

Roborace Ltd

Annual Report and Financial Statements

Year Ended 31 December 2020

Company Number 12168652

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Roborace Ltd

**Annual Report and Financial Statements
for the year ended 31 December 2020**

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Directors	A Rugoobur T Holbrow
Registered Office	Beaumont House Avonmore Road London England W14 8TS
Company number	12168652

Roborace Ltd

**Directors' report
for the year ended 31 December 2020**

The directors of Roborace Ltd (the "Company") present their directors' report for the year ended 31 December 2020.

Principal activity

The principal activity of the Company is the research, and development, design of autonomous technology.

Brexit

The UK left the European Union on 31 January 2020 and the transition period ended on 31 December 2020, in which time the UK and EU negotiated additional arrangements and concluded the "Trade and Cooperation Agreement". The directors have considered the impact on the company regarding the agreed exit terms within the agreement and wider regulatory legal implications within these statutory financial statements and will continue to do so.

Going Concern

The financial statements have been prepared on a going concern basis. Despite the high level of uncertainty as to how the COVID-19 pandemic might evolve over 2021, COVID-19 has had limited impact on the Company with employees having continued to work remotely. The Company has seen some impact of the pandemic in the efficiency of the supply chain as certain suppliers have had to adjust production timescales through the lockdown, however, the Company has mitigated this where possible by bringing activities in-house and adjusting schedules for prototype vehicle development where this has not been possible with no significant impact overall on the Business Plan. Notwithstanding this there is a higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the director's financial forecasts.

The ultimate parent company 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. Please refer to going concern note 2 to the financial statements for further detail.

Prior year restatement

A disclosure adjustment has been made in respect of the current and prior year to present distribution costs within administrative expenses. There has been no impact on loss on ordinary activities before taxation and total comprehensive loss for the year.

Directors

The directors of the Company who served during the year and subsequent to year end were:

- A Rugoobur (Appointed 1 October 2020)
- T Holbrow (Appointed 1 October 2020)
- A Reid (Resigned 1 October 2020)

The Company has in place insurance to indemnify the directors of the Company, whilst serving on the Board, against third party proceedings. The indemnity policy was in place throughout the year and remains in place at the date of this report.

Roborace Ltd

**Directors' report
for the year ended 31 December 2020 (continued)**

Statement of directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Section 1A of FRS 102 'The Financial Reporting Standard applicable in the UK and 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Small companies exemptions

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006 for reduced disclosures. The directors have also taken exemptions from preparing a strategic report under section 414(B) of the Companies Act 2006.

Approval

Approved by the Board of Directors on 29/09/2021 and signed on its behalf by:



T Holbrow
Director

Roborace Ltd

Statement of Comprehensive Income
for the year ended 31 December 2020

	Note	2020 £	As restated 2019 £
Administrative expenses		(1,234,064)	(556,923)
Other income		200,000	872
		<u> </u>	<u> </u>
Operating loss and loss on ordinary activities before taxation		(1,034,064)	(556,051)
		<u> </u>	<u> </u>
Taxation on loss on ordinary activities	5	-	-
		<u> </u>	<u> </u>
Total comprehensive loss for the year		(1,034,064)	(556,051)
		<u> </u>	<u> </u>

All amounts relate to continuing activities.

There was no other comprehensive income in the current or prior year. There were no recognised gains or losses for 2020 or 2019 other than those included in the Statement of Comprehensive Income.

A disclosure adjustment has been made in respect of the current and prior year to present distribution costs within administrative expenses. There has been no impact on loss on ordinary activities before taxation and total comprehensive loss for the year.

The notes on pages 6 to 15 form part of these financial statements.

Roborace Ltd

Statement of Financial Position
as at 31 December 2020

Company number 12168652	Note	2020	2020	2019	2019
		£	£	£	£
Non-current assets					
Intangible assets	6	280,542		294,406	
Tangible assets	7	387,539		567,288	
			668,081		861,694
Current assets					
Debtors	8	737		162,803	
Cash at bank and in hand		43,110		62,324	
			43,847	225,127	
Creditors: amounts falling due within one year	9	(899,343)		(1,050,044)	
Net current liabilities			(855,496)		(824,917)
Net (liabilities)/assets			(187,415)		36,777
Capital and reserves					
Called up share capital	10		326,701		139,000
Share premium			1,075,999		453,828
Retained earnings			(1,590,115)		(556,051)
Total shareholders' (deficit)/funds			(187,415)		36,777

The notes on pages 6 to 15 form part of the financial statements.

For the year ended 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Under this section Kinetik S.à.r.l. provides a parent guarantee for the Company over its outstanding liabilities as at 31 December 2020 until they are satisfied in full.

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

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the Board of Directors on 29/09/2021 and signed on its behalf by:


T Holbrow
Director

Roborace Ltd

Statement of Changes in Equity
for the year ended 31 December 2020

	Called up share capital £	Share premium £	Retained earnings £	Total shareholders' funds / (deficit) £
Balance at 21 August 2019	-	-	-	-
Total comprehensive loss for the year	-	-	(556,051)	(556,051)
Transactions with owners, recorded directly in equity				
Issue of shares	139,000	453,828	-	592,828
Balance at 31 December 2019	139,000	453,828	(556,051)	36,777
Total comprehensive loss for the year	-	-	(1,034,064)	(1,034,064)
Transactions with owners, recorded directly in equity				
Issue of shares	187,701	622,171	-	809,872
Balance at 31 December 2020	326,701	1,075,999	(1,590,115)	(187,415)

The notes on pages 6 to 15 form part of these financial statements.

Roborace Ltd

Notes to the financial statements for the year ended 31 December 2020

1 General information

Roborace Ltd (the "Company") is a private company limited by shares, incorporated, domiciled and registered in England in the UK under the Companies Act. The address of the registered office is given on the contents page and the nature of the Company's operations. The principal activity of the Company is the research, and development, design of autonomous technology.

2 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Section 1A of Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006. The financial statements are prepared under the historical cost convention.

The functional and presentation currency of these financial statements is sterling. All the amounts in the financial statements have been rounded to the nearest £1.

The preparation of financial statements in compliance with FRS 102 Section 1A Small Entities requires the use of certain critical accounting estimates. It also requires Company management to apply judgement in applying the Company's accounting policies.

The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on a going concern basis.

The principal activity of the Company is the research and development of autonomous technology. The Company performs this function on behalf of the wider group and is expected to incur significant expenses and continuing losses for the foreseeable future. The Company is therefore reliant on the parent undertaking for support and as such it is necessary to consider the going concern assessment of the Company in the context of the wider group, now headed by Arrival (previously named Arrival S.A.).

The group has a limited operating history and expects to incur significant expenses and continuing losses for the foreseeable future. The group has not yet manufactured or sold any production vehicles to customers and so has generated no revenue to date. As the group attempts to transition from research and development activities to commercial production and sales, there is a degree of uncertainty in preparing the group's forecasts and the group has limited insight into trends that may emerge and affect the group's business. The estimated costs and timelines that the group has developed to reach full scale commercial production are subject to inherent risks and uncertainties involved in the transition from a start-up company focused on research and development activities to the large-scale manufacture and sale of vehicles. There can be no assurance that the group's estimates related to the costs and timing necessary to complete design and engineering of its electric vehicles and to tool its microfactories will prove accurate. These are complex processes that may be subject to delays, cost overruns and unforeseen issues.

Roborace Ltd

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

2 Accounting policies (continued)

Going concern (continued)

For example, the tooling required within the group's microfactories may be more expensive to produce than predicted, or have a shorter lifespan, resulting in additional replacement and maintenance costs, particularly relating to composite panel tooling. Similarly, the group may experience higher raw material waste in the composite process than it expects, resulting in higher operating costs and hampering its ability to be profitable.

The Board concluded that it is appropriate to adopt the going concern basis, having undertaken an assessment of the financial forecast, key uncertainties and sensitivities, including any potential impact of COVID-19. The forecast prepared to 30 April 2022 demonstrates that the group has adequate funds through funding from its ultimate parent company, Arrival, to commence the build-out of factories for buses planned in 2021, and vans planned in 2022, as well as to invest in R&D product development throughout the period and to procure materials sufficient to produce the planned trial bus fleet for customer development ahead of commercial launch in 2022.

Despite the high level of uncertainty as to how the COVID-19 pandemic might evolve over 2021, COVID-19 has had limited impact on the group with sites having remained open for critical onsite engineering tasks and the remainder of the group having continued to work remotely. The group has seen some impact of the pandemic in the efficiency of the supply chain as certain suppliers have had to adjust production timescales through the lockdown, however, the group has mitigated this where possible by bringing activities in-house and adjusting schedules for prototype vehicle development where this has not been possible with no significant impact overall on the Business Plan. Notwithstanding this there is a higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the Board's financial forecasts.

As described in note 13, since the year end the shareholders of the group have contributed their shares in the group to Arrival in exchange for shares in Arrival. Following the successful completion of the merger transaction with CIIG Merger Corporation, which occurred on 25 March 2021, Arrival became listed on NASDAQ and raised USD 611,518,000 net of all transaction expenses. The group relies on support of its parent company to fund its ongoing operations.

Having performed a sensitivity analysis over the costs of setting up the microfactories and costs of raw materials, the Board has concluded that in the forecasts in a severe but plausible downside scenario that there is still sufficient cash available from its parent company to fund its operations in the forecast period. Those forecasts are dependent on the parent company providing financial support during that period. The parent company has indicated its intention to make available such funds as are needed by the group for the period covered by the forecasts. As with any group placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the above, the directors are confident that the company has sufficient funds to continue to be able to realise its assets and discharge its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements and therefore the financial statements have been prepared on a going concern basis.

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**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

2 Accounting policies (continued)

Tangible fixed assets, intangible assets and depreciation

Tangible fixed assets and intangible assets are stated at cost, net of accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the statement of comprehensive income 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:

Plant and machinery 3 - 5 years

Amortisation is charged to the statement of comprehensive income to write off the cost less the estimated residual value of intangible assets by equal instalments over their estimated useful economic lives as follows:

Other intangible assets 10 years

Impairment

The Company assesses its intangible assets and tangible fixed assets for impairment at each reporting date to determine whether there is any indication that the assets are impaired. If any such indication of impairment exists, the company makes an estimate of the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If the recoverable amount is less than the value of the tangible fixed assets, the asset is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

Other income

Other income represents amounts earned and earnable during the year in respect of activities other than the principal activity of the Company.

Roborace Ltd

Notes to the financial statements For the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

Current and deferred taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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 statement of financial position 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 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 statement of financial position 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.

Operating leases

The company has no assets which are financed by leasing agreements that give rights approximating to ownership ('finance leases').

As such, all leases are treated as operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

The benefits of lease incentives on entering into new leases are spread over the lease term.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

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**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

2 Accounting policies (continued)

Pension costs

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 statement of comprehensive income in the years during which services are rendered by employees.

Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the company's intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether there are indicators of impairment of the company's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Roborace Ltd

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

3 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Other key sources of estimation uncertainty

- Intangible assets (see note 6)

Intangible assets are amortised over their useful lives, taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.

In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Tangible fixed assets (see note 7)

Tangible fixed assets are depreciated over their useful lives, taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annual and may vary depending on a number of factors.

In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4 Employees

The average number of employees, including directors, during the year was 4 (2019: 14).

Directors' remuneration was borne by a fellow group company in the period.

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Notes to the financial statements
for the year ended 31 December 2020 (continued)**5 Taxation on loss on ordinary activities**

	2020 £	2019 £
<i>Current tax</i>		
Total current tax charge	-	-
<i>Deferred tax</i>		
Total deferred tax charge	-	-
	<u> </u>	<u> </u>
Taxation charge on loss on ordinary activities	-	-
	<u> </u>	<u> </u>

The current tax charge for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before taxation	(1,034,064)	(556,051)
	<u> </u>	<u> </u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)	(196,472)	(105,650)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	4,565	5,171
Deferred tax not recognised	191,888	100,479
Effects of other reliefs	19	-
	<u> </u>	<u> </u>
Total taxation charge on loss on ordinary activities	-	-
	<u> </u>	<u> </u>

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Notes to the financial statements
for the year ended 31 December 2020 (*continued*)**6 Intangible assets**

	Other intangible assets £
<i>Cost</i>	
At 31 December 2019	301,290
Additions	30,070
	<hr/>
At 31 December 2020	331,360
	<hr/>
<i>Amortisation</i>	
At 31 December 2019	6,884
Charge for the year	43,934
	<hr/>
At 31 December 2020	50,818
	<hr/>
<i>Net book value</i>	
At 31 December 2020	280,542
	<hr/>
At 31 December 2019	294,406
	<hr/>

Roborace Ltd

Notes to the financial statements
for the year ended 31 December 2020 (*continued*)**7 Tangible fixed assets**

	Plant and machinery £
<i>Cost</i>	
At 31 December 2019	600,986
Additions	6,557
	<hr/>
At 31 December 2020	607,543
	<hr/>
<i>Amortisation</i>	
At 31 December 2019	33,698
Charge for the year	186,306
	<hr/>
At 31 December 2020	220,004
	<hr/>
<i>Net book value</i>	
At 31 December 2020	387,539
	<hr/>
At 31 December 2019	567,288
	<hr/>

8 Debtors

	2020 £	2019 £
Prepayments	-	118,425
VAT receivable	737	44,378
	<hr/>	<hr/>
	737	162,803
	<hr/>	<hr/>

All amounts show under debtors fall due for payment within one year.

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**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

9 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	-	92,472
Amounts owed to group undertakings	899,343	894,343
Taxation and social security	-	58,229
Other creditors	-	5,000
	899,343	1,050,044

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

10 Share capital

	2020	2019
	£	£
<i>Allotted, called up and fully paid</i>		
326,701 ordinary shares of £1 each	326,701	139,000
	326,701	139,000

11 Related party disclosures

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

There are no other material related party transactions requiring disclosure.

12 Controlling party

The Company's immediate parent undertaking is Arrival Limited, a company incorporated in the UK with registered address Beaumont House, Avonmore Road, London, England, W14 8TS.

The directors regard the ultimate parent company to be Kinetik S.à.r.l., a company incorporated in Luxembourg. The largest and smallest group in which the results of the Company are consolidated for the year ended 31 December 2020 is headed by Kinetik S.à.r.l. whose financial statements can be obtained from their registered office at 1, rue Petermelchen, L-2370 Howald, Luxembourg.

13 Post balance sheet events

On 25 March 2021, Arrival (previously named Arrival Group S.A.), following a successful merger with CIIG Merger Corp., became the majority shareholder of Arrival Luxembourg S.à.r.l., the immediate parent undertaking of Arrival Limited. On the same date, Arrival successfully admitted some of its shares, listed on NASDAQ and as of the same date, Kinetik S.à.r.l. became the majority shareholder of Arrival and as such continues to be the ultimate parent undertaking of the Company.

There are no other material post balance sheet events that are not otherwise disclosed in the notes to the financial statements above.