

Registered number: 05159794

1ST STEP SOLUTIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

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1ST STEP SOLUTIONS LIMITED

COMPANY INFORMATION

Directors	S Cowdrey L Fillery A Brooks
Company secretary	L Fillery
Registered number	05159794
Registered office	West Hill House West Hill Dartford Kent DA1 2EU
Independent auditors	Simmons Gainsford LLP Chartered Accountants & Statutory Auditors 7-10 Chandos Street London W1G 9DQ

1ST STEP SOLUTIONS LIMITED

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1ST STEP SOLUTIONS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2019

Introduction

The directors present their strategic report for the year ended 31 August 2019.

Business review

The company's principal activities during the year continued to be the supply of temporary labour and the company continues to be one of the country's leading recruitment businesses in our chosen sector. Market conditions remain volatile with businesses eagerly awaiting to see how the impact of Brexit will be felt.

The company continues to look at additional business opportunities and invested in a small medical recruitment company called Wells Brooks Associates Limited. The acquisition opens access to markets across the globe for the supply of medical professionals. The company operates within its budgeted overhead and is keen to invest in new talent. The group financial figures include five months of Wells Brooks Associates Limited and the second year of trading for our American operation, 1st Step Resourcing Inc. Difficult market conditions resulted in a fall in Group turnover from £37.4 million in 2018 to £34 million in 2019 with gross profit falling to 11.6%. Operating profit decreased from £338k in 2018 to £246k in 2019.

The Directors remain focused on strengthening its balance sheet and providing stability and growth for its staff. Shareholder funds increased by 5.8%.

The company's financial performance at the balance sheet date was in line with expectations.

In January 2020 the business purchased a direct competitor, On-Site (London) Ltd. The business focuses on the supply of temporary labour to the airport sector with a projected turnover of £10 million. The acquisition will enable the business to develop and grow its client base and its partnerships with all the major UK airports.

1ST STEP SOLUTIONS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

Principal risks and uncertainties

The directors manage and monitor its risks via a management programme. In addition detailed management accounts, cash flow analysis, operational and legislative procedures and budgets are reviewed by the directors on a regular basis.

The principal risks to the business are:

- Brexit
- Liquidations
- Recruitment
- Cash Flow
- COVID-19

Brexit

The uncertainty and instability caused by the UK's protracted negotiations on exiting the European Union continues to deflate business confidence resulting in reduced returns and capital expenditure. The uncertainty regarding the free movement of trade is a significant problem for the UK labour market resulting in a skills shortage within the UK with many interested parties exiting the market. Investors remain cautious with attention firmly fixed on return on investment.

Liquidations

Markets remain volatile with many SME's reliant on their supply chain for protracted credit terms and cashflow assistance. The construction industry continues to have a culture of late payment and an unrelenting attitude to gaining favour through one sided contractual negotiations. Balance sheet stability and the management of cash remain one and two on everyone's tick list. Liquidity remains an issue for many of our clients but through robust credit control procedures the business has been able to minimise its effect on the balance sheet.

Recruitment

Recruitment continues to be a hinderance on business growth. The availability of M&E labour has decreased as a direct result of the Brexit process and the recruitment of internal staff remains a problem.

The company engages with its staff and encourages them to take an active role in the business. Our future is our staff and the company remains proactive in its search for successful consultants.

Cash Flow

The business continues to manage cash flow on a daily basis and reconciliations are reviewed regularly. The Build Environment as a whole is experiencing cash flow issues with protracted claims and counter claims. The business continues to develop relationships with its core clients to manage its debt effectively.

The company continues to use an invoice discounting facility as its main financial instrument and manages the risk by preparing and maintaining weekly cash flow schedules. The drawdown of funds is monitored and aligned to weekly cash flows both in and out of the business.

COVID-19

The world currently finds itself in an unprecedented situation following the outbreak of the coronavirus pandemic known as COVID-19. World economies have been devastated with governments and financial institutions implementing emergency measures to try to reduce its impact. The UK's GDP is forecast to shrink by a figure in excess of 30% with many businesses in a state of lockdown. In the UK the construction market continues to trade albeit at a significantly reduced level.

The business has followed government guidance and placed the majority of its staff on furlough with those remaining in the business on reduced salaries. Overheads have been reviewed and reduced where necessary and the directors continue to work with its financiers to maintain a steady flow of working capital.

1ST STEP SOLUTIONS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

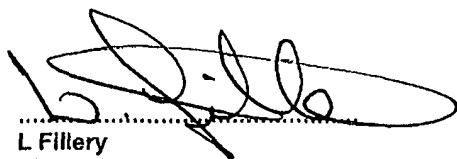
The directors are confident the business will continue as a going concern and is in a prime position to benefit from the predicted spike in work following the lockdown. The company was able to secure additional funding following the outbreak of COVID-19.

Financial key performance indicators

The key financial results for the year were as follows:

	2019 £'000	2018 £'000	Change %
Turnover	33,989	37,401	-9.1%
Gross Profit	3,932	4,460	-11.8%
Operating profit	246	338	-27.2%
Profit Before Tax	150	252	-40.4%
Shareholders' Funds	2,071	1,956	+5.8%

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


.....
L. Fillery
Director

Date: 01/06/2020

1ST STEP SOLUTIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2019

The directors present their report and the financial statements for the year ended 31 August 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 the Group and of the profit or loss of the Group 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 to 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.

Principal activity

The principal activity of the company continued to be that of recruitment consultants.

Results and dividends

The profit for the year, after taxation, amounted to £241,184 (2018 - £207,458).

A dividend of £125,960 was paid in the year (2018 - £125,960).

Directors

The directors who served during the year were:

S Cowdrey
L Fillery
A Brooks

Qualifying third party indemnity provisions

The company has insurance which has granted an indemnity to one or more of its directors against liability in the respect of proceedings brought by third parties, subject to conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

1ST STEP SOLUTIONS LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Disclosure of information to auditors

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 auditors 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 auditors are aware of that information.

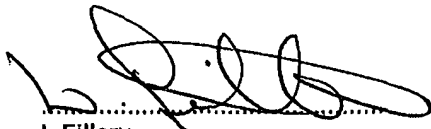
Post balance sheet events

The impact of the Covid-19 outbreak has been widely reported - see 'Principal risks and uncertainties' section within the Strategic report for management's comments on this.

Auditors

The auditors, Simmons Gainsford LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



.....
L Fillery
Director

Date: 01/06/2020

1ST STEP SOLUTIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 1ST STEP SOLUTIONS LIMITED

Opinion

We have audited the financial statements of 1st Step Solutions Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 August 2019, which comprise the Group Statement of income and retained earnings, the Group and Company Balance sheets, the Group Statement of cash flows and the related notes, 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' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 August 2019 and of the Group's profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 Auditors' 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material

1ST STEP SOLUTIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 1ST STEP SOLUTIONS LIMITED (CONTINUED)

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

1ST STEP SOLUTIONS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 1ST STEP SOLUTIONS LIMITED
(CONTINUED)**

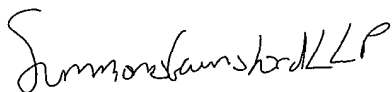
Auditors' responsibilities for the audit of the financial statements

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 Auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.



Rajiv Thakerar (Senior statutory auditor)

for and on behalf of
Simmons Gainsford LLP

Chartered Accountants
Statutory Auditors

7-10 Chandos Street
London
W1G 9DQ
Date:

1ST STEP SOLUTIONS LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 AUGUST 2019

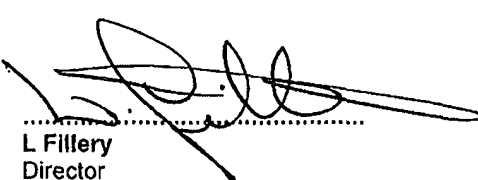
		2019 £	2018 £
Turnover	4	33,988,800	37,401,297
Cost of sales		(30,056,683)	(32,940,569)
Gross profit		3,932,117	4,460,728
Administrative expenses		(3,686,296)	(4,122,797)
Operating profit	5	245,821	337,931
Interest receivable and similar income		24	-
Interest payable and expenses	10	(96,287)	(85,840)
Profit before tax		149,558	252,091
Tax on profit	11	91,626	(44,633)
Profit after tax		241,184	207,458
Retained earnings at the beginning of the year		1,955,983	1,874,485
Profit for the year attributable to the owners of the parent		241,184	207,458
Dividends declared and paid		(125,960)	(125,960)
Retained earnings at the end of the year		2,071,207	1,955,983

1ST STEP SOLUTIONS LIMITED
REGISTERED NUMBER: 05159794

CONSOLIDATED BALANCE SHEET
AS AT 31 AUGUST 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	13	65,181	5,047
Tangible assets	14	25,604	33,242
		<u>90,785</u>	<u>38,289</u>
Current assets			
Debtors: amounts falling due within one year	16	7,331,764	8,259,020
Cash at bank and in hand	17	260,670	221,295
		<u>7,592,434</u>	<u>8,480,315</u>
Creditors: amounts falling due within one year	18	(5,605,766)	(6,550,978)
Net current assets		<u>1,986,668</u>	<u>1,929,337</u>
Total assets less current liabilities		<u>2,077,453</u>	<u>1,967,626</u>
Provisions for liabilities			
Deferred tax	19	(5,995)	(11,392)
		<u>(5,995)</u>	<u>(11,392)</u>
Net assets		<u><u>2,071,458</u></u>	<u><u>1,956,234</u></u>
Capital and reserves			
Called up share capital	20	251	251
Profit and loss account	21	2,071,207	1,955,983
		<u><u>2,071,458</u></u>	<u><u>1,956,234</u></u>

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


L Fillery
 Director

Date: 01/06/2020

The notes on pages 13 to 33 form part of these financial statements.

1ST STEP SOLUTIONS LIMITED
REGISTERED NUMBER: 05159794

COMPANY BALANCE SHEET
AS AT 31 AUGUST 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	13	3,229	5,047
Tangible assets	14	21,440	30,495
Investments	15	50,771	771
		<u>75,440</u>	<u>36,313</u>
Current assets			
Debtors: amounts falling due within one year	16	7,453,678	8,242,714
Cash at bank and in hand	17	155,161	168,452
		<u>7,608,839</u>	<u>8,411,166</u>
Creditors: amounts falling due within one year	18	(5,556,864)	(6,491,451)
Net current assets		<u>2,051,975</u>	<u>1,919,715</u>
Total assets less current liabilities		<u>2,127,415</u>	<u>1,956,028</u>
Provisions for liabilities			
Deferred taxation	19	(5,995)	(11,392)
		<u>(5,995)</u>	<u>(11,392)</u>
Net assets		<u><u>2,121,420</u></u>	<u><u>1,944,636</u></u>
Capital and reserves			
Called up share capital	20	251	251
Profit and loss account		2,121,169	1,944,385
		<u><u>2,121,420</u></u>	<u><u>1,944,636</u></u>

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



 L Fillery
 Director

Date: 01/06/2020

The notes on pages 13 to 33 form part of these financial statements.

1ST STEP SOLUTIONS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2019**

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	241,184	207,458
Adjustments for:		
Amortisation of intangible assets	15,746	7,349
Depreciation of tangible assets	28,413	32,298
Interest paid	96,287	85,840
Interest received	(24)	-
Taxation charge	(91,626)	44,633
Decrease in debtors	927,247	384,987
(Decrease) in creditors	(973,297)	(373,040)
Net fair value losses recognised in P&L	-	13
Corporation tax received/(paid)	106,888	(120,353)
Net cash generated from operating activities	<u>350,818</u>	<u>269,185</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(75,880)	-
Purchase of tangible fixed assets	(20,774)	(10,038)
Interest received	24	-
Net cash from investing activities	<u>(96,630)</u>	<u>(10,038)</u>
Cash flows from financing activities		
New finance leases net of repayments	7,434	-
Dividends paid	(125,960)	(125,960)
Interest paid	(96,287)	(85,840)
Net cash used in financing activities	<u>(214,813)</u>	<u>(211,800)</u>
Net increase in cash and cash equivalents	<u>39,375</u>	<u>47,347</u>
Cash and cash equivalents at beginning of year	221,295	173,948
Cash and cash equivalents at the end of year	<u><u>260,670</u></u>	<u><u>221,295</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>260,670</u></u>	<u><u>221,295</u></u>

The notes on pages 13 to 33 form part of these financial statements.

1ST STEP SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

1. General information

1st Step Solutions Limited is a private company limited by shares and registered in England and Wales. The registered office is West Hill House, West Hill, Dartford, Kent, DA1 2EU. The company's registered number is 05159794.

The company's principal activity continued to be that of recruitment consultants.

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 Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of income and retained earnings in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of income and retained earnings from the date on which control is obtained. They are deconsolidated from the date control ceases.

The comparative figures are consolidated for the acquisition of 1st Step Resourcing Inc. on 28 June 2017. On 1 April 2019, the company acquired Wells Brooks Associates Limited - this has been included within the current year consolidation.

2.3 Going concern

The accounts have been prepared on a going concern basis and the Directors have considered at least the next 12 months when assessing this. In May 2020, the company secured additional funding amid the impact of COVID-19.

1ST STEP SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of income and retained earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 Revenue

Turnover comprises revenue recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes in relation to services supplied during the year. Turnover relating to temporary placements is recognised on a weekly basis on completion of the work by the operative. Turnover relating to permanent placements is recognised in the month of placement.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of income and retained earnings on a straight line basis over the lease term.

1ST STEP SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

2. Accounting policies (continued)

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.8 Interest income

Interest income is recognised in the Consolidated statement of income and retained earnings using the effective interest method.

2.9 Finance costs

Finance costs are charged to the Consolidated statement of income and retained earnings 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.

2.10 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

1ST STEP SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

2. Accounting policies (continued)

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of income and retained earnings, 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 balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 balance sheet date.

1ST STEP SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

2. Accounting policies (continued)

2.12 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of income and retained earnings over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	5	years
Software	-	3	years

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- Between 3 and 5 years straight line
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of income and retained earnings.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1ST STEP SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

2. Accounting policies (continued)

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.16 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.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.17 Creditors

Short term creditors are measured at the transaction price.

2.18 Holiday pay accrual

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

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of income and retained earnings in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.20 Financial instruments

The Group 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.

1ST STEP SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

2. Accounting policies (continued)

2.20 Financial Instruments (continued)

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 Consolidated statement of income and retained earnings.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet 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.

2.21 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Operating lease commitments

The company has entered into commercial property and vehicle leases. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Other key sources of estimation uncertainty:

Tangible and intangible fixed assets

Tangible and intangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives and residual values may vary taking into account future market conditions, technological innovation, product life cycles and maintenance programs. Goodwill recognised upon the acquisition of subsidiaries is amortised over the useful economic life.

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Accruals

Management estimation is required to determine the amount of various liabilities incurred during the year and still due at the year end.

1ST STEP SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

4. Turnover

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

	2019 £	2018 £
Labour sales	33,988,800	37,401,297
	<u>33,988,800</u>	<u>37,401,297</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	33,687,500	37,172,902
Rest of the world	301,300	228,395
	<u>33,988,800</u>	<u>37,401,297</u>

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
F & fitngs-depn chg:Owned	28,413	32,298
Amortisation of intangible assets	15,746	7,349
Auditors' remuneration	18,000	15,000
Exchange differences	(5,634)	3,953
Other operating lease rentals	201,807	185,653
Defined contribution pension cost	52,879	79,189
	<u>52,879</u>	<u>79,189</u>

6. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	18,000	15,000
	<u>18,000</u>	<u>15,000</u>

Fees payable to the Group's auditor and its associates in respect of:

All other services	5,626	14,205
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1ST STEP SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	2,271,406	2,691,818	2,097,314	2,587,465
Social security costs	249,327	276,490	246,657	263,859
	<u>2,520,733</u>	<u>2,968,308</u>	<u>2,343,971</u>	<u>2,851,324</u>

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

	2019 No.	2018 No.
Administration	57	57
Direct labour	72	74
	<u>129</u>	<u>131</u>

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	373,748	569,267
Directors pension costs	29,223	45,827
	<u>402,971</u>	<u>615,094</u>

During the year retirement benefits were accruing to 3 directors (2018 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £137,107 (2018 - £174,917).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £30,000 (2018 - £28,000).

The total accrued pension provision of the highest paid director at 31 August 2019 amounted to £15,000 (2018 - £20,000).

1ST STEP SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

9. Interest receivable

	2019 £	2018 £
Other interest receivable	24	-
	<u>24</u>	<u>-</u>

10. Interest payable and similar expenses

	2019 £	2018 £
Other loan interest payable	5,008	-
Invoice discounting interest paid	91,279	85,840
	<u>91,279</u>	<u>85,840</u>

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	68,456	45,218
Adjustments in respect of R&D refund	(154,685)	-
	<u>(86,229)</u>	<u>45,218</u>
Total current tax	<u>(86,229)</u>	<u>45,218</u>
Deferred tax		
Origination and reversal of timing differences	(5,397)	(585)
Total deferred tax	<u>(5,397)</u>	<u>(585)</u>
Taxation on (loss)/profit on ordinary activities	<u>(91,626)</u>	<u>44,633</u>

1ST STEP SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	191,629	240,492
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	36,410	45,693
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	12,165	10,643
Capital allowances for year in excess of depreciation	1,830	5,982
Adjustments to tax charge in respect of R&D refund	(154,685)	-
Increase or decrease in pension fund prepayment leading to an increase (decrease) in tax	-	(7,600)
Short term timing difference leading to an increase (decrease) in taxation	-	(585)
Adjustment for non UK tax charge	19,430	-
Changes in provisions leading to an increase (decrease) in the tax charge	6,641	(9,500)
Deferred tax movement	(5,397)	-
Group relief	(8,020)	-
Total tax charge for the year	(91,626)	44,633

12. Dividends

	2019 £	2018 £
Interim	125,960	125,960

1ST STEP SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

13. Intangible assets

Group

	Software £	Goodwill £	Total £
Cost			
At 1 September 2018	33,172	-	33,172
Additions	3,750	72,130	75,880
At 31 August 2019	<u>36,922</u>	<u>72,130</u>	<u>109,052</u>
Amortisation			
At 1 September 2018	28,125	-	28,125
Charge for the year	5,568	10,178	15,746
At 31 August 2019	<u>33,693</u>	<u>10,178</u>	<u>43,871</u>
Net book value			
At 31 August 2019	<u><u>3,229</u></u>	<u><u>61,952</u></u>	<u><u>65,181</u></u>
At 31 August 2018	<u><u>5,047</u></u>	<u><u>-</u></u>	<u><u>5,047</u></u>

1ST STEP SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

Company

	Software £	Total £
Cost		
At 1 September 2018	33,172	33,172
Additions	3,750	3,750
At 31 August 2019	<u>36,922</u>	<u>36,922</u>
Amortisation		
At 1 September 2018	28,125	28,125
Charge for the year	5,568	5,568
At 31 August 2019	<u>33,693</u>	<u>33,693</u>
Net book value		
At 31 August 2019	3,229	3,229
At 31 August 2018	<u>5,047</u>	<u>5,047</u>

1ST STEP SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

14. Tangible fixed assets

Group

	Fixtures and fittings £
Cost or valuation	
At 1 September 2018	199,191
Additions	20,774
At 31 August 2019	<u>219,965</u>
Depreciation	
At 1 September 2018	165,948
Charge for the year on owned assets	28,413
At 31 August 2019	<u>194,361</u>
Net book value	
At 31 August 2019	<u>25,604</u>
At 31 August 2018	<u>33,243</u>

1ST STEP SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

14. Tangible fixed assets (continued)

Company

	Fixtures and fittings £
Cost or valuation	
At 1 September 2018	196,347
Additions	17,143
At 31 August 2019	<u>213,490</u>
Depreciation	
At 1 September 2018	165,852
Charge for the year on owned assets	26,198
At 31 August 2019	<u>192,050</u>
Net book value	
At 31 August 2019	<u>21,440</u>
At 31 August 2018	<u>30,495</u>

1ST STEP SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 September 2018	771
Additions	50,000
At 31 August 2019	<u>50,771</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
1st Step Solutions Inc (Direct Investment)	USA	Ordinary	100%
Wells Brooks Associates Limited (Direct Investment)	England & Wales	Ordinary	100%

The aggregate of the share capital and reserves as at 31 August 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
1st Step Solutions Inc (Direct Investment)	179,913	5,621
Wells-Brooks Associates Limited	(79,234)	(17,502)

The financial statements of Wells Brooks Associates Limited has not been audited. A statement of guarantee by a parent undertaking of a subsidiary company has been submitted to Companies House.

1ST STEP SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

16. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	6,400,459	7,544,556	6,307,399	7,446,041
Amounts owed by group undertakings	-	-	226,788	86,313
Other debtors	90,672	116,353	81,061	112,249
Called up share capital not paid	-	131	-	131
Prepayments and accrued income	685,948	597,980	683,745	597,980
Tax recoverable	154,685	-	154,685	-
	<u>7,331,764</u>	<u>8,259,020</u>	<u>7,453,678</u>	<u>8,242,714</u>

17. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	<u>260,670</u>	<u>221,295</u>	<u>155,161</u>	<u>168,452</u>

1ST STEP SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

18. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	144,744	122,959	144,744	122,959
Corporation tax	65,926	45,266	48,993	45,266
Other taxation and social security	735,900	879,677	722,000	879,658
Obligations under finance lease and hire purchase contracts	7,434	-	7,434	-
Other creditors	4,002,443	4,563,027	3,996,537	4,563,027
Accruals and deferred income	649,319	940,049	637,156	880,541
	<u>5,605,766</u>	<u>6,550,978</u>	<u>5,556,864</u>	<u>6,491,451</u>

The following liabilities were secured:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Invoice finance facility	<u>3,841,980</u>	<u>4,063,926</u>	<u>3,841,980</u>	<u>4,063,926</u>

Details of security provided:

Invoice finance facility is included within other creditors. The above amounts are secured by fixed and floating charges over all of the company's assets together with a personal guarantee from Mr S Cowdrey up to the sum of £150,000.

1ST STEP SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

19. Deferred taxation

Group and Company

	2019 £
At beginning of year	(11,392)
Charged to profit or loss	5,397
At end of year	<u>(5,995)</u>

The provision for deferred taxation is made up as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Accelerated capital allowances	<u>(5,995)</u>	<u>(11,392)</u>	<u>(5,995)</u>	<u>(11,392)</u>

20. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
90 (2018 - 90) Ordinary shares of £1.00 each	90	90
30 (2018 - 30) "A" Ordinary shares of £1.00 each	30	30
30 (2018 - 30) "B" Ordinary shares of £1.00 each	30	30
1,000 (2018 - 1,000) "C" Ordinary shares of £0.10 each	100	100
10 (2018 - 10) "D" Ordinary shares of £0.10 each	1	1
	<u>251</u>	<u>251</u>

21. Reserves

Profit and loss account

The profit and loss account comprises the balance of profits accumulated over the life of the company.

1ST STEP SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

22. Business combinations

On 1 April 2019, 1st Step Solutions Limited acquired 100% of the share capital of Wells-Brooks Associates Limited for consideration of £50,000 cash.

The following classes of assets/liabilities were acquired at fair value:

Fixed assets - £1,201

Debtors - £8,973

Cash at bank - £2,294

Creditors - £84,598

Share capital - £100

Goodwill of £122,130 arose from the acquisition.

Since acquisition, Wells-Brooks Associates Limited has generated a loss of £56,274. At 31 August 2019, capital and reserves are in deficit by £78,404.

23. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions totalling £22,462 (2018 - £20,681) were payable from the fund at the balance sheet date and are included in debtors.

24. Commitments under operating leases

At 31 August 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Not later than 1 year	37,760	117,507	37,760	117,507
Later than 1 year and not later than 5 years	23,407	60,188	23,407	60,188
Property Leases	61,167	177,695	61,167	177,695
	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Not later than 1 year	16,859	23,788	16,859	23,788
Later than 1 year and not later than 5 years	15,471	20,525	15,471	20,525
Vehicle Leases	32,330	44,313	32,330	44,313

1ST STEP SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

25. Related party transactions

Other related party transactions

During the year the company paid rent of £3,600 (2018 - £10,800) to the wife of a director.

Included within staff salaries are wages paid to the directors wives totalling £168,165 (2018 - £166,847).

The company's invoice factoring liability is secured by personal guarantee of £150,000 from a director.

During the year, the company paid dividends to directors of £125,960 (2018 - £125,960).

Key management personnel

All directors and senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is £886,089 (2018 - £723,897).

26. Controlling party

The ultimate controlling party is Mr S Cowdrey by virtue of his ownership of 75% (2018 - 75%) of the issued voting share capital of the company.