

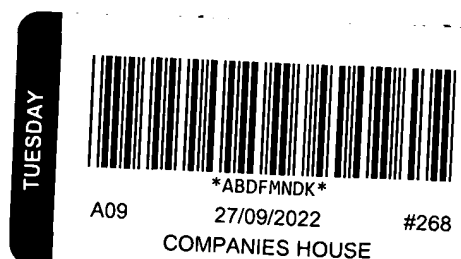
First Mile Group Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 10609706



First Mile Group Limited

Company Information

Directors	J M Allen B V Bratley J B Greenbury J C Harland R Monteiro
Registered number	10609706
Registered office	70-71 Wells Street London W1T 3QE
Independent auditor	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

First Mile Group Limited

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First Mile Group Limited

Strategic Report For the Year Ended 31 December 2021

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2021.

Principal activity

The principal activity of the company is a holding company.

Business review

The company is an intermediate holding company for its trading subsidiary, First Mile Limited. The Directors assess the performance of the Company as part of the wider First Mile Group, including the holding businesses.

Despite the continued impacts on the Covid-19 pandemic on the UK economy, 2021 showed a significant return to growth versus the previous year. Although ongoing effects of the pandemic were seen throughout the period, First Mile again displayed the resilience and innovative nature of the business, which continued to trade and support the London and Birmingham economies with essential services, helping to keep our customers growing. Some very significant new customer wins, leading to an increase in market share in our core markets, has re-enforced that our positioning as a green, recycling-led business is strongly resonating with our customers and economy at large.

All of the Company's revenue is derived from the provision of management services to First Mile Limited. During the year the company generated a loss of £1,793,727 (2020 - loss of £1,811,640). This is a result of management charges to First Mile Limited being less than administration expenses and interest expense of £1,672,917 (2020 - £1,629,084). The interest expense mostly is in relation to listed loan notes issued to Growth Capital Partners Fund IV LP. The interest is rolled up interest which has been added to the principal outstanding on the loan notes.

The Group continues to see strong demand for its services and has continued to win new customers. Retention of existing customers is strong, driven by excellent customer service, value for money and customers seeking a sustainable solution to their waste and recycling needs. The return to historical levels of profitability in 2021, with significant increases forecast for future years, confirms the resilience and success of the business.

Covid-19 still had a significant impact during 2021, despite the reduced restrictions in place as the year progressed. but trading results for revenue have grown to record levels - over 40% above pre-Covid levels, generated from new account wins and from the retention of existing customers, leading to long term recurring revenues, and resulting in future profits and cash flow.

The Group has sufficient resources to implement its overall strategy and grow back to significant profitability as the UK economy continues to recover from the effects of Covid-19.

Principal risks and uncertainties

The key financial risk is the ability of the company to pay interest and principal on the loan notes as they become due. Interest of £Nil (2020 - £93,167) was paid during the year. Repayments of principal were scheduled to commence from 31 March 2020 but have now been waived for the 2021 financial year. The interest on the loan notes is fixed and therefore the Company has not entered into interest rate hedging.

The ability of the Company to repay the loans as they become due will depend on the operations of the business. The principal risks and uncertainties are listed in the Financial Statements of the Company.

Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The Group carries out appropriate credit checks on potential customers before sales are made and actively maintains its cashflow to ensure that funds are available to support operations. The Group is not exposed to significant foreign currency risks.

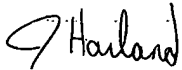
First Mile Group Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Financial Instruments

The Group maintained their borrowing facility that was obtained during 2020. All of the covenants of this facility were met throughout the year.

This report was approved by the board on 9 August 2022 and signed on its behalf.



J C Harland
Director

First Mile Group Limited

Directors' Report For the Year Ended 31 December 2021

The directors present their report together with the audited financial statements for the year ended 31 December 2021.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £1,793,727 (2020 - loss £1,811,640).

No dividend was proposed or paid in the year (2020 - £Nil).

Directors

The directors who served during the year were:

J M Allen
B V Bratley
J B Greenbury
J C Harland
R Monteiro

Going concern

The financial statements have been prepared on the going concern basis as the directors have prepared detailed budgets for a year of at least 12 months from the date of signing the accounts which show that the group is able to meet all its liabilities as they fall due including a detailed going concern stress test for First Mile Holdings Limited for which further detail is given within note 2 to the financial statements.

First Mile Group Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Going concern (continued)

The directors have produced a detailed going concern stress test for First Mile Holdings Limited. The conclusion of our stress test for the Group is that the business could sustain the loss of more than £7m (15%) of turnover versus our previous projections over the course of the 12 months following the date of the financial statements, without breaching covenants related to the group's current banking facilities.

At 31 December 2021 First Mile Holdings Limited Group has loan notes due to related parties totalling £22,838,260. The loan note holders have confirmed that they will not demand repayment of the loan notes and interest for the term of the loan notes should the company not be capable of making such payment in a solvent manner and in compliance with relevant banking covenants and liquidity requirements.

The Group, and the companies which are wholly owned, is expected to remain in a strong financial position during the forecast period from the date of signing the accounts. The Directors are confident of being able to trade for a period of at least 12 months from the approval of the financial statements and have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis.

Future developments

The start of 2022 has continued to see growth for the group, with revenue growing to record levels during the first half of the year. The Group is expected to continue to grow, showing strong profitability and cash flow going forward.

Financial instruments

The Group has a £4m borrowing facility, established in 2020, which is used to help manage the day-to-day operating cash-flows of the Group.

Engagement with employees

Within the bounds of commercial confidentiality, information is disseminated to all members of staff about matters that affect the progress of the Group and are of interest and concern to them as employees.

Disabled employees

Disabled persons are employed by the company when they appear to be suited to a particular position. The aptitude and abilities of disabled persons are more easily met in certain aspects of the company's business and every effort is made to ensure that they are given full and fair consideration.

Streamlined Energy and Carbon Reporting (SECR)

The 2018 Regulations introduced requirements under Part 15 of the Companies Act 2006 for large unquoted companies to disclose their annual energy use and green house gas emissions, and related information. However, the Group has applied the option permitted to exclude any energy and carbon information relating to First Mile Group Limited as they qualify as a medium-sized entity. Therefore, it is not required to make the detailed disclosures of energy and carbon information.

Matters covered in the strategic report

The company's principal activities, business review, review of principal risks and uncertainties and future developments and post balance sheet events are set out in the strategic report on page 1.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

First Mile Group Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Disclosure of information to auditor

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

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

Post balance sheet events

No significant events of note occurred after the year end date.

Auditor

The auditor, BDO LLP, who was appointed during the year will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9 August 2022 and signed on its behalf.



J C Harland
Director

First Mile Group Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2021

The directors are responsible for preparing the Group Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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; and
- 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

First Mile Group Limited

Independent Auditor's Report to the Members of First Mile Group Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of First Mile Group Limited ("the Company") for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

First Mile Group Limited

Independent Auditor's Report to the Members of First Mile Group Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

First Mile Group Limited

Independent Auditor's Report to the Members of First Mile Group Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Evaluation of controls designed to prevent and detect irregularities; and
- Assessing journal entries as part of our planned audit approach.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

James Newman

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James Newman (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom
09 August 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

First Mile Group Limited

Statement of Comprehensive Income For the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	654,425	847,378
Gross profit		<u>654,425</u>	<u>847,378</u>
Administrative expenses		(775,235)	(1,029,934)
Operating loss		<u>(120,810)</u>	<u>(182,556)</u>
Interest payable and similar expenses	8	(1,672,917)	(1,629,084)
Loss before tax		<u>(1,793,727)</u>	<u>(1,811,640)</u>
Tax on loss	9	-	-
Loss and total comprehensive loss for the financial year		<u><u>(1,793,727)</u></u>	<u><u>(1,811,640)</u></u>

There was no other comprehensive income for 2021 (2020 - £Nil).

The notes on pages 13 to 24 form part of these financial statements.

First Mile Group Limited

Registered number: 10609706

**Statement of Financial Position
As at 31 December 2021**

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Investments	10		18,930,622		18,930,622
Current assets					
Debtors: amounts falling due within one year	11	3,136		-	
Cash at bank and in hand	12	28,404		3,354	
Creditors: amounts falling due within one year	13	(13,070,948)		(22,659,767)	
Net current liabilities			(13,039,408)		(22,656,413)
Creditors: amounts falling due after more than one year	14		(11,410,732)		-
Net liabilities			(5,519,518)		(3,725,791)
Capital and reserves					
Called up share capital	16		1		1
Profit and loss account	17		(5,519,519)		(3,725,792)
Total equity			(5,519,518)		(3,725,791)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 09 August 2022



J C Harland
Director

The notes on pages 13 to 24 form part of these financial statements.

First Mile Group Limited

Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2021	1	(3,725,792)	(3,725,791)
Comprehensive loss for the year			
Loss for the year	-	(1,793,727)	(1,793,727)
At 31 December 2021	1	(5,519,519)	(5,519,518)

Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2020	1	(1,914,152)	(1,914,151)
Comprehensive loss for the year			
Loss for the year	-	(1,811,640)	(1,811,640)
At 31 December 2020	1	(3,725,792)	(3,725,791)

The notes on pages 13 to 24 form part of these financial statements.

First Mile Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. General information

First Mile Group Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of First Mile Holdings Limited as at 31 December 2021 and these financial statements may be obtained from 70-71 Wells Street, London, England, W1T 3QE.

2.3 Exemption from preparing consolidated financial statements

The company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

First Mile Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.4 Going concern

The financial statements have been prepared on the going concern basis as the directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the group is expected to be able to meet all its liabilities as they fall due. However, it is acknowledged that the global and UK outbreak of Covid-19 has continued to have a profound impact on the global and UK economy and businesses.

As a result of the ongoing market uncertainty due to the ongoing Covid-19 situation, the possible impact on available cash during the next 12 months trading has been modelled under a range of assumptions and sensitivities. As part of this, the directors have produced a detailed going concern stress test for First Mile Holdings Limited group, for which this company is part of. The conclusion of our stress test for First Mile Holdings Limited Group is that the business could sustain a turnover decrease of more than 15% assuming gross profit changes and limited fixed costs, capital expenditure and cash flow, over the course of the 12 months following the date of the financial statements, without exceeding current banking facilities.

At 31 December 2021 First Mile Holdings Limited Group has loan notes due to related parties totalling £22,838,260. The loan note holders have confirmed that they will not demand repayment of the loan notes and interest for the term of the loan notes should the company not be capable of making such payment in a solvent manner and in compliance with relevant banking covenants and liquidity requirements.

The group, and the companies which are wholly owned, are expected to remain in a strong financial position during the forecast period from the date of signing the accounts.

The directors are confident of being able to trade for a period of at least 12 months from the approval of the financial statements and have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis.

2.5 Revenue recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Turnover represents revenue from the recharge of management services to group companies stated at fair value of the consideration received net of VAT. Revenue from services provided is recognised when revenue can be measured reliably and the costs required to complete the transaction have been recognised.

The company recognises revenue when costs are incurred in fulfilling its obligations in accordance with its management services agreement with First Mile Limited.

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

First Mile Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.9 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

2.10 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments are reviewed annually for indicators of impairment, and, if identified, an impairment assessment is performed. An impairment loss is, measured as the difference between an asset's carrying amount and the best estimate of the recoverable amount, which is an approximation of the amount that the company would receive, through use (i.e. value-in-use) of the asset were it to be sold at the reporting date (i.e. fair value).

First Mile Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Loan notes

Loan notes are recognised initially at fair value, net of transaction costs incurred. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Commitment and borrowing fees are capitalised as part of the loan notes and amortised over the life of the relevant agreement.

2.15 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

First Mile Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.15 Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

- Investments (see note 10)

Annually, management makes a judgement on whether indicators exist that suggest fixed asset investments are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the higher of value in use or fair value less costs to sell to each cash generating unit (CGU's). This requires estimation of the future cash flows from the CGUs based on budgets and forecasts and making appropriate assumptions about growth and discounting these using a recognised rate which takes into account prevailing market interest rates and judgements relating to the risks inherent in the business. If the present value of the projected cash flows is less than the carrying value of the underlying asset or group of assets, an impairment charge is recorded in the income statement. This calculation requires the exercise of significant judgement by management. If the estimates made prove to be incorrect or changes in the performance of the cash generating unit affect the amount and timing of future cash flows, investments may become impaired in future periods.

- Deferred tax asset (see note 9)

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets which can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. At 31-December 2021 the company had unrecognised deferred tax of £1,152,864 (2020 - £677,870).

First Mile Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Rendering of services	<u>654,425</u>	<u>847,378</u>

All turnover arose within the United Kingdom.

5. Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>8,000</u>	<u>10,000</u>

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

6. Employees

	2021 £	2020 £
Wages and salaries	643,187	851,735
Social security costs	82,454	122,515
Cost of defined contribution scheme	28,660	38,675
	<u>754,301</u>	<u>1,012,925</u>

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

	2021 No.	2020 No.
Sales, marketing and distribution	<u>5</u>	<u>5</u>

First Mile Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

7. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	543,188	554,251
Company contributions to defined contribution pension schemes	22,967	26,029
	<u>566,155</u>	<u>580,280</u>

During the year retirement benefits were accruing to 4 directors (2020 - 4) in respect of defined contribution pension schemes.

Directors' remuneration is apportioned appropriately across the Group.

8. Interest payable and similar expenses

	2021 £	2020 £
Related party loan interest payable	1,630,458	1,629,084
Amortisation of debt issue costs	42,459	-
	<u>1,672,917</u>	<u>1,629,084</u>

9. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on losses for the year	-	-
Total current tax	<u>-</u>	<u>-</u>

First Mile Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2020 - the same as) the standard rate of corporation tax in the UK of 19% (2020 - 19%) as set out below:

	2021 £	2020 £
Loss on ordinary activities before tax	<u>(1,793,727)</u>	<u>(1,811,640)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(340,808)	(344,212)
Effects of:		
Expenses not deductible for tax purposes	142,502	138,672
Deferred tax not recognised on tax losses	198,306	205,540
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

Increases in the UK Corporation tax rate from 19% to 25% (19% effective from 1 April 2017, and 25% effective from 1 April 2023) have been substantively enacted. This will impact the company's future tax charge accordingly.

At 31 December 2021, the company had taxable losses amounting to £4,611,455 (2020 - £3,567,739) available for utilisation against future taxable profits. The company has not recognised a deferred tax asset at 31 December 2021 of £1,152,864 (2020 - £677,870) because of the uncertainty of future taxable profits.

10. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2021	18,930,622
At 31 December 2021	<u>18,930,622</u>

First Mile Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

10. Fixed asset investments (continued)

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Registered office	Class of shares	Holding
First Mile Limited	70-71 Wells Street, London, W1T 3QE	Ordinary	100%

11. Debtors

	2021 £	2020 £
Other debtors	3,136	-

12. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	28,404	3,354

13. Creditors: Amounts falling due within one year

	2021 £	2020 £
Loan notes and accrued interest due to related parties	11,427,528	21,165,346
Amounts owed to group undertakings	1,633,420	1,484,421
Accruals and deferred income	10,000	10,000
	13,070,948	22,659,767

Debt issue costs of £63,874 (2020 - £106,330) are included within the loan notes due to related parties. Accrued interest totalling £2,427,528 (2020 - £1,493,012) is included within the loan notes and accrued interest due to related parties.

First Mile Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Loan notes and accrued interest due to related parties	11,410,732	-

15. Loan notes with related parties

Loans due to related parties are loan notes issued to related parties on 12 May 2017 with a carrying amount of £22,838,260 (2020 - £21,165,346), including accrued interest, and are denominated in Sterling with a nominal interest rate of 8%. Principal repayments were due in quarterly instalments from March 2021. The final instalment for all outstanding balances is due on 12 May 2023.

The principal on the loan notes is £20,474,606 (2020 - £19,685,047) and interest accrued was £2,427,528 (2020 - £1,493,012). The carrying value includes amortised deal costs of £63,874 (2020 - £106,330). The loan is secured by a security trust deed over all assets of the Group. The loan notes are listed on The International Stock Exchange and these loan notes are, in substance, not freely transferable.

Debt issue costs amortised during the year were £42,456 (2020 - £42,456).

The loan note holders have confirmed that they will not demand repayment of the loan notes and interest for the term of the loan notes should the company not be capable of making such payment in a solvent manner and in compliance with relevant banking covenants and liquidity requirements.

At 31 December 2020 a loan note covenant breach existed which was not remedied until after 31 December 2020 and therefore loan notes were disclosed as due within one year at the balance sheet date.

Analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year		
Loan notes due to related parties	11,427,528	21,165,346
Amounts falling due after more than one year		
Loan notes due to related parties	11,410,732	-
	22,838,260	21,165,346

First Mile Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

15. Loan notes with related parties (continued)

As at 31 December 2021, there were three registered charges over the Company's assets, all measured at fair value, as continuing security for the repayment of the respective facilities.

These charges were held by:

i) TC Loans (CBILS) Limited up to the value of the Bank Loans outstanding, valued £4,000,000 as at 31 December 2020

ii) Barclays Bank Plc up to the value of £500,000 as security against misuse of the Direct Debit facility

iii) Growth Capital Partners Fund IV LP up to the value of the Loan Notes, valued at £22,838,260 as at 31 December 202

16. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
1 (2020 -1) Called up share capital share of £1.00	1	1

The company's issued share capital is composed of a single class of ordinary shares. Each share carries the right to vote at general meetings of the company. The company may vary the rights attaching to its shares by special resolution, subject to the Articles of Association and applicable laws and regulations.

17. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

18. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £28,660 (2020 - £38,675). Contributions totalling £Nil (2020 - £Nil) were payable to the fund at the reporting date and are included in creditors.

First Mile Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

19. Related party transactions

The company has taken advantage of the exemption conferred by FRS 102, section 33 'Related Party Disclosures' not to disclose transactions entered into between wholly owned group companies.

Summary of transactions with key management personnel

During the year the group companies made purchases at market prices of £12,641 (2020 - £6,389) and had an outstanding year end balance of £8,264 (2020 - £2,293) with related parties.

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the group are considered to be key management personnel. These costs are disclosed in the employees and directors remuneration note.

There are no amounts due to key management at year end.

Summary of transactions with related parties

At year end First Mile Group Limited owed £20,474,606 (2020 - £19,685,047) of loan notes to a related party, including accrued interest. The related parties were related by virtue of their significant influence over the group. During the year interest was charged totalling £1,630,455 (2020 - £1,493,012). At year end, the loans notes and accrued interest totalling £28,838,260 (2020 - £21,165,346) was owed to these related parties in respect of these transactions.

During the year, a related party provided services to the group totalling £52,083 (2020 - £29,167). At 31 December 2021, £10,000 (2020 - £Nil) was owed to the related party.

Details of loan notes with related parties are disclosed in note 15.

20. Post balance sheet events

There have been no significant events affecting the company since the financial year end.

21. Controlling party

The company's immediate Parent is First Mile Holdings Limited a company incorporated in the United Kingdom.

The largest and smallest group in which the results of the company were consolidated were that headed by First Mile Holdings Limited, incorporated in the UK. The consolidated accounts for this company are available to the public and may be obtained from Companies House.

The ultimate controlling party is Growth Capital Partners LLP.