

Arrival Jet Limited

Annual Report and Financial Statements
For the year ended 31 December 2019
Registered number 10661113



Arrival Jet Limited

Registered number

10661113

Director

Andrew Reid (Resigned 28th January 2020)
Tim Holbrow (Appointed on 27th September 2019)
Avinash Rugoobur (Appointed on 28th January 2020)

Registered office

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Primary banker

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Directors' Report

The directors of Arrival Jet Limited (the "Company", formerly Arrival Robotics Limited) presents the annual report and unaudited financial statements for the year ended 31 December 2019 (referred to as 2019 and "year" throughout the financial statements).

On 28 April 2017, the Company changed its name from Arrival Robotics Limited to Arrival Jet Limited.

Principal activity and review of the business

The Company was incorporated on 9 March 2017 and is a wholly-owned subsidiary of Arrival SARL, a company incorporated in Luxembourg. The principal activity of the Company throughout the year was research and design of autonomous passenger and freight drones.

Future development

Arrival Jet Limited's goal is to design and develop an autonomous transport system based on fully electric components. This is a new type of vehicle, which will address cargo logistics and eventually passenger travel in a new way. The research and development efforts have been centred around custom design and build of hardware components, power electronics and motors to increase efficiency of the Autonomous Aerial Vehicle. In the year 2020 and beyond, additional prototypes will be built and tested for vertical take-off and landing characteristics and flying at altitude in aircraft mode. Prior to 2020, all research was carried out in secured closed environment. In 2020 we will focus on the noise levels of the drone and on bringing noise to comfortable levels through design and test of innovative propeller.

The future of passenger drones remains uncertain since this technology is so new. We believe the innovation in aerial vehicle (drone) technology, and in aerial traffic coordination, control, and collision-avoidance could result in rapid proliferation of these vehicles for human use. More and more companies are exploring the use of drones as air-taxis, air-ambulance services and for logistics. Autonomous trial vehicle developers are working to overcome the many challenges, including small useful load, short flight times, airspace regulations, and scarce data on both safety and general operations.

The Company's plans include the robotic manufacture of the aerial vehicles with autonomous pilot. Once all the safety, airspace regulation and other issues have become clearer, we will set out our strategy to commercialise our autonomous aerial vehicle technology.

Proposed dividends

The loss for the period is set out in the profit and loss account on page 4. The directors do not recommend a payment of a dividend.

Political contributions

The Company made no political donations and did not incur any political expenditure during the period.

Strategic Report

The directors have not prepared a Strategic Report as the Company is entitled to the special provision applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Going concern

Arrival SARL has committed to continue providing financial support in order that the Company meets its financial obligations for a minimum of twelve months from the date of these accounts being signed. The financial statements were prepared under the assumption that the Company will continue to operate as a going concern for the foreseeable future.

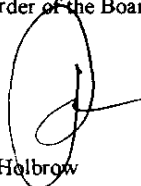
Director

The directors who held office during the period were:

A Reid (Resigned 28th January 2020)

T Holbrow (Appointed on 27th September 2019)

By order of the Board

A handwritten signature in black ink, consisting of a large, stylized 'T' and 'H' followed by a horizontal stroke.

Tim Holbrow

Company Director

30th April 2020

Statement of Director Responsibilities in respect of the Director Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Profit and Loss Account
for the year ended 31 December 2019

		2019	2018
	Note	£	£
Administrative expenses		(2,127,015)	(4,373,218)
Operating loss	4	(2,127,015)	(4,373,218)
Finance Income		15	-
Loss before taxation		(2,127,000)	(4,373,218)
Tax Credit	6	967,901	-
Loss for the period		(1,159,099)	(4,373,218)

The Profit and Loss account has been prepared on the basis that all operations are continuing operations.

There are no forms of other comprehensive income recognised during the period, and therefore no statement of comprehensive income has been presented.

The notes on pages 7 to 15 form an integral part of these financial statements.

Balance Sheet

as at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	7	145,150		93,473	
Intangible assets	8	9,984		2,865	
			155,134		96,338
Current assets					
Debtors	9	887,976		103,487	
Cash at bank and in hand		149,248		162,025	
		1,037,224		265,512	
Creditors: amounts falling due within one year	10	(311,095)		(254,131)	
Net current assets			726,129		11,381
Total assets less current liabilities			881,263		107,719
Net assets			881,263		107,719
Capital and reserves					
Called up share capital	12	1,661,100		1,218,100	
Share premium		5,233,736		3,744,093	
Profit and loss account		(6,013,573)		(4,854,474)	
Total shareholders' funds			881,263		107,719

The notes on pages 7 to 15 form an integral part of the financial statements.

For the year ended 31 December 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Under this section Arrival SARL provides a parent guarantee for the Company over its outstanding liabilities as at 31 December 2019 until they are satisfied in full.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The financial statements on were approved by the Board of Directors on 30th April 2020 and signed on its behalf by:

T Holthrow
Director

Statement of Changes in Equity
for the period ended 31 December 2019

	Called up share capital	Share premium	Profit and loss account	Total shareholders' funds
	£	£	£	£
Balance at 1 January 2018	655,100	1,817,713	(481,256)	1,991,557
Loss for the financial period			(4,373,218)	(4,373,218)
Transactions with owners, recorded directly in equity				
Issue of shares	563,000	1,926,380		2,489,380
As at December 31, 2018	<u>1,218,100</u>	<u>3,744,093</u>	<u>(4,854,474)</u>	<u>107,719</u>
Loss for the financial period			(1,159,099)	(1,159,099)
Transactions with owners, recorded directly in equity				
Issue of shares	443,000	1,489,643		1,932,643
As at December 31, 2019	<u>1,661,100</u>	<u>5,233,736</u>	<u>(6,013,573)</u>	<u>881,263</u>

The notes on pages 7 to 14 form an integral part of the financial statements

Notes to the Financial Statements

1. General information

Arrival Jet Limited ("the Company") is a private company limited by shares and is incorporated, domiciled and registered in England in the UK. The registered number is 10661113 and the registered address is Beaumont House, Kensington Village, Avonmore Road, London W14 8TS.

2. Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006. The presentation currency of these financial statements is sterling. All the amounts in the financial statements have been rounded to the nearest £1.

The financial statements are prepared under the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss, and tangible fixed assets and intangible assets measured in accordance with the revaluation model.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

Financial Reporting Standard 102 (FRS 102) allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by Company's shareholders.

The Company has taken advantage of the following exemptions:

- the requirement to present a statement of cash flows and related notes
- the requirement to present key management personnel compensation in total

Equivalent disclosures are included in the consolidated financial statements of Arrival SARL, a company incorporated in Luxembourg, in which the Company's financial statements for the year ended 31 December 2019 are consolidated.

The Company has taken advantage of an exemption from disclosing transactions with wholly-owned subsidiaries undertakings of Kinetik SARL.

Going concern

Kinetik SARL has committed to continue providing financial support in order that the Company meets its financial obligations for a minimum of twelve months from the date of these accounts being signed. The financial statements were prepared under the assumption that the Company will continue to operate as a going concern for the foreseeable future.

Turnover

Turnover represents the amounts invoiced to third party customers and is measured at the fair value of the consideration received or receivable, excluding discounts, VAT and other sales taxes. The Company recognizes turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity.

Notes to the Financial Statements *(continued)*

2. Accounting policies *(continued)*

Foreign currency

Functional currency and presentation currency

The individual financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose the financial statements, the results and financial position are presented in Sterling (£).

Transactions and balances

In preparing the financial statements, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Furniture and Fitting	5 years
Computer Equipment	3 years
Plant and Machinery	5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits. The Company assesses at each reporting date whether tangible fixed assets are impaired.

Intangible assets

Depreciation is charged to the profit and loss account to write off the cost less the estimated residual value of intangible assets by equal instalments over their estimated useful economic lives as follows:

Software	3 years or over the period which any licenses cover
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Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred. Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development.

Development activities involve design for, construction or testing of the production of new or substantially improved products or processes.

Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes to the financial statements *(continued)*

2. Accounting policies *(continued)*

Impairment

The company assesses intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an intangible may not be recoverable. If any such indication of impairment exists, the company makes an estimate of the recoverable amount. If the recoverable amount is less than the value of the intangible, the intangible is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

It was determined that the costs included in Prototypes balances were predominately research in nature and therefore were expensed to the Profit and Loss in 2019.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand short-term deposits.

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in the line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit and loss account as they accrue using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes to the financial statements *(continued)*

2. Accounting policies *(continued)*

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the Balance Sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3. Significant accounting judgements and estimates

In the application of the company's accounting policies, the directors required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Notes to the financial statements *(continued)*

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

4. Operating loss

	2019	2018
Operating loss is stated after charging/(crediting):		
	£	£
Depreciation of tangible fixed assets	46,580	21,845
Amortisation of intangible assets	4,249	955
Loss on foreign exchange transactions	9,073	18,589
Bad debt expense	1,563	(32)
	<u> </u>	<u> </u>

5. Staff numbers and costs

The average number of employees (including director) during the year was 12 (2018 : 12).

6. Taxation

Total tax expense recognised in the profit and loss account

	2019	2018
	£	£
Current tax		
UK Corporation tax	967,901	-
	<u> </u>	<u> </u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	967,901	-
	<u> </u>	<u> </u>

Reconciliation of effective tax rate

Notes to the Financial Statements *(continued)*

The current tax charge for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2019	2018
	£	£
Loss for the period	(2,127,000)	(4,373,218)
Tax on loss on ordinary activities at standard corporate tax rate of 19%	(404,130)	(830,911)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	(281,960)
Deferred tax not recognised	(361,590)	(439,967)
Adjustment to tax charge in respect to previous periods - deferred tax	-	(108,984)
Difference between deferred tax rate & current rate	(42,540)	
Adjustment to tax charge in respect to previous periods - deferred tax	967,901	
Total tax expense included in profit or loss	967,901	-

The company has estimated losses of £4,025,687 available for carry forward against future profits.

A net deferred tax asset of £693,771 has not been recognised at the balance sheet date as there is uncertainty regarding the period when future profits will be generated to utilise them.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020.

7. Tangible assets

	Furniture and Fittings £	Plant and Machinery £	Computer Equipment £	Total £
Cost				
At 1 January 2019	4,150	76,996	37,867	119,013
Additions	2,600	23,293	72,364	98,257
At 31 December 2019	6,750	100,289	110,231	217,270
Depreciation				
At 1 January 2019	138	18,862	6,540	25,540
Charge for period	1,090	20,341	25,149	46,580
At 31 December 2019	1,228	39,203	31,689	72,120
Net book value				
At 1 January 2019	4,012	58,134	31,327	93,473
At 31 December 2019	5,522	61,086	78,542	145,150

Notes to the Financial Statements *(continued)*

8. Intangible assets

	Software £	Total £
<i>Cost</i>		
At 1 January 2019	3,820	3,820
Additions	11,367	11,367
At 31 December 2019	15,187	15,187
<i>Accumulated amortisation</i>		
At 1 January 2019	955	955
Charge for period	4248	4248
Impairment	-	-
At 31 December 2019	5203	5203
<i>Net book value</i>		
At 1 January 2019	2,865	2,865
At 31 December 2019	9,984	9,984

9. Debtors

	2019 £	2018 £
Prepayments	230,780	27,106
VAT receivable	64,190	76,382
Tax Credit	593,006	-
	887,976	103,488

10. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	115,987	100,300
Other creditors and accruals	80,108	153,911
Amounts owed to Group undertakings	115,000	-
	311,095	254,211

Notes to the Financial Statements *(continued)*

11. Operating leases - Company

Non-cancellable operating lease rentals are payable as follows:

	2019	2018
	('000)	('000)
	£	£
Less than one year	199	36
Between one year and five years	1,029	123
More than five years	326	-
	<u>1,554</u>	<u>159</u>

12. Share capital

	2019
	£
<i>Allotted, called up and fully paid</i>	
Opening Ordinary shares at £1 each	1,218,100
Ordinary shares of £1 each issued in the year	<u>443,000</u>
Ordinary shares of £1 each	<u><u>1,661,100</u></u>

The company issued the following ordinary shares of £1 each during the period generating Share Premium of £1,489,644.

Date of issue	Number of Shares
On 22 January 2019	20,000
On 4 February 2019	20,000
On 20 February 2019	20,000
On 25 February 2019	20,000
On 13 March 2019	60,000
On 3 April 2019	20,000
On 29 April 2019	40,000
On 19 July 2019	30,000
On 12 August 2019	30,000
On 5 September 2019	40,000
On 31 October 2019	80,000
On 26 November 2019	29,000
On 18 December 2019	4,000
On 30 December 2019	30,000

Notes to the Financial Statements *(continued)*

13. Related Party

The Company is exempt from disclosing related party transactions with other wholly-owned subsidiary undertakings of Kinetik SARL.

There are no other material related party transactions requiring disclosure.

14. Ultimate parent company, controlling party and parent undertaking of larger group of which company is a member

The Company is a subsidiary undertaking of Arrival SARL, a company incorporated in Luxembourg. The Director regards the ultimate parent company of the Company as at 31 December 2019 to be Kinetik SARL, a company incorporated in Luxembourg.

The largest and smallest group in which the results of the Company are consolidated are headed by Kinetik SARL, which is incorporated in Luxembourg. The registered address of Kinetik SARL is 1, rue Petermelchen, L-2370 Howald, Luxembourg.

15. Post balance sheet events

On 10 January 2020, the Company issued 76,000 ordinary shares for consideration of £320,251 settled in cash.

On 20 March 2020, the Company issued 60,000 ordinary shares for consideration of £275,019 settled in cash

On 28th January 2020, Avinash Rugoobur was appointed the Director of the company.

On 28th January 2020, Andrew Reid resigned as the Director of the company.