



RNS Half-year/Interim Report



## Unaudited Half Year Results

### VELOCITY COMPOSITES PLC

Released 07:00:06 29 June 2022

RNS Number : 5474Q  
Velocity Composites PLC  
29 June 2022

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### VELOCITY COMPOSITES PLC

("Velocity", the "Company", the "Group")

### UNAUDITED HALF YEAR RESULTS

**For the six months ended 30 April 2022**

Velocity Composites plc (AIM: VEL), the leading supplier of advanced composite material kits to aerospace and high-performance manufacturers, is pleased to announce the Company's unaudited results for the six months to 30 April 2022.

#### Financial Highlights:

- Revenue of £5.9m (2021: £4.4m) as aerospace sales volumes stabilised post Covid-19.
- Gross margin of 23.5% (2021: 25.1%) - reflecting some contractual margin squeeze and short term labour inefficiencies as the Group begins to increase staffing following recovery.
- Adjusted EBITDA<sup>1</sup> loss reduced to £0.2m (2021: loss of £0.6m).
- Loss before tax reduced to £0.7m (2021: loss of £1.1m).
- Cash at bank as at 30 April 2022 of £2.0m (30 April 2021: £3.5m). To support growth, additional £2.5m available through Invoice Discounting Facilities.

<sup>1</sup> Adjusted EBITDA defined as earnings before interest, tax, depreciation, amortisation, impairment, adjusted for exceptional administrative costs and share based payments. The business uses this Alternative Performance Measure to appropriately measure the underlying business performance, as such it excludes costs associated with non-core activities.

#### Operating Highlights:

- Strong pipeline of new business, especially in North America. The Group has invested in people resource with a renewed focussed on growth.
- Contracted sales encouraging with signs of recovery as confidence in the aviation sector improves.
- Work continues on internal process technology to improve labour productivity and material utilisation in the second half, as higher production rates enable greater efficiencies through 2023 and 2024.
- Continued investment and development of the Company's technology - with roll-out of new "Digital Manufacturing Cell" expected in second half to underpin margin delivery.

**Andy Beaden, Chairman of Velocity said:** "Over the last six months, we have seen signs of recovery in the global aerospace industry, which is starting to reflect in our manufacturing sales volumes. Further growth is expected over the next 12-18 months.

"Our technology innovation is aimed at providing both material and labour efficiencies, which in turn benefits both our customers and our own margins. Though there has been some small margin squeeze with labour inflation and customer pricing pressures, we believe our innovations should ensure we maintain our long term margin and profit objectives. These steps include the internal deployment of a new "Digital Manufacturing Cell" later this year that utilises Industry 4.0 technology to increase the size and efficiency of our production batches while digitising and standardising production processes in real-time to improve labour productivity.

"Despite the challenges we have faced due to the pandemic, we have sustained investment in R&D and business development as the aviation sector recovers. We have continued our expansion efforts in Europe and North America and expect to see progress in H2 2022 through rolling out our solutions to support more customer facilities. We have had some initial success with customers outside the aerospace industry, including automotive. Increased use of composites will be key to delivering net zero in many industries. We will continue to work with our customers and partners to investigate revenue streams where our technology can drive operational efficiency and margins for the company."

*Certain of the information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK version of the EU Market Abuse Regulation 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time. Upon the publication of this announcement, this inside information is now considered to be in the public domain.*

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**About Velocity Composites**

Based in Burnley, UK, Velocity Composites is the leading supplier of composite material kits to aerospace and other high-performance manufacturers, that reduce costs and improve sustainability. Customers include Airbus, Boeing, and GKN.

By using Velocity's proprietary technology, manufacturers can also 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, urban air mobility and electric vehicles, where the demand for composites is expected to grow.

## Chairman's Statement

### Overview

As we emerge from the Covid-19 pandemic, we are pleased to announce an improvement in revenue, and narrowing of the operating loss as the aerospace manufacturing sector continues to recover. The well-documented problems in the global supply chain in terms of sourcing goods, materials and skilled labour have meant some downward pressures on our gross margin, with the current mix of sales being weaker in margin than in the prior period. We believe we can mitigate this, and we are taking new actions to improve labour productivity and material efficiency, and the roll-out of our new "Digital Manufacturing Cell" planned for the second half will help underpin improved margin delivery. Therefore, our longer-term margin targets remain the same.

Aircraft demand across the global industry has stabilised, with more significant improvement and recovery forecast in 2023 and beyond. As a result, we are planning to resume expansion in North America and Europe, with progress expected in H2 2022.

Furthermore, we have had some initial success with non-contracted sales in new sectors for the Company, including high-performance automotive manufacturing and urban air mobility. We hope to build on these successes by converting them into longer-term contracts. We have continued to maintain our new product engineering capability and plan to further invest in our business development resource to enable further contract wins in these areas with an element of the overhead cost base retained to support this ambition.

Some challenges remain regarding the availability of raw materials as the international supply chain restarts with the recovery. This is inevitably linked to raw material commodity price, localised Covid-19 lockdowns overseas and labour challenges at supplier facilities. Part of our service provision is to work closely with our suppliers and customers to distribute stock proportionately across global manufacturing sites to maintain a stable supply. We are also reviewing areas of particular disruption where we may want to strategically increase stock to avoid any supply volatility to customers in future.

### Financial Performance

Revenue in the period grew 34% to £5.9m (2021: £4.4m) as global production rates started to recover, compared with the prior period that encompassed lockdowns and customer site closures. Gross margin has reduced slightly to 23.5% (2021: 25.1%) primarily as a result of certain production inefficiencies and labour cost pressures, net of £0.2m successful recoveries on historical inventory write-offs linked to a contract settlement as a result of the pandemic. The longer-term margin target remains at 25%. The current margin reduction was also in part a function of onboarding new labour resources and preparing for higher long-term volumes.

Administrative expenses have mainly remained in line with last year at £2.0m (H1 FY21: £2.1m) despite investment in new technology to enable future growth and diversification.

The adjusted EBITDA loss reduced by £0.4m to £0.2m (2021: loss of £0.6m), resulting from improved contracted demand levels. This can be further analysed as breaking even at EBITDA operating level while maintaining investment in business development and R&D of £0.3m. Loss before tax from continuing operations reduced to £0.7m (2021: loss of £1.1m).

Velocity's cash flow and liquidity are in line with management expectations. The Company continues to monitor its working capital closely, with robust controls, ahead of the expected sales recovery to ensure it can deliver growth in a cash-efficient manner.

Cash at bank as at 30 April 2022 was £2.0m (H1 FY21: £3.5m), including anticipated movements through underlying business performance and working capital investment to support recovery and new contract terms with customers. Since period end, as at 24 June 2022, the Company's cash balance has improved to £2.7 million, due

to cash flow timings and improvements in customer receivables collections. The Company has access to two invoice discounting facilities, including a key customer facility, both of which remain undrawn. At current sales levels, these facilities offer a combined drawdown capacity of £2.5 million. While inventory levels have increased compared to last year, this has been lower than our sales growth of over 30% due to continued robust stock controls, and improved stock turns through the pandemic.

### **Investment in Growth & Customer Proposition**

Velocity continues to maintain the required investment to support its growth and R&D activities. The Company has been able to self-fund this, despite the suppressed demand the aerospace manufacturing sector has experienced due to the pandemic.

In addition, work has been done to develop the Company's customer proposition through investment in R&D. A new "Digital Manufacturing Cell" that enables further standardisation and automation of production is expected to be deployed in the second half of the year. It is likely to improve future gross margin through material and labour efficiencies. The Digital Cell combines with our composite tailored material planning technology, Velocity Resource Planning, or VRP. These technology hardware and software systems enable the efficiencies in our services to customers, in labour, materials and inventory levels.

### **Board Changes**

We have strengthened the Board with additional non-executive experience in international aerospace and defence and the expanding use of composite materials outside these core sectors. This supports our growth strategy and our technical and commercial profiles with our customers.

In March 2022, we appointed Ms. Annette Rothwell to the Board as an independent non-executive director. Ms. Rothwell is a seasoned senior level executive and board member with extensive experience in industries undergoing transformational change. She 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. Through her international executive career, she has gained extensive aerospace and defence experience, managing the supply chains of some major Tier 1 and OEMs, and more recently advising SMEs across various industrial technology sectors.

In June 2022, we appointed Dr David Bailey FRAeS to the Board as an independent non-executive director. He is currently CEO of Composites UK, the trade association for the UK composites industry. David is an experienced executive with extensive management and technical expertise developed across the aerospace and power generation industries. He is a renowned aerospace supply chain specialist and has worked with the senior management teams of over 100 aerospace and defence suppliers. As well as David bringing his considerable understanding of the aerospace industry supply chain, he has been working for several years with a large number of world-class companies on the expansion of composite materials in advanced manufacturing.

We welcome and are delighted to attract such high calibre individuals to join the Board as we move forward with international and sector expansion, endorsing the exciting future the Company has.

As announced on 8 June 2022, Chris Williams will step down from his position as Group Finance Director and leave the Company at the end of December 2022 to pursue other business and personal interests. The Company has commenced a process to identify and appoint a new Group Finance Director. Mr Williams remains committed to the Group until his departure and will provide an orderly handover to the Company's new Group Finance Director.

### **Outlook**

Continued supply chain disruption and cost inflation make for a challenging commercial environment, but there are positive signs of market recovery from FY23 onwards, as projected by the major OEMs. Velocity's contracted sales are particularly linked to Airbus' outlook and the A350 platform, which is expected to see a step up in growth in H2 FY23. We believe our services and technology help and support customers in this changing environment and objectives around sustainability. Looking beyond aerospace, the need to deliver net zero means efficient composite material adoption will be central to many industry sectors. We are prepared and well placed to take advantage of this and have made successful initial steps into new sectors.

Our sustained investment in R&D and business development, combined with a good cash position and available drawdown capacity, means we can support the underlying business recovery and expansion into new geographies and sectors. The Board looks forward to the rest of the year and beyond with confidence.

**Andy Beaden**

Non-Executive Chairman

29 June 2022

**Condensed consolidated statement of total comprehensive income**  
**For the six months ended 30 April 2022**

		Half year ended 30 April 2022 (unaudited)	Half year ended 30 April 2021 (unaudited)	Year ended 31 October 2021 (audited)
	Note	£'000	£'000	£'000
<b>Revenue</b>	3	5,864	4,439	9,767
Cost of sales		(4,487)	(3,323)	(7,228)
<b>Gross profit</b>		1,377	1,116	2,539
Administrative expenses		(2,003)	(2,110)	(3,903)
<b>Operating loss</b>		(626)	(994)	(1,364)
Operating loss analysed as:				
Adjusted EBITDA		(189)	(559)	(548)
Depreciation of property plant and equipment*		(105)	(121)	(229)
Amortisation		(32)	(44)	(76)
Depreciation on right to use assets*		(215)	(210)	(421)
Share based payments		(85)	(60)	(90)
Finance income and expense		(84)	(65)	(182)
<b>Loss before tax from continuing operations</b>		(710)	(1,059)	(1,546)
Income tax income / (expense)		-	-	340
<b>Loss for the period and total comprehensive loss</b>		(710)	(1,059)	(1,206)
<b>Losses per share - Basic (pence per share) from continuing operations</b>	4	(2.0p)	(3.0p)	(3.0p)
<b>Losses per share - Diluted (pence per share) from continuing operations</b>	4	(2.0p)	(3.0p)	(3.0p)

\* a prior year adjustment has been made between property, plant and equipment and right-of-use asset please see note 7 for details

The notes below form part of this interim report.

**Condensed consolidated statement of financial position at 30 April 2022**

		As at 30 April 2022 (unaudited)	As at 30 April 2021 (unaudited)	As at 31 October 2022 (audited)
	Note	£'000	£'000	£'000
<b>Non-current assets</b>				

Intangible assets	59	123	91
Property, plant and equipment*	957	1,136	1,051
Right-of-use assets*	1,471	1,424	1,688
<b>Total non-current assets</b>	<b>2,487</b>	<b>2,683</b>	<b>2,830</b>
<b>Current assets</b>			
Inventories	948	769	877
Trade and other receivables	3,361	2,477	2,162
Corporation Tax	-	-	341
Cash and cash equivalents	2,038	3,450	3,476
<b>Total current assets</b>	<b>6,347</b>	<b>6,696</b>	<b>6,856</b>
<b>Total assets</b>	<b>8,834</b>	<b>9,379</b>	<b>9,686</b>
<b>Current liabilities</b>			
Loans	530	300	514
Trade and other payables	1,258	1,444	1,058
Obligations under lease liabilities	245	362	309
<b>Total current liabilities</b>	<b>2,033</b>	<b>2,106</b>	<b>1,881</b>
<b>Non-current liabilities</b>			
Loans	1,730	1,700	1,998
Obligations under lease liabilities	1,229	890	1,240
<b>Total non-current liabilities</b>	<b>2,859</b>	<b>2,590</b>	<b>3,238</b>
<b>Total liabilities</b>	<b>4,892</b>	<b>4,696</b>	<b>5,119</b>
<b>Net assets</b>	<b>3,942</b>	<b>4,683</b>	<b>4,567</b>
<b>Equity attributable to equity holders of the company</b>			
Share capital	5 91	91	91
Share premium	9,727	9,727	9,727
Share-based payments reserve	624	550	539
Retained earnings	(6,500)	(5,685)	(5,790)
<b>Total equity</b>	<b>3,942</b>	<b>4,683</b>	<b>4,567</b>

\* a prior year adjustment has been made between property, plant and equipment and right-of-use asset please see note 7 for details

The notes below form part of this interim report.

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2022 and were signed on its behalf by

**Chris Williams**

Company Secretary Co No: 06389233

#### Condensed consolidated statement of changes in equity for the six months ended 30 April 2022

Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Share-based payments Reserve £'000	Total equity £'000
<b>As at 31 October 2020</b>	91	9,727	(4,626)	490	5,682
Loss for the period	-	-	(1,059)	-	(1,059)
	91	9,727	(5,685)	490	4,623
<b>Transactions with shareholders:</b>					
Share-based payments	-	-	-	60	60
<b>As at 30 April 2021</b>	91	9,727	(5,685)	550	4,683
Loss for the period	-	-	(146)	-	(146)
	91	9,727	(5,831)	550	4,537
<b>Transactions with shareholders:</b>					
Share-based payments	-	-	-	30	30
Vesting of share options	-	-	41	(41)	-
<b>As at 31 October 2021</b>	91	9,727	(5,790)	539	4,567
Loss for the period	-	-	(710)	-	(710)

	91	9,727	(6,500)	539	3,857
<b>Transactions with shareholders:</b>					
Share-based payments	-	-	-	85	85
<b>As at 30 April 2022</b>	<b>91</b>	<b>9,727</b>	<b>(6,500)</b>	<b>624</b>	<b>3,942</b>

The notes below form part of this interim report.

**Condensed consolidated statement of cash flows**  
**For the six months ended 30 April 2022**

	Half year ended 30 April 2022 (unaudited)	Half year ended 30 April 2021 (unaudited)	Year ended 31 October 2021 (audited)
	£'000	£'000	£'000
<b>Operating activities</b>			
Loss for the period	(710)	(1,059)	(1,206)
Taxation	-	-	(341)
(Profit)/ Loss on disposal of assets	-	(11)	(13)
Finance costs	84	65	182
Amortisation of intangible assets	32	44	76
Depreciation of property, plant and equipment*	105	121	229
Depreciation of right to use assets*	215	210	421
Share-based payments	85	60	90
	(189)	(570)	(562)
(Increase)/Decrease in trade and other receivables	(1,199)	(13)	302
(Increase)/Decrease in inventories	(71)	1,139	1,031
Increase/(Decrease) in trade and other payables	200	(60)	(446)
<b>Cash generated from operations</b>	(1,259)	496	325
Income taxes received	341	-	-
<b>Net cash inflow/(outflow) from operating activities</b>	(918)	496	325
<b>Investing activities</b>			
Purchase of property, plant and equipment	(9)	(41)	(64)
Proceeds from disposal of property, plant and equipment	-	10	13
<b>Net cash used in investing activities</b>	(9)	(31)	(51)
<b>Financing activities</b>			
Loan received	-	-	634
Finance costs paid	(84)	(64)	(181)
Loan repayment	(252)	-	(119)
Repayment of lease liabilities capital	(175)	(219)	(400)
<b>Net cash generated from/ (used in) financing activities</b>	(511)	(283)	(66)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,438)	182	208
Cash and cash equivalents at beginning of period	3,476	3,268	3,268
<b>Cash and cash equivalents at end of period</b>	2,038	3,450	3,476

\* a prior year adjustment has been made between property, plant and equipment and right-of-use asset please see note 7 for details

**Notes to Interim Report**

**1. General information**

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

5UB, United Kingdom. The registered company number is 06389233.

The Company holds shares in a wholly owned subsidiary company, Velocity Composites Sendirian Berhad, which is domiciled in Malaysia. During this financial period, the company has provided engineering services to the Group. The Company also wholly owns Velocity Composites Aerospace Inc. to prepare for future expansion in the United States of America. These subsidiaries together with Velocity Composites plc, now forms the Velocity Composites Group ('the Group').

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

The condensed consolidated interim financial statements are unaudited and do not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006. The review report on these interim financial statements is set out on page 2. The financial information for the year ended 31 October 2021 has been derived from the published statutory financial statements for the Company. A copy of the full accounts for that period, on which the auditor issued an unmodified report that did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006, has been delivered to the Registrar of Companies.

These interim financial statements will be posted to the Company's shareholders and are available from the Company's registered office at AMS Technology Park, Billington Road, Burnley, Lancashire, BB11 5UB or from our website at [www.velocity-composites.com](http://www.velocity-composites.com).

## **2. Accounting policies**

### ***Basis of preparation***

These condensed consolidated interim financial statements are for the six months ended 30 April 2022. This interim financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', in accordance with UK-adopted international accounting standards, and has been prepared using consistent accounting policies as applied in the Company's full year accounts to 31 October 2021 and as expected to be applied in the full year accounts to 31 October 2022. They have therefore been prepared in compliance with the measurement and recognition criteria of UK-adopted international accounting standards.

These financial statements have been prepared on a going concern basis and using the historical cost convention, as stated in the accounting policies. These policies have been consistently applied to all periods presented, unless otherwise stated.

The financial statements are presented in sterling and have been rounded to the nearest thousand (£'000) except where otherwise indicated.

No new standards have been adopted for the first time in the current financial year.

## **2. Accounting policies (Cont.)**

### ***Going concern***

The current climate continues to present challenges and impact the business significantly through suppressed sales demand. As a result, Management have continued the longer-term financial planning announced in the FY21 Annual Report to ensure liquidity is robust and any future cash flow requirements are identified as early as possible. This involves a 24-month rolling forecast which is reviewed monthly through best practice Integrated Business Planning ("IBP) processes and extended a further 5 years at a high level. This is linked in with the Management's monthly risk review and should the outlook change significantly with no mitigating actions the Company's liquidity risk rating on the risk register will be adjusted to reflect this and subsequently discussed at Board through the Audit Committee's quarterly risk register review. The Aerospace sector lends itself to this kind of long-term planning and risk assessment due to the nature and length of customer programmes and contracts, typically a minimum of 3 years, but often 5 years or more.

This financial forecasting process continues to support the Board and Management to balance the extent of cost reductions required to stabilise the business with the resource requirements needed to support future growth potential. As such, Velocity now has a reduced cost base that is more in line with the activity levels being seen in the sector. Management continues to utilise this tool routinely to undertake sensitivity analysis and 'stress testing' as part of Velocity's ongoing risk management strategy. Latest sensitivities included an underlying sales decline of 10%pa until FY24, no new sales over this period and separately a delay of 6 months to expected new sales growth.

Only in the latter of these circumstances did the business run out of cash to support ongoing operations over the next 18 month period assessed to 31 October 2023. Should such an event occur, the IBP process offers Management clear advance notice of this with pre-prepared mitigating actions as detailed below. These forecasts indicate the group's Invoice Discounting Facility, secured against Trade Debtors, will be utilised during certain months within the going concern period. Whilst this facility is designed to be short-term and can be withdrawn, the latest review reflected the banks' support for Velocity's growth strategy and extended the commitment of both parties to a minimum 3 months' notice and as such we expect this facility will remain available throughout the going concern period. Should alternative financing be required the Group would preserve cash through slowing investment in growth until longer-term funding could be implemented, such as asset-based financing against new capex or equity funding.

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

With due regard for these latest projections, H1 FY22 has seen some reassuring progress for Velocity, with sales demand seemingly stabilised during the half year and recovery being forecast by the OEMs, particularly going into FY23. Whilst there undoubtedly remains uncertainty in the Aerospace industry, with available cash at 30 April 2021 of £2.0m, an invoice discounting facility of £2.5m based on debtor levels as yet undrawn and continued support of our bank and shareholders, it is the opinion of the Board that the Group is in a robust liquidity position and has adequate resources to continue to trade as a going concern.

### 3. Segmental analysis

The Group supplies a single range of kitted products into a single industry and so has a single segment. Additional information is given below regarding the revenue receivable based on geographical location of the customer.

	<b>Half year ended 30 April 2022 (unaudited) £'000</b>	<b>Half year ended 30 April 2021 (unaudited) £'000</b>	<b>Year ended 31 October 2021 (audited) £'000</b>
<b>Revenue</b>			
United Kingdom	5,813	4,428	9,702
Rest of Europe	20	11	26
Rest of World	31	-	39
	<b>5,864</b>	<b>4,439</b>	<b>9,767</b>

Four customers of the Group are responsible for over 90% of the total revenue in each of the periods presented. 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 period, £0.2m of income relates to successful recoveries on historical inventory write-offs linked to a contract settlement that arose as a result of the pandemic.

### 4. Reconciliation of reported earnings per share

	<b>Half year ended 30 April 2022 (unaudited) £'000</b>	<b>Half year ended 30 April 2021 (unaudited) £'000</b>	<b>Year ended 31 October 2021 (audited) £'000</b>
Loss for the period	(710)	(1,059)	(1,206)
<b>Weighted average number of shares</b>	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>

Weighted average number of shares in issue	36,318,130	36,265,983	36,270,917
Weighted average number of share options	2,036,458	2,184,120	1,856,366
Weighted average number of shares (diluted)	38,354,588	38,450,103	38,127,283

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

	Half year ended 30 April 2022 (unaudited) £	Half year ended 30 April 2021 (unaudited) £	Year ended 31 October 2021 (audited) £
<b>Loss per share</b>			
Basic & Diluted	(£0.02)	(£0.03)	(£0.03)

## 5. Share capital of the Company

	Number of shares	Share Capital £	Share Premium £
<b>Share capital issued and fully paid</b>			
Ordinary shares of £0.0025 each as at 1 November 2020	36,227,459	90,569	9,727,158
Shares issued to satisfy exercise of share options on 12 February 2021	38,604	97	-
Ordinary shares of £0.0025 each as at 30 April 2020	36,266,063	90,666	9,727,158
Shares issued to satisfy exercise of share options on 28 May 2021	37,001	92	-
Ordinary shares of £0.0025 each as at 31 October 2021	36,303,064	90,758	9,727,158
Shares issued to satisfy exercise of share options on 5 April 2022	108,475	271	-
Ordinary shares of £0.0025 each as at 30 April 2022	36,411,539	91,029	9,727,158

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

## 6. Capital Commitments

At 30 April 2022 the Group had £Nil (2021: £Nil) of capital commitments relating to the purchase of leasehold improvements, plant and machinery and fixture and fittings.

## 7. Prior Period Adjustment

The prior year HY results as at 30 April 2021 have been amended to reflect the movement in the group and company reclassified balances relating to leased assets that were incorrectly presented within property, plant and equipment rather than right of use assets. This arose due to an oversight and finance leases were omitted when adopting IFRS 16. The adjustment had no impact on opening retaining earnings. Details of the adjustment can be found below.

Group and company statement of financial position	Original presented £'000	Revised presented £'000	Adjustment £'000
Property plant and equipment	1,583	1,136	(447)
Right of use assets	977	1,424	447
	2,560	2,560	-

  

Group and company income statement and cash flow	Original presented £'000	Revised presented £'000	Adjustment £'000

		121	(59)
Depreciation of property, plant and equipment	180		
Depreciation of Right to Use assets under IFRS	151		
16		210	59
	331	331	-

## Independent Review Report to Velocity Composites plc

### Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report of Velocity Composites plc (the 'company') for the six months ended 30 April 2022 which comprises the Condensed consolidated statement of total comprehensive income, the Condensed consolidated statement of financial position, the Condensed consolidated statement of changes in equity, the Condensed consolidated statement of cash flows and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

### Our responsibility

Our responsibility is to express a conclusion to the company on the condensed set of financial statements in the half-yearly financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### The Impact of macro-economic uncertainties on our review

Our review of the condensed set of financial statements in the half-yearly financial report requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Brexit and Covid-19. Such reviews assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit and Covid-19 are amongst the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no review of interim financial information should be expected to predict the unknowable factors or all possible future implications for a group associated with a course of actions such as Brexit and Covid-19.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 April 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

#### **Use of our report**

This report is made solely to the company, as a body, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company as a body, for our review work, for this report, or for the conclusion we have formed.

#### **Grant Thornton UK LLP**

Statutory Auditor, Chartered Accountants  
Manchester

28 June 2022

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