period of service) are summarised below:

| | Cash paid salary [5] £'000 | Pension £'000 | Benefit in kind £'000 | Year ended 31 October 2024 £'000 | Year ended 30 October 2023 £'000 |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| Jonathan Bridges [6] | 196 | 19 | - | 215 | 202 |
| Rob Smith (appointed 3 Jun 2024) | 63 | 6 | 4 | 73 | - |
| Chris Williams (resigned 7 Dec 2022) | - | - | - | - | 65 |
| Adam Holden (resigned 23 Aug 2023) | - | - | - | - | 101 |
| **Non-Executive** | | | | | |
| Andrew Beaden | 66 | 2 | - | 68 | 101 |
| Annette Rothwell | 29 | - | - | 29 | 28 |
| David Bailey | 29 | - | - | 29 | 29 |
| Total | 383 | 27 | 4 | 414 | 526 |

[5] Non executive cash paid salaries above represent 80% of each individuals' basic salary for the year. 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.

[6] Jonathan Bridges' salary includes £65,000 payment of deferred salary from prior years.

## Share options

The following table sets out the share option movements for each of the current Directors during the two years ended 31 October 2024. The 162,134 options issued in FY 2024 and again in FY 2023, relate to the Company's salary sacrifice plan, where senior staff can swap up to 20% of their base salary for a similar valued equity interest in the Company, these options have any further performance conditions attached and vest subject to continued employment.

The 200,000 options issues in 2024 these options have attached performance conditions linked to profit after tax. They vest after two years, or earlier if a vesting event occurs in the rules of the Scheme.

| | Chris Williams No | Andrew Beaden No. | Adam Holden No. | Annette Rothwell No. | David Bailey No. | Jonathan Bridges No. |
|---|---|---|---|---|---|---|
| At 31 October 2022 | 375,797 | 76,235 | - | 20,940 | - | - |
| Issued | - | 86,400 | 107,733 | 37,867 | 37,867 | - |
| Exercised | (250,797) | - | - | - | - | - |
| Lapsed | (125,000) | - | (107,733) | - | - | - |
| At 31 October 2023 | - | 162,635 | - | 58,807 | 37,867 | - |
| Issued | - | 86,400 | - | 37,867 | 37,867 | 200,000 |
| Exercised | - | - | - | - | - | - |
| At 31 October 2024 | - | 249,035 | - | 96,674 | 75,734 | 200,000 |
| Comprising shares that have: | | | | | | |
| Vested | - | 162,635 | - | 58,807 | 37,867 | - |
| Not vested | - | 86,400 | - | 37,867 | 37,867 | 200,000 |
| | - | 249,035 | - | 96,674 | 75,734 | 200,000 |

COOPER PARRY

# Independent Auditor's Report
## to the Members of Velocity Composites plc


# Independent Auditor's Report

## 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 2024 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 and parent financial statements is applicable law and 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 2024 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards;
- 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.

From this, we determined the significance of each component to the group as a whole and devised our planned audit response. In order to address the audit risks described in the Key audit matters section which were identified during our planning process, we performed a full-scope audit of the financial statements of the parent company, Velocity Composites plc and Velocity Composites Aerospace Inc. The operations that were subject to full-scope audit procedures made up 100% of consolidated revenues and 100% of consolidated loss before tax.

Analytical procedures were undertaken on the remaining component, using group materiality.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year 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 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 it is probable 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:

- We assessed accounting policies for consistency and appropriateness with the applicable financial reporting framework and in particular that revenue was recognised when performance obligations were fulfilled. In addition, we reviewed for the consistency of application of the accounting policies
- We obtained an understanding of the processes through which the business initiates, records, processes and reports revenue transactions;
- We performed walkthroughs of the processes as set out by management, to ensure controls appropriate to the size and nature of operations were designed and implemented correctly throughout the transaction cycle;
- We obtained a complete listing of journals posted to revenue nominal codes and reviewed the listing for any unexpected entries. These were then tested to supporting evidence;
- We performed cut-off procedures to test transactions around the year end and verified a sample of revenue to originating documentation to provide evidence that transactions were recorded in the correct year;
- We performed transactional revenue testing to confirm the completeness of revenue and to confirm revenue has been recognised in accordance with the accounting policies and performance obligations have been met;
- We reviewed a listing of post year end credit notes to verify that revenue has been recorded in the correct accounting 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 £345,000. 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 80% of group materiality.

The materiality for the parent company financial statements as a whole was set at £226,000. 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.

### 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:

- Reviewing management's cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements;
- Challenging management on key assumptions included in their forecast scenarios;
- Considering the potential impact of various scenarios on the forecasts;
- Reviewing results post year end to the date of approval of these financial statements and assessing them against original budgets;
- Reviewing management's forecasting accuracy through reviewing the prior year budgets compared to actuals; 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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### 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 39, 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 and relevant tax legislation.

We are not responsible for preventing irregularities and cannot be expected to detect non-compliance with all laws and regulations. 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;
- 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 specifically in relation to inventory provisions.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Caste Donington
Derby
DE74 2SA
Date: 28 January 2025

# Consolidated Statement of Total Comprehensive Income

| | Note | Year ended 31 October 2024 £'000 | Year ended 31 October 2023 £'000 |
|---|---|---|---|
| **Revenue** | 4 | 23,006 | 16,411 |
| Cost of sales | | (17,045) | (13,325) |
| **Gross profit** | | 5,961 | 3,086 |
| Administrative expenses | | (6,978) | (5,783) |
| Exceptional administrative expenses | 8 | - | (120) |
| Other Operating Income | | 86 | - |
| **Operating loss** | 5 | (931) | (2,817) |
| Operating loss analysed as: | | | |
| Adjusted EBITDA profit/(loss) | 31 | 374 | (1,606) |
| Depreciation of property, plant and equipment | | (382) | (297) |
| Amortisation | | (240) | (116) |
| Depreciation of right-of-use assets under IFRS 16 | | (540) | (472) |
| Share-based payments | | (143) | (206) |
| Exceptional administrative expenses | 8 | - | (120) |
| Finance income and expense | 9 | (413) | (326) |
| **Loss before tax from continuing operations** | | (1,344) | (3,143) |
| Corporation tax recoverable | 10 | 499 | - |
| **Loss for the year and total comprehensive loss** | | (845) | (3,143) |
| **Loss per share – basic from continuing operations** | 11 | (1.58p) | (8.18p) |
| **Loss per share - diluted from continuing operations** | 11 | (1.58p) | (8.18p) |

The notes on pages 54 - 84 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 2024 £'000 | Group 31 October 2023 £'000 | Company 31 October 2024 £'000 | Company 31 October 2023 £'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Intangible assets | 12 | 987 | 890 | 340 | 232 |
| Property, plant and equipment | 13 | 1,854 | 2,095 | 551 | 734 |
| Right-of-use assets | 20 | 1,826 | 2,129 | 1,123 | 1,521 |
| **Total non-current assets** | | 4,667 | 5,114 | 2,014 | 2,487 |
| **Current assets** | | | | | |
| Inventories | 15 | 2,500 | 2,743 | 1,769 | 1,493 |
| Trade and other receivables | 16 | 3,977 | 3,667 | 6,613 | 5,913 |
| Cash and cash equivalents | 17 | 1,663 | 3,178 | 1,115 | 3,131 |
| **Total current assets** | | 8,140 | 9,588 | 9,497 | 10,537 |
| **Total assets** | | 12,807 | 14,702 | 11,511 | 13,024 |
| **Current liabilities** | | | | | |
| Loans | 19 | 503 | 503 | 503 | 503 |
| Trade and other payables | 18 | 3,933 | 4,587 | 1,877 | 1,921 |
| Obligations under lease liabilities | 20 | 561 | 487 | 367 | 344 |
| **Total current liabilities** | | 4,997 | 5,577 | 2,747 | 2,768 |
| **Non-current liabilities** | | | | | |
| Loans | 19 | 468 | 970 | 468 | 970 |
| Obligations under lease liabilities | 20 | 1,258 | 1,587 | 829 | 1,196 |
| Provisions | 26 | 218 | - | 218 | - |
| **Total non-current liabilities** | | 1,944 | 2,557 | 1,515 | 2,166 |
| **Total liabilities** | | 6,941 | 8,134 | 4,262 | 4,934 |
| **Net assets** | | 5,866 | 6,568 | 7,249 | 8,090 |
| **Equity attributable to equity holders of the company** | | | | | |
| Share capital | 23 | 134 | 133 | 134 | 133 |
| Share premium account | 24 | 4,870 | 4,870 | 4,870 | 4,870 |
| Share-based payments reserve | 25 | 517 | 478 | 517 | 478 |
| Retained earnings | | 345 | 1,087 | 1,728 | 2,609 |
| **Total equity** | | 5,866 | 6,568 | 7,249 | 8,090 |

The notes on pages 54 - 84 form part of these financial statements. The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and not presented its own statement of profit and loss in these financial statements. The loss for the year was £984,000. The financial statements were approved and authorised for issue by the Board of Directors on 28 January 2025 and were signed on its behalf by:

**Rob Smith**
Director
Co No: 06389233

# Consolidated and 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 2022** | 91 | 9,727 | (7,102) | 684 | 3,400 |
| Loss for the year | - | - | (3,143) | - | (3,143) |
| | 91 | 9,727 | (10,245) | 684 | 257 |
| **Transactions with shareholders:** | | | | | |
| Share-based payments (note 25) | - | - | - | 206 | 206 |
| Transfer of share option reserve on vesting of options and issue of equity | - | - | 412 | (412) | - |
| Issue of new shares net of transaction costs | 42 | 6,063 | - | - | 6,105 |
| Reduction of Share Premium Account | - | (10,920) | 10,920 | - | - |
| **As at 31 October 2023** | 133 | 4,870 | 1,087 | 478 | 6,568 |

| | Share capital £'000 | Share premium account £'000 | Retained earnings £'000 | Share-based payments reserve £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| **As at 31 October 2023** | 133 | 4,870 | 1,087 | 478 | 6,568 |
| Loss for the year | - | - | (845) | - | (845) |
| | 133 | 4,870 | 242 | 478 | 5,723 |
| **Transactions with shareholders:** | | | | | |
| Share-based payments (note 25) | - | - | - | 143 | 143 |
| Transfer of share option reserve on vesting of options and issue of equity | 1 | - | 103 | (104) | - |
| **As at 31 October 2024** | 134 | 4,870 | 345 | 517 | 5,866 |

The notes on pages 54 - 84 form part of these financial statements.

# Consolidated and 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 2022** | 91 | 9,727 | (7,076) | 684 | 3,426 |
| Loss for the year | - | - | (1,647) | - | (1,647) |
| | 91 | 9,727 | (8,723) | 684 | 1,779 |
| **Transactions with shareholders:** | | | | | |
| Share-based payments (note 25) | - | - | - | 206 | 206 |
| Transfer of share option reserve on vesting of options and issue of equity | - | - | 412 | (412) | - |
| Issue of new shares net of transaction costs | 42 | 6,063 | - | - | 6,105 |
| Reduction of Share Premium Account | - | (10,920) | 10,920 | - | - |
| **As at 31 October 2023** | 133 | 4,870 | 2,609 | 478 | 8,090 |

| | Share capital £'000 | Share premium account £'000 | Retained earnings £'000 | Share-based payments reserve £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| **As at 31 October 2023** | 133 | 4,870 | 2,609 | 478 | 8,090 |
| Loss for the year | - | - | (984) | - | (984) |
| | 133 | 4,870 | 1,625 | 478 | 7,106 |
| **Transactions with shareholders:** | | | | | |
| Share-based payments (note 25) | - | - | - | 143 | 143 |
| Transfer of share option reserve on vesting of options and issue of equity | 1 | - | 103 | (104) | - |
| **As at 31 October 2024** | 134 | 4,870 | 1,728 | 517 | 7,249 |

The notes on pages 54 - 84 form part of these financial statements.

# Consolidated and Company Statement of Cash Flows

| | Group Year ended 31 October 2024 £'000 | Group Year ended 31 October 2023 £'000 | Company Year ended 31 October 2024 £'000 | Company Year ended 31 October 2023 £'000 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Loss for the year | (845) | (3,143) | (984) | (1,647) |
| Taxation | (528) | - | (528) | - |
| Profit on sale of assets | - | (4) | - | (4) |
| Finance costs | 413 | 326 | 222 | 299 |
| Amortisation of intangible assets | 240 | 116 | 69 | 53 |
| Depreciation of property, plant and equipment | 382 | 297 | 192 | 210 |
| Depreciation of right-of-use assets | 540 | 472 | 397 | 391 |
| Share-based payments | 143 | 206 | 143 | 206 |
| **Operating cash flows before movements in working capital** | 345 | (1,730) | (489) | (492) |
| Increase in trade and other receivables | (180) | (1,146) | (570) | (3,344) |
| Decrease/(Increase) in inventories | 243 | (1,336) | (276) | (86) |
| (Decrease)/Increase in trade and other payables | (654) | 2,380 | (44) | (286) |
| Increase/(Decrease) in provisions | 218 | - | 218 | - |
| **Cash (outflow)/inflow from operations** | (28) | (1,832) | (1,161) | (4,208) |
| Tax received | 398 | - | 398 | - |
| **Net cash inflow/(outflow) from operating activities** | 370 | (1,832) | (763) | (4,208) |
| **Investing activities** | | | | |
| Purchase of property, plant and equipment net of intercompany transfers | (212) | (1,293) | (11) | 155 |
| Purchase of development expenditure | (372) | (833) | (177) | (112) |
| Proceeds from the sale of property, plant and equipment | - | 4 | - | 4 |
| **Net cash used in investing activities** | (584) | (2,122) | (188) | 47 |
| **Financing activities** | | | | |
| Proceeds from issue of ordinary shares | - | 6,590 | - | 6,590 |
| Share issue transaction costs | - | (485) | - | (485) |
| Finance costs paid | (413) | (326) | (218) | (294) |
| Loan repayment | (502) | (536) | (502) | (536) |
| Repayment of lease liabilities capital | (497) | (455) | (345) | (320) |
| **Net cash generate in financing activities** | (1,412) | 4,788 | (1,065) | 4,955 |
| **Net /(Decrease)/Increase in cash and cash equivalents** | (1,626) | 834 | (2,016) | 794 |
| Cash and cash equivalents at 01 November | 3,178 | 2,344 | 3,131 | 2,337 |
| Effect of foreign exchange rate changes | 111 | - | - | - |
| **Cash and cash equivalents at 31 October** | 1,663 | 3,178 | 1,115 | 3,131 |

The notes on pages 54 - 84 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) interpretations.

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 "FY24" refer to the year ended 31 October 2024, whilst references to "FY23" are in respect of the year ended 31 October 2023.

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 2024. 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***

The financial statements have been prepared on a going concern basis as the directors believe that the Group has access to sufficient resources to continue in business for the foreseeable future.

The key business risks and conditions that may impact the Group's ability to continue as a going concern are the utilisation of existing resources to finance growth, investment and expenditure; the rates of growth and cash generated by Group revenues, the timing of breakeven and positive cashflow generation and the ability to secure additional debt or equity financing in future if this became necessary. The primary area of judgement that the Board considered, in the going concern assessment, related to revenue expectations and visibility.

The Board was mindful of the guidance surrounding a severe but plausible assessment and, accordingly, considered a number of scenarios in revenue reduction against the original plans. A reverse stress test was constructed to identify at which point the Group might run out of its available cash. The test was designed specifically to understand how far revenue would need to fall short of the base case forecast and does not represent the directors view on current and projected trading. The test was modelled over an 18-month period from the date of signing the accounts and was based on budgeted trading that took into account contracted orderbook and existing revenue streams from current and contracted customer programmes.

The sales revenue in the budgeted model was reduced evenly across the Group to the point where the projected month-end cash was equal to zero at any point during test period. In the model, zero month-end cash was reached in March 2026 when projected sales revenue was reduced to 80.6% of budget. For the reverse stress test, the Board specifically excluded any significant upsides to this scenario. This is despite strong incremental demand potential at both existing and new customers. This most severe scenario also excludes any mitigating reduction in the cost base that the Board would clearly undertake in this event.

In all scenarios modelled, including the reverse stress test, the Group has sufficient resources to operate and meet its liabilities throughout the going concern review period without the inclusion of the impact of mitigating actions.

At 31 October 2024, the Group had a gross cash balance of £1.7m, a CBIL loan balance of £1.0m and undrawn availability of £1.5m under invoice discounting facilities of £3.0m. As at 24 January 2025 had a gross cash balance of £1.6m, a CBIL loan balance of £0.8m and undrawn availability of £1.3m under invoice discounting facilities of £3.0m. On a base case scenario adopted for their assessment, the Board is comfortable that the Group can continue its operations for at least a 12-month period following the approval of these financial statements.

As a result of this review, which incorporated sensitivities and risk analysis, the Directors believe that the Group has sufficient resources and working capital to meet their present and foreseeable obligations for a period of at least 12 months from the approval of these financial statements.

## 2. Accounting policies (continued)

***Revenue recognition***
Revenue is recognised as performance obligations are satisfied as control of the goods and services are 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 and services 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.

***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 Chief Financial Officer. The Group supplies a single type of product into a single industry and so has a single operating segment. Additional information is given regarding the revenue receivable based on geographical location of the customer.

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

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

*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 £13k.

## 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** | **Group** | **Company** | **Company** |
|---|---|---|---|---|
| | **31 October 2024** | **31 October 2023** | **31 October 2024** | **31 October 2023** |
| | £'000 | £'000 | £'000 | £'000 |
| **Current assets** | | | | |
| Trade and other receivables | 3,447 | 3,282 | 2,889 | 2,532 |
| Trade and other receivables – prepayments | 400 | 385 | 318 | 291 |
| Amounts due from subsidiary undertakings | - | - | 3,276 | 3,090 |
| | 3,847 | 3,667 | 6,483 | 5,913 |
| Cash and cash equivalents – loans and receivables | 1,663 | 3,178 | 1,115 | 3,131 |
| Total loans and receivables | 5,510 | 6,845 | 7,598 | 9,044 |
| **Current liabilities** | | | | |
| Trade and other payables | 3,567 | 4,053 | 1,680 | 1,587 |
| Trade and other payables – accruals | 366 | 534 | 197 | 334 |
| | 3,933 | 4,587 | 1,877 | 1,921 |
| Loans | 503 | 503 | 503 | 503 |
| Obligations under lease liabilities | 561 | 487 | 367 | 344 |
| Total current liabilities | 4,997 | 5,577 | 2,747 | 2,768 |

For non-current liabilities please see notes 18, 19 & 26.

***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 a large element of the transactional currency risk to pass through the Group.

The Group is also exposed to translation foreign exchange risk on consolidation of US operations, which are translated into Sterling from US dollars. This can impact the consolidated income statement and also create a movement in reserves from movements in the US balance sheet items.

**3. Financial instruments and risk management (continued)**

**a) Market risk (continued)**

The carrying value of the Group's foreign currency denominated assets and liabilities comprise the trade receivables in note 16, cash in note 17 and trade payables in note 18.

*Foreign exchange risk (continued)*
The Group's financial assets are held in both Sterling and US dollars, the assets are converted to the presentation currency Sterling assets held in US dollars are in relation to the US subsidiary, 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 Group's exposure to foreign currency risk is as follows. This is based on the carrying amount of monetary financial instruments.

| **As at 31 October 2024** | **US Dollar £'000** | **Euro £'000** | **Total £'000** |
|---|---|---|---|
| Trade debtors | 2,763 | 235 | 2,998 |
| Cash and cash equivalents | 1,097 | 256 | 1,353 |
| Trade payables | (2,759) | (20) | (2,779) |
| Balance sheet exposure | 1,101 | 471 | 1,572 |

| **As at 31 October 2023** | **US Dollar £'000** | **Euro £'000** | **Total £'000** |
|---|---|---|---|
| Trade debtors | 2,685 | 75 | 2,760 |
| Cash and cash equivalents | 204 | 118 | 322 |
| Trade payables | (3,328) | (31) | (3,359) |
| Balance sheet exposure | (439) | 162 | (277) |

*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 2024** £'000 | **31 October 2023** £'000 |
|---|---|---|
| US dollar | (57) | 28 |
| Euro | (24) | (8) |

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. Included in the US dollar value is £39,000 relating to the US Subsidiary (2023: £78,000).

*Interest rate risk*
The Group carries borrowings from leases and CBILS loans. Lease borrowings are at a fixed rate of interest whilst the interest on the CBILS 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 4.75%.

## 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 2024**

| | Within 1 year £'000 | One to two years £'000 | Two to five years £'000 | Over five years £'000 |
|---|---|---|---|---|
| Loan | 503 | 468 | - | - |
| Obligations under lease liabilities | 561 | 575 | 683 | - |
| Provisions | - | - | 218 | - |
| Trade payables | 3,251 | - | - | - |
| Accruals | 584 | - | - | - |

**As at 31 October 2023**

| | Within 1 year £'000 | One to two years £'000 | Two to five years £'000 | Over five years £'000 |
|---|---|---|---|---|
| Loan | 503 | 503 | 467 | - |
| Obligations under lease liabilities | 487 | 508 | 1,079 | - |
| Trade payables | 3,786 | - | - | - |
| Accruals | 534 | - | - | - |
| Other payables | 15 | - | - | - |
| Invoice discounting facility | 68 | - | - | - |

### 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 2024 £'000 | Year ended 31 October 2023 £'000 |
|---|---|---|
| **Revenue** | | |
| United Kingdom | 15,058 | 14,350 |
| Europe | 6 | 41 |
| US Subsidiary | 7,915 | 1,967 |
| Rest of the World | 27 | 53 |
| | 23,006 | 16,411 |

During the year four customers accounted for 92.75% (2023: 91.9%) of the Group's total revenue for the year ended 31 October 2024. This was split as follows; Customer A – 25.52% (2023: 34.5%), Customer B – 26.77% (2023: 34.9%), Customer C – 6.06% (2023: 10.49%) and the fourth customer a customer of Velocity Composite Aerospace Inc 34.40% (2023: 11.99%).

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 2024 and year ended 31 October 2023 as the site operates as an Engineering Support Office for the Group. The US subsidiary started to trade in April 2023, revenue of £7,915k (2023: £1,967k) has been generated since the US subsidiary was incorporated.

## 5. Operating loss

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

| | Year ended 31 October 2024 £'000 | Year ended 31 October 2023 £'000 |
|---|---|---|
| Staff costs (see note 6) | 4,664 | 3,700 |
| Cost of inventories | 14,966 | 11,687 |
| Foreign exchange loss | 165 | 57 |
| Amortisation of development costs | 240 | 116 |
| Depreciation: | | |
| Owned assets | 382 | 297 |
| Property, plant and equipment under right-of-use assets | 540 | 472 |
| Profit on disposal of assets | - | (5) |
| | | |
| Auditor's remuneration: | | |
| Audit of the accounts of the Group | 85 | 75 |
| Other audit related services (relating to interim review) | 16 | 12 |

## 6. Staff costs

| | Year ended 31 October 2024 £'000 | Year ended 31 October 2023 £'000 |
|---|---|---|
| Wages, salaries and bonuses | 4,019 | 3,049 |
| Social security costs | 406 | 348 |
| Defined contribution pension costs | 96 | 97 |
| Share-based payments | 143 | 206 |
| | 4,664 | 3,700 |

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

| | Year ended 31 October 2024 Head count | Year ended 31 October 2023 Head count |
|---|---|---|
| Manufacturing | 53 | 55 |
| Administration | 49 | 47 |
| | 102 | 102 |

## 7. Directors' costs

| | Year ended 31 October 2024 £'000 | Year ended 31 October 2023 £'000 |
|---|---|---|
| Directors' remuneration included in staff costs: | | |
| Wages, salaries and bonuses | 387 | 505 |
| Defined contribution pension costs | 27 | 21 |
| | 414 | 526 |
| Remuneration of the highest paid director(s): | | |
| Wages, salaries and bonuses or fees | 196 | 190 |
| Defined contribution pension costs | 19 | 12 |
| | 215 | 202 |

## 8. Exceptional administrative expenses

| | Year ended 31 October 2024 £'000 | Year ended 31 October 2023 £'000 |
|---|---|---|
| Fees associated with newly issued shares | - | 120 |
| | - | 120 |

Exceptional expenses incurred during the previous year were in relation to the costs associated with the cash fundraise through the placing and subscription of the New Ordinary Shares. Total costs incurred were £120,000 and £485,000 charged to the share premium as being directly related to newly issued shares.

No exceptional costs were recognised in the current year.

## 9. Finance income and expenses

| | Year ended 31 October 2024 £'000 | Year ended 31 October 2023 £'000 |
|---|---|---|
| **Finance expense** | | |
| Finance charge from lease liabilities | 108 | 120 |
| Other interest and invoice discounting charges | 305 | 206 |
| | 413 | 326 |

## 10. Income tax

| **Company** | Year ended 31 October 2024 £'000 | Year ended 31 October 2023 £'000 |
|---|---|---|
| **Current tax income** | | |
| UK corporation tax adjustment in respect of R&D | 101 | - |
| UK corporation tax adjustment in respect of prior years – R&D | 398 | - |
| **Total tax income** | 499 | - |

## 10. Income tax (continued)

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 | 25.00% | 22.00% |
| Loss for the year before tax | (1,344) | (3,143) |
| Expected tax credit based on corporation tax rate | (336) | (691) |
| Expenses not deductible for tax purposes | (84) | (17) |
| Adjustment in respect of prior year – R&D | (398) | - |
| Adjustment in respect of current year – R&D | (101) | - |
| Different tax rates in other countries | 20 | 232 |
| Tax losses not recognised | 400 | 476 |
| **Total tax income** | (499) | - |

On 3 March 2021, the Chancellor of the Exchequer announced that the corporation tax rate would increase to 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 2024 is 25% and deferred tax had been re-measured at this date.

## 11. Loss per share

| | **Year ended 31 October 2024** £ | **Year ended 31 October 2023** £ |
|---|---|---|
| Loss for the year | (845,000) | (3,143,000) |
| | **Shares** | **Shares** |
| Weighted average number of shares in issue | 53,454,166 | 38,410,094 |
| Weighted average number of share options | 1,829,734 | 1,348,066 |
| Weighted average number of shares (diluted) | 55,283,900 | 39,758,160 |
| Loss per share (basic) | (1.58p) | (8.18p) |
| Loss per share (diluted) | (1.58p) | (8.18p) |

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

## 12. Intangible assets

| Group | Development costs £'000 | Total £'000 |
|---|---|---|
| **Cost** | | |
| At 31 October 2022 | 575 | 575 |
| Additions | 833 | 833 |
| At 31 October 2023 | 1,408 | 1,408 |
| Additions | 372 | 372 |
| Exchange adjustments | (41) | (41) |
| At 31 October 2024 | 1,739 | 1,739 |
| **Amortisation** | | |
| At 31 October 2022 | 402 | 402 |
| Charge for the year | 116 | 116 |
| At 31 October 2023 | 518 | 518 |
| Charge for the year | 240 | 240 |
| Exchange adjustments | (6) | (6) |
| At 31 October 2024 | 752 | 752 |
| **Net book value** | | |
| At 31 October 2022 | 173 | 173 |
| At 31 October 2023 | 890 | 890 |
| At 31 October 2024 | 987 | 987 |

| Company | Development costs £'000 | Total £'000 |
|---|---|---|
| **Cost** | | |
| At 31 October 2022 | 575 | 575 |
| Additions | 112 | 112 |
| At 31 October 2023 | 687 | 687 |
| Additions | 177 | 177 |
| At 31 October 2024 | 864 | 864 |
| **Amortisation** | | |
| At 31 October 2022 | 402 | 402 |
| Charge for the year | 53 | 53 |
| At 31 October 2023 | 455 | 455 |
| Charge for the year | 69 | 69 |
| At 31 October 2024 | 524 | 524 |
| **Net book value** | | |
| At 31 October 2022 | 173 | 173 |
| At 31 October 2023 | 232 | 232 |
| At 31 October 2024 | 340 | 340 |

***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.

## 13. Property, plant and equipment

| Group | Leasehold improve-ments £'000 | Plant & machinery £'000 | Motor vehicles £'000 | Fixtures & fittings £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 31 October 2022 | 628 | 1,855 | 23 | 455 | 2,961 |
| Additions | 367 | 528 | - | 398 | 1,293 |
| At 31 October 2023 | 995 | 2,383 | 23 | 853 | 4,254 |
| Additions | 48 | 159 | - | 5 | 212 |
| Exchange adjustments | (33) | (26) | - | (22) | (81) |
| At 31 October 2024 | 1,010 | 2,516 | 23 | 836 | 4,385 |
| **Depreciation** | | | | | |
| At 31 October 2022 | 149 | 1,382 | 23 | 308 | 1,862 |
| Charge for the year | 73 | 150 | - | 74 | 297 |
| At 31 October 2023 | 222 | 1,532 | 23 | 382 | 2,159 |
| Charge for the year | 105 | 187 | - | 90 | 382 |
| Exchange adjustments | (1) | (7) | - | (2) | (10) |
| At 31 October 2024 | 326 | 1,712 | 23 | 470 | 2,531 |
| **Net book value** | | | | | |
| At 31 October 2022 | 479 | 473 | - | 147 | 1,099 |
| At 31 October 2023 | 773 | 851 | - | 471 | 2,095 |
| At 31 October 2024 | 684 | 804 | - | 366 | 1,854 |

| Company | Leasehold improve-ments £'000 | Plant & machinery £'000 | Motor vehicles £'000 | Fixtures & fittings £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 31 October 2022 | 628 | 1,855 | 23 | 455 | 2,961 |
| Transferred to subsidiary | (132) | (57) | - | (37) | (226) |
| Additions | 14 | 57 | - | - | 71 |
| At 31 October 2023 | 510 | 1,855 | 23 | 418 | 2,806 |
| Additions | 4 | 5 | - | - | 9 |
| At 31 October 2024 | 514 | 1,860 | 23 | 418 | 2,815 |
| **Depreciation** | | | | | |
| At 31 October 2022 | 149 | 1,382 | 23 | 308 | 1,862 |
| Charge for the year | 50 | 118 | - | 42 | 210 |
| At 31 October 2023 | 199 | 1,500 | 23 | 350 | 2,072 |
| Charge for the year | 50 | 109 | - | 33 | 192 |
| At 31 October 2024 | 249 | 1,609 | 23 | 383 | 2,264 |
| **Net book value** | | | | | |
| At 31 October 2022 | 479 | 473 | - | 147 | 1,099 |
| At 31 October 2023 | 311 | 355 | - | 68 | 734 |
| At 31 October 2024 | 265 | 251 | - | 35 | 551 |

## 14. Investment in subsidiaries

| | Group 31 October 2024 £'000 | Group 31 October 2023 £'000 | Company 31 October 2024 £'000 | Company 31 October 2023 £'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% | Provider of engineering composite services 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 |

## 15. Inventories

| | Group 31 October 2024 £'000 | Group 31 October 2023 £'000 | Company 31 October 2024 £'000 | Company 31 October 2023 £'000 |
|---|---|---|---|---|
| Raw materials & consumables | 1,698 | 1,830 | 1,283 | 1,023 |
| Finished goods | 802 | 913 | 486 | 470 |
| | 2,500 | 2,743 | 1,769 | 1,493 |

Inventories totalling £2,500,000 (2023: £2,743,000) 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 decrease of inventories provision during the previous year amounted to £55,000 Velocity Composites plc and £47,000 for Velocity Composites Aerospace Inc, in 2023 the increase was £53,000 for Velocity Composites plc and £113,000 for Velocity Composites Aerospace Inc.

The inventory at 31 October 2024 is after a stock provision of £272,000 (2023: £374,000). The provision reflects the aged stock profile consistent with FY23, 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 2024 amounted to £14,966,000 (2023: £11,687,000), and these were included in cost of sales.

## 16. Trade and other receivables

| | Group 31 October 2024 £'000 | Group 31 October 2023 £'000 | Company 31 October 2024 £'000 | Company 31 October 2023 £'000 |
|---|---|---|---|---|
| Trade receivables | 3,349 | 3,187 | 2,789 | 2,489 |
| Prepayments | 400 | 385 | 318 | 291 |
| Other receivables | 98 | 95 | 100 | 43 |
| Tax receivable | 130 | - | 130 | - |
| Amounts due from subsidiary undertakings | - | - | 3,276 | 3,090 |
| | 3,977 | 3,667 | 6,613 | 5,913 |

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 an average of 53 days (2023: 71 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. £23,000 Trade receivables (Group and Company) were overdue over three months at the year end (2023: £Nil).

The overall expected credit loss is trivial (2023: 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 2024 £'000 | 31 October 2023 £'000 |
|---|---|---|
| Euro | 235 | 75 |
| US Dollar | 2,763 | 2,685 |
| | 2,998 | 2,760 |

## 17. Cash and cash equivalents

| | Group 31 October 2024 £'000 | Group 31 October 2023 £'000 | Company 31 October 2024 £'000 | Company 31 October 2023 £'000 |
|---|---|---|---|---|
| Cash at bank | 1,663 | 3,178 | 1,115 | 3,131 |
| | 1,663 | 3,178 | 1,115 | 3,131 |

## 18. Trade and other payables

| | Group 31 October 2024 £'000 | Group 31 October 2023 £'000 | Company 31 October 2024 £'000 | Company 31 October 2023 £'000 |
|---|---|---|---|---|
| Trade payables | 3,251 | 3,786 | 1,365 | 1,322 |
| Accruals and deferred income | 366 | 534 | 197 | 334 |
| Other taxes and social security | 316 | 184 | 315 | 183 |
| Other payables | - | 15 | - | 14 |
| Invoice discounting facility | - | 68 | - | 68 |
| | 3,933 | 4,587 | 1,877 | 1,921 |

Book values approximate to fair values.

## 19. Bank loans

| | Group 31 October 2024 £'000 | Group 31 October 2023 £'000 | Company 31 October 2024 £'000 | Company 31 October 2023 £'000 |
|---|---|---|---|---|
| Not later than one year | 503 | 503 | 503 | 503 |
| One to two years | 468 | 503 | 468 | 503 |
| Two to five years | - | 467 | - | 467 |
| | 971 | 1,473 | 971 | 1,473 |

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 5.00% as at 31 October 2024. Therefore, the rate payable at 28 January 2025 is 8.96%.

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.

## 20. Leases

**Right-of-use-assets**

| **Group** | **Land & buildings** £'000 | **Plant & machinery** £'000 | **Motor vehicles** £'000 | **Total** £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 31 October 2022 | 2,433 | 561 | 110 | 3,104 |
| Additions | 232 | - | 100 | 332 |
| Disposals | - | - | (5) | (5) |
| Balance at 31 October 2023 | 2,665 | 561 | 205 | 3,431 |
| Additions | - | 165 | 107 | 272 |
| Exchange adjustments | (38) | - | - | (38) |
| Balance at 31 October 2024 | 2,627 | 726 | 312 | 3,665 |
| | | | | |
| **Depreciation** | | | | |
| Balance at 31 October 2022 | 478 | 294 | 63 | 835 |
| Depreciation charge for the year | 363 | 81 | 28 | 472 |
| Disposals | - | - | (5) | (5) |
| Balance at 31 October 2023 | 841 | 375 | 86 | 1,302 |
| Depreciation charge for the year | 413 | 82 | 45 | 540 |
| Exchange adjustments | (3) | - | - | (3) |
| Balance at 31 October 2024 | 1,251 | 457 | 131 | 1,839 |
| | | | | |
| **NBV** | | | | |
| At 31 October 2022 | 1,955 | 267 | 47 | 2,269 |
| At 31 October 2023 | 1,824 | 186 | 119 | 2,129 |
| At 31 October 2024 | 1,376 | 269 | 181 | 1,826 |

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 2024.

**20. Leases (continued)**

**Right-of-use-assets (continued)**

| **Company** | **Land & buildings** £'000 | **Plant & machinery** £'000 | **Motor vehicles** £'000 | **Total** £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 31 October 2022 | 1,976 | 561 | 110 | 2,647 |
| Additions | - | - | 100 | 100 |
| Disposals | - | - | (5) | (5) |
| Balance at 31 October 2023 | 1,976 | 561 | 205 | 2,742 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Balance at 31 October 2024 | 1,976 | 561 | 205 | 2,742 |
| | | | | |
| **Depreciation** | | | | |
| Balance at 31 October 2022 | 478 | 294 | 63 | 835 |
| Depreciation charge for the year | 282 | 81 | 28 | 391 |
| Disposals | - | - | (5) | (5) |
| Balance at 31 October 2023 | 760 | 375 | 86 | 1,221 |
| Depreciation charge for the year | 282 | 74 | 42 | 398 |
| Balance at 31 October 2024 | 1,042 | 449 | 128 | 1,619 |
| | | | | |
| **NBV** | | | | |
| At 31 October 2022 | 1,498 | 267 | 47 | 1,812 |
| At 31 October 2023 | 1,216 | 186 | 119 | 1,521 |
| At 31 October 2024 | 934 | 112 | 77 | 1,123 |

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 2024.

**Right-of-use lease liabilities**

| | **Group** £'000 | **Company** £'000 |
|---|---|---|
| At 31 October 2023 | 2,074 | 1,540 |
| Repayment | (598) | (424) |
| Additions to right-of-use assets in exchange for increased lease liabilities | 272 | - |
| Interest and other movements | 100 | 80 |
| Exchange adjustments | (29) | - |
| | | |
| At 31 October 2024 | 1,819 | 1,196 |

## 20. 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 | 426 | 75 | 59 | 560 |
| Non-current | 957 | 189 | 142 | 1,288 |
| Exchange adjustments | (29) | - | - | (29) |
| | 1,354 | 264 | 201 | 1,819 |
| Number of right-to-use assets leased | 4 | 2 | 4 | |
| 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 | 292 | 42 | 32 | 366 |
| Non-current | 693 | 70 | 67 | 830 |
| | 985 | 112 | 99 | 1,196 |
| Number of right-to-use assets leased | 3 | 1 | 3 | |
| 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 2024** | | | |
| Not later than one year | 651 | 90 | 561 |
| Later than one year and not later than two years | 646 | 71 | 575 |
| Later than two years and not later than five years | 781 | 98 | 683 |
| | 2,078 | 259 | 1,819 |
| **31 October 2023** | | | |
| Not later than one year | 585 | 98 | 487 |
| Later than one year and not later than two years | 589 | 81 | 508 |
| Later than two years and not later than five years | 1,209 | 130 | 1,079 |
| | 2,383 | 309 | 2,074 |

## 20. 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 2024** | | | |
| Not later than one year | 431 | 64 | 367 |
| Later than one year and not later than two years | 425 | 45 | 380 |
| Later than two years and not later than five years | 510 | 61 | 449 |
| | 1,366 | 170 | 1,196 |
| **31 October 2023** | | | |
| Not later than one year | 424 | 80 | 344 |
| Later than one year and not later than two years | 430 | 64 | 366 |
| Later than two years and not later than five years | 927 | 97 | 830 |
| | 1,781 | 241 | 1,540 |

***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 is £Nil (2023: £Nil).

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.

## 21. 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:

| **Company** | **31 October 2024** £'000 | **31 October 2023** £'000 |
|---|---|---|
| Unrecognised deferred tax in respect of losses brought forward | (1,630) | (1,401) |
| Corporation tax loss adjustments in respect of prior year | 120 | - |
| Corporation tax losses arising during the year | (158) | (229) |
| **Unrecognised deferred tax in respect of losses carried forward** | (1,668) | (1,630) |

The Group has unused tax losses which were incurred by the parent company. A deferred tax asset of £1,668,000 (2023: £1,630,000) 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.

## 22. 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 2022 | 405 | 503 | 1,792 | 1,506 | 4,206 |
| **Cash flows** | | | | | |
| Repayment | (506) | (536) | - | - | (1,042) |
| **Non-cash** | | | | | |
| Other differences | - | - | 332 | - | 332 |
| Increase to lease liabilities | - | - | 51 | - | 51 |
| Transfer from long-term to short term borrowings | 588 | 536 | (588) | (536) | - |
| At 31 October 2023 | 487 | 503 | 1,587 | 970 | 3,547 |
| **Cash flows** | | | | | |
| Repayment | (597) | (502) | - | - | (1,099) |
| **Non-cash** | | | | | |
| Other differences | - | - | 70 | - | 70 |
| Increase to lease liabilities | - | - | 272 | - | 272 |
| Transfer from long-term to short term borrowings | 671 | 502 | (671) | (502) | - |
| As at 31 October 2024 | 561 | 503 | 1,258 | 468 | 2,790 |

## 22. 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 2022 | 313 | 503 | 1,442 | 1,506 | 3,764 |
| **Cash flows** | | | | | |
| Repayment | (372) | (536) | - | - | (908) |
| **Non-cash** | | | | | |
| Other differences | - | - | 52 | - | 52 |
| Increase to lease liabilities | - | - | 105 | - | 105 |
| Transfer from long-term to short term borrowings | 403 | 536 | (403) | (536) | - |
| At 31 October 2023 | 344 | 503 | 1,196 | 970 | 3,013 |
| **Cash flows** | | | | | |
| Repayment | (424) | (502) | - | - | (926) |
| **Non-cash** | | | | | |
| Other differences | - | - | 80 | - | 80 |
| Transfer from long-term to short term borrowings | 447 | 502 | (447) | (502) | - |
| As at 31 October 2024 | 367 | 503 | 829 | 468 | 2,167 |

## 23. Share capital

| | 31 October 2024 £ | 31 October 2023 £ |
|---|---|---|
| **Share capital issued and fully paid** | | |
| 53,509,706 (2023: 53,393,368) Ordinary shares of £0.0025 each | 133,774 | 133,483 |

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 | 133,483 | 53,393,368 |
| Exercising of share options | 291 | 116,338 |
| **Closing share capital at 31 October 2024** | 133,774 | 53,509,706 |

**23. Share capital (continued)**

On 24 January 2024, the Company issued 75,000 new ordinary shares of £0.0025 each to satisfy the exercise of options granted under the Group's 2023 Share Option Scheme.

On 7 October 2024, the Company issued 41,388 new ordinary shares of £0.0025 each to satisfy the exercise of options granted under the Group's 2017 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 25.

**24. Share premium**

| | 31 October 2024 £'000 | 31 October 2023 £'000 |
|---|---|---|
| At the beginning of the year | 4,870 | 9,727 |
| Shares issued net of transaction costs | - | 6,063 |
| Reduction of Share Premium Account | - | (10,920) |
| At the end of the year | 4,870 | 4,870 |

**25. 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 were awarded in relation to joining senior management, providing an equity incentive around the performance of the business

The 155,932 remaining 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.

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 125,000 shares options dated 1 April 2021 have no attached performance conditions and vest subject only to continued employment. They were awarded in relation to joining senior management, providing an equity incentive around the performance of the business.

The 321,411 remaining shares options dated 26 January 2022 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 20,940 shares options dated 29 March 2022 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.

399,467 shares options dated 28 March 2023. 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.

**25. Share-based payments (continued)**

150,000 shares options dated 28 March 2023. These options have attached performance conditions linked to specific contract performance. These options shall only be exercisable to the extent vested upon satisfaction of the performance targets during the exercise period from the earlier of, the normal vesting date of one year or on or after the occurrence of an exercise event in accordance with the rules.

During the year ended 31 October 2024, further share options were granted as follows:

282,134 shares options dated 24 January 2024. 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.

75,000 shares options dated 24 January 2024 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.

400,000 shares options dated 15 July 2023. These options have attached performance conditions linked to profit after tax. They vest after two years, or earlier if a vesting event occurs in the rules of the Scheme.

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. The options may be exercised at any point up to the tenth anniversary grant date

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

The following options were outstanding as at 31 October 2024:

| 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 | 54,338 | - | 54,338 |
| 17 October 2017 | 0.6926 | 17 Oct 2019 | 17 Oct 2027 | 25,000 | - | 25,000 |
| 29 October 2019 | 0.2065 | 29 Oct 2022 | 29 Oct 2031 | 100,000 | - | 100,000 |
| 30 October 2020 | 0.2065 | 01 Nov 2021 | 01 Nov 2026 | 155,932 | - | 155,932 |
| 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 |
| 26 January 2022 | 0.0025 | 26 Jan 2023 | 01 Nov 2027 | 321,411 | - | 321,411 |
| 29 March 2022 | 0.0025 | 29 Mar 2023 | 01 Nov 2027 | 20,940 | - | 20,940 |
| 28 March 2023 | 0.0025 | 28 Mar 2024 | 28 Mar 2028 | 549,467 | - | 549,467 |
| 24 January 2024 | 0.0025 | 24 Jan 2026 | 24 Jan 2029 | - | 75,000 | 75,000 |
| 24 January 2024 | 0.0025 | 24 Jan 2025 | 24 Jan 2029 | - | 282,134 | 282,134 |
| 15 July 2024 | 0.4150 | 30 Apr 2026 | 15 July 2034 | - | 400,000 | 400,000 |
| | | | | 1,380,893 | 757,134 | 2,138,027 |

The Group recognised a cost of £143,000 (2023: £206,000) 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.

**25. Share-based payment (continued)**

The tables below split the Share-based payments according to the terms they have been awarded.

Share options granted under the salary sacrifice scheme.

| Scheme and grant date | Exercise price (£) | Vesting date | Expiry date | Vested | Not vested | Total |
|---|---|---|---|---|---|---|
| 30 October 2020 | 0.2065 | 01 Nov 2021 | 01 Nov 2026 | 155,932 | - | 155,932 |
| 01 April 2021 | 0.0025 | 01 Apr 2021 | 01 Apr 2026 | 28,805 | - | 28,805 |
| 26 January 2022 | 0.0025 | 26 Jan 2023 | 01 Nov 2027 | 321,411 | - | 321,411 |
| 29 March 2022 | 0.0025 | 29 Mar 2023 | 01 Nov 2027 | 20,940 | - | 20,940 |
| 28 March 2023 | 0.0025 | 28 Mar 2024 | 28 Mar 2028 | 399,467 | - | 399,467 |
| 24 January 2024 | 0.0025 | 24 Jan 2025 | 24 Jan 2029 | - | 282,134 | 282,134 |
| | | | | 926,555 | 282,134 | 1,208,689 |

Share options granted not under the salary sacrifice scheme.

| 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 | 54,338 | - | 54,338 |
| 17 October 2017 | 0.6926 | 17 Oct 2019 | 17 Oct 2027 | 25,000 | - | 25,000 |
| 29 October 2019 | 0.2065 | 29 Oct 2022 | 29 Oct 2031 | 100,000 | - | 100,000 |
| 01 April 2021 | 0.1300 | 01 Apr 2021 | 01 Apr 2026 | 125,000 | - | 125,000 |
| 28 March 2023 | 0.0025 | 28 Mar 2024 | 28 Mar 2028 | 150,000 | - | 150,000 |
| 24 January 2024 | 0.0025 | 24 Jan 2026 | 24 Jan 2029 | - | 75,000 | 75,000 |
| 15 July 2024 | 0.4150 | 30 Apr 2026 | 15 July 2034 | - | 400,000 | 400,000 |
| | | | | 454,338 | 475,000 | 929,338 |

**Movement in share options**

| Scheme and grant date | As at 1 Nov 2023 £'000 | Issued £'000 | Expired £'000 | Exercised £'000 | Vested £'000 | As at 31 Oct 2024 £'000 |
|---|---|---|---|---|---|---|
| 13 March 2017 | 55 | - | - | (24) | - | 31 |
| 17 October 2017 | 10 | - | - | - | - | 10 |
| 29 October 2019 | 16 | - | - | - | - | 16 |
| 30 October 2020 | 24 | - | - | - | - | 24 |
| 01 April 2021 | 14 | - | - | - | - | 14 |
| 01 April 2021 | 8 | - | - | - | - | 8 |
| 26 January 2022 | 47 | - | - | - | (1) | 46 |
| 26 January 2022 | 24 | - | - | - | - | 24 |
| 29 March 2022 | 4 | - | - | - | - | 4 |
| 28 March 2023 | 276 | - | - | (62) | (28) | 186 |
| 24 January 2024 | - | 54 | - | - | - | 54 |
| 24 January 2024 | - | 58 | - | - | - | 58 |
| 15 July 2024 | - | 42 | - | - | - | 42 |
| | 478 | 154 | - | (86) | (29) | 517 |

## 26. Provisions

During the year a provision of £218,000 (2023: £Nil) was recognised in relation to dilapidations

As part of the group's property leasing arrangements there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The cost is charged to profit and loss as the obligation arises. The provision is expected to be utilised between 2026 and 2029 as the leases terminate.

The dilapidations provision is considered a source of significant estimation uncertainty. The provision has been calculated using one years' worth of rental over estimated lease termination dates prorated to the term the lease has been occupied.

## 27. 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 other related parties are as follows:

During the year the Group engaged North West Aerospace Alliance, which provides membership and subscription services for the Aerospace Industry. One of the directors of North West Aerospace Alliance Limited is a director of Velocity Composites plc. The Group paid £809 (2023: £2,009) to North West Aerospace Alliance during the year and had £Nil outstanding at the year end (2023: £Nil).

## 28. 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.

## 29. Capital commitments

At 31 October 2023 the Group had £1,164,144 (2023: £Nil) of capital commitments relating to the purchase of leasehold improvements, plant and machinery and fixture and fittings.

## 30. Pension commitments

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £96,034 (2023: £97,191) were charged to the Consolidated Income statement. Contributions outstanding as at 31 October 2024 were £Nil (2023: £13,595).

## 31. Contingent liabilities

As at 31 October 2024 the Group had in place bank guarantees of £Nil (2023: £Nil) in respect of supplier trade accounts.

As at 31 October 2024, National Westminster Bank plc hold a debenture that provides a fixed and floating charge on the assets of the Company.

## 32. 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 2024 £'000 | Year ended 31 October 2023 £'000 |
|---|---|---|
| Operating loss | (931) | (2,817) |
| Add back: | | |
| Depreciation of property, plant and equipment | 382 | 297 |
| Amortisation | 240 | 116 |
| Depreciation of right-of-use assets under IFRS 16 | 540 | 472 |
| Share-based payments | 143 | 206 |
| Exceptional Administration expenses | - | 120 |
| **Adjusted EBITDA** | 374 | (1,606) |

# Advisers

| | | |
|---|---|---|
| **Company registration number:** | 06389233 | |
| **Company Secretary and Registered office:** | Robert Smith (appointed 3 June 2024)<br>AMS Technology Park<br>Billington Road<br>Burnley<br>Lancashire<br>BB11 5UB | |
| **Nominated adviser:** | Canaccord Genuity Limited,<br>88 Wood Street,<br>London<br>EC2V 7QR | |
| **Joint brokers:** | Canaccord Genuity Limited,<br>88 Wood Street,<br>London<br>EC2V 7QR | Dowgate Capital Limited,<br>15 Fetter Lane,<br>London<br>EC4A 1BW |
| **Bankers:** | National Westminster Bank<br>1 Hardman Boulevard<br>Manchester<br>M3 3AQ<br><br>Royal Bank of Scotland<br>1 Hardman Boulevard<br>Manchester<br>M3 3AQ | HSBC Bank USA<br>452 5th Avenue<br>New York<br>NY 10018 |
| **Legal Advisers** | Fieldfisher LLP<br>17th Floor No 1<br>Spinningfields<br>1 Hardman Street<br>Manchester<br>M3 3EB | |
| **Independent Auditor** | Cooper Parry Group Limited<br>Sky View<br>Argosy Road<br>East Midland Airport<br>Castle Donington<br>Derby<br>DE74 2SA | |
| **Registrars** | Equiniti Limited<br>Aspect House<br>Spencer Road<br>Lancing<br>West Sussex<br>BN99 6DA | |
| **Financial PR** | SEC Newgate UK Limited<br>14 Greville Street<br>London<br>EC1N 8SB | |

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (Meeting) of Velocity Composites plc (Company) will be held at the offices of AMS Technology Park, Billington Rd, Burnley BB11 5UB on 11 March 2025 at 10 am 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 period ended 31 October 2024 and the reports of the directors and independent auditors thereon.
2. To approve the Directors' Remuneration Report contained within the Company's Annual Report and Accounts for the period ended 31 October 2024.
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 Jonathan Karl Bridges who retires from office in accordance with the Company's Articles of Association and offers himself for re-appointment.
7. To elect Robert St. John Smith, as a director, who, having been appointed since the last AGM, offers himself for election in accordance with the Company's articles of association.
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 £44,591.1422 (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 £89,182.8433 (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 11 March 2026), 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 Resolutions**

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 £13,377.4265

such authority to expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on 11 March 2026), 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 £ 13,377.4265; and 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 5,350.970;

    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 12 March 2026, or if earlier, at the conclusion of the next Annual General Meeting of the Company.

**By order of the Board**

**Rob Smith**
Company Secretary
28 January 2025

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

## Notes to the AGM

1. Only those shareholders registered in the Company's register of members at: 6.30pm on 7 March 2025; 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 7 March 2025. 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 7 March 2025. 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. If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10.00am on 7 March 2025 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them, and they will govern the electronic appointment of your proxy.

9. As at 6.30pm on 27 January 2025 (the latest practicable date prior to the printing of this notice) (i) the Company's issued share capital consisted of 53,509,706 ordinary shares, carrying one vote each, and (ii) the total voting rights in the Company were 53,509,706. The Company's website will include information on the number of shares and voting rights.

10. 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 7 March 2025 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.

11. 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.

12. 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 7 March 2025 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.

13. 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.

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

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

### Resolution 1

#### Report and accounts

The directors will present the audited financial statements of the Company for the period ended 31 October 2024 together with the directors' report and the auditor's report on those financial statements.

### Resolution 2

#### Remuneration report

The directors will present the remuneration report for the period ended 31 October 2024 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 11 March 2026.

## 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 £44,591.4217 which represents approximately one-third of the current issued share capital (excluding treasury shares) as at 27 January 2025 (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 £89,182.8433 which represents approximately two thirds of the current issued share capital (excluding treasury shares) as at 27 January 2025 (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 £13,377.43 which represents approximately 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 27 January 2025 (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 11 March 2026). 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:

- up to a maximum nominal value of £13,377.43, representing approximately 10 per cent of the issued ordinary share capital of the Company as at 27 January 2025 (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 20% of the issued ordinary share capital of the Company as at 27 January 2025.

## 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) as at 27 January 2025, 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.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