

Company Registration No. SC151456 (Scotland)

**INTEGRATED ENVIRONMENTAL SOLUTIONS
LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MAY 2018**

**COMPANIES HOUSE
EDINBURGH**

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INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

COMPANY INFORMATION

Directors	S Finlayson Dr D McLean J Xu S Falconer Dr A C Wheatley D G McEwan R J Abbott I Pittman
Secretary	S Finlayson
Company number	SC151456
Registered office	Helix Building Kelvin Campus West of Scotland Science Park Glasgow G20 0SP
Auditor	RSM UK Audit LLP Chartered Accountants Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG
Bankers	Royal Bank of Scotland plc 23 Sauchiehall Street Glasgow G2 3AD

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2018

The directors present the Strategic Report for the year ended 31 May 2018.

Fair review of the business

The directors were pleased to report another strong year for the group with turnover growth continuing at a steady rate. Furthermore there was a welcome increase in profitability.

The ongoing uncertainty with regard to Brexit has impacted certain of our revenue streams though overall performance has held up, with the group benefitting from diversification both in geographies and streams. Where possible we have been putting safeguards in place to minimise any further impact of Brexit.

The Group continues to develop a number of new products and services to complement and considerably enhance our existing technology. These early stage pre-release products are being well received by prospective customers. We look forward to taking these to the market in early 2019 and anticipate that they will contribute to accelerate growth in future years, particularly as they address new, more lucrative markets.

The year saw the group successfully complete 5 FP7 projects for the European Commission. We are pleased to report that our new Irish subsidiary, IES R&D Limited, has recently been awarded 4 EC projects with work commencing in late 2018.

Brexit remains the principal risk to IES, given the significant income that the group generates within Europe and the key contribution that its citizens make. The Board continues to proactively plan and prepare for the UK's departure from Europe as best we can in such an uncertain business landscape, ahead of the March 2019 deadline. The creation of an Irish subsidiary in 2017 has helped to mitigate certain risks.

There has been a positive start to 2018/19 with a strong quarter one performance.

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

Key performance indicators

Performance

We focus on a number of performance measures to ensure that our strategy successfully delivers increased value for our shareholders.

What we measure	Why we measure it	How we performed		Comment
		2018	2017	
Growth in total income	To ensure we are successful in growing group income, which is a key area of strategic focus.	5.9%	5.9%	Income continues to grow, though at a slower rate than achieved in recent years. It is anticipated that income growth will start to accelerate in 2018/19 as a result of the new products and services detailed above.
Growth in software sales	To ensure the core product continues to grow.	14%	21%	Software sales continue to show good, steady growth.
Employee absence %	Employee absence impacts operational performance and provides an indication of staff engagement, a priority for IES.	1.35%	1.0%	The group continues to return impressive absence figures, significantly below the average.

On behalf of the board



Dr D McLean
Director

Date: 20/02/18

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2018

The directors present their annual report and financial statements for the year ended 31 May 2018.

Principal activities

The principal activity of the group during the year was that of developing and providing environmental software and consultancy. In addition the company undertakes research with respect to sustainable and environmental design for spaces, buildings, neighbourhoods and cities.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S Finlayson
Dr D McLean
J Xu
S Falconer
Dr A C Wheatley
D G McEwan
R J Abbott
I Pittman

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

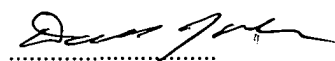
Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Dr D McLean
Director

Date: 20/12/18

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 group and company, 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 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 and company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Integrated Environmental Solutions Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2018 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and the 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 FRS 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 the parent company's affairs as at 31 May 2018 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent 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. 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED (CONTINUED)

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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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 set out 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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.



Alan Aitchison (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Third Floor

Centenary House

69 Wellington Street

Glasgow

G2 6HG

20/12/18

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 £	2017 £
Turnover	3	10,663,960	10,068,884
Cost of sales		(3,550,796)	(3,163,112)
Gross profit		7,113,164	6,905,772
Administrative expenses		(7,172,165)	(7,270,980)
Other operating income		64,314	111,082
Operating profit/(loss)	6	5,313	(254,126)
Interest receivable and similar income	8	13	1,038
Interest payable and similar expenses	9	(5,788)	(5,788)
Loss before taxation		(462)	(258,876)
Tax on loss	10	548,046	585,783
Profit for the financial year		547,584	326,907


Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 MAY 2018**

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	11		212,476		205,805
Current assets					
Debtors	14	4,403,283		4,313,408	
Cash at bank and in hand		1,589,145		1,875,199	
		5,992,428		6,188,607	
Creditors: amounts falling due within one year	15	(2,974,302)		(3,543,034)	
Net current assets			3,018,126		2,645,573
Total assets less current liabilities			3,230,602		2,851,378
Creditors: amounts falling due after more than one year	16		-		(192,927)
Provisions for liabilities	18		7,744		1,367
Net assets			3,238,346		2,659,818
Capital and reserves					
Called up share capital	21		128,826		128,826
Share premium account	22		1,104,431		1,104,431
Capital redemption reserve	22		22,958		22,958
Own shares	22		(398,156)		(429,100)
Profit and loss reserves	22		2,380,287		1,832,703
Total equity			3,238,346		2,659,818

The financial statements on pages 7 to 29 were approved by the board of directors and authorised for issue on 20/12/18 and are signed on its behalf by:



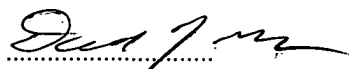
Dr D McLean
Director

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 MAY 2018**

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	11	183,159		175,868	
Investments	12	33,129		24,701	
		<u>216,288</u>		<u>200,569</u>	
Current assets					
Debtors	14	4,353,736		4,200,394	
Cash at bank and in hand		1,354,726		1,721,595	
		<u>5,708,462</u>		<u>5,921,989</u>	
Creditors: amounts falling due within one year	15	<u>(2,824,165)</u>		<u>(3,451,917)</u>	
Net current assets		<u>2,884,297</u>		<u>2,470,072</u>	
Total assets less current liabilities		<u>3,100,585</u>		<u>2,670,641</u>	
Creditors: amounts falling due after more than one year	16	-		(192,927)	
Net assets		<u><u>3,100,585</u></u>		<u><u>2,477,714</u></u>	
Capital and reserves					
Called up share capital	21	128,826		128,826	
Share premium account	22	1,104,431		1,104,431	
Capital redemption reserve	22	22,958		22,958	
Own shares	22	(398,156)		(429,100)	
Profit and loss reserves	22	2,242,526		1,650,599	
Total equity		<u><u>3,100,585</u></u>		<u><u>2,477,714</u></u>	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £591,927 (2017: £232,346).

The financial statements on pages 7 to 29 were approved by the board of directors and authorised for issue on 20/11/18 and are signed on its behalf by:


 Dr D McLean
 Director

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2018

	Share capital £	Share premium account £	Capital redemption reserve £	Own shares £	Profit and loss reserves £	Total £
Balance at 1 June 2016	128,826	1,104,431	22,958	-	1,505,796	2,762,011
Year ended 31 May 2017:						
Profit and total comprehensive income for the year	-	-	-	-	326,907	326,907
Own shares acquired	-	-	-	(429,100)	-	(429,100)
Balance at 31 May 2017	128,826	1,104,431	22,958	(429,100)	1,832,703	2,659,818
Year ended 31 May 2018:						
Profit and total comprehensive income for the year	-	-	-	-	547,584	547,584
Disposals of own shares	-	-	-	30,944	-	30,944
Balance at 31 May 2018	128,826	1,104,431	22,958	(398,156)	2,380,287	3,238,346

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2018

	Share capital £	Share premium account £	Capital redemption reserve £	Own shares £	Profit and loss reserves £	Total £
Balance at 1 June 2016	128,826	1,104,431	22,958	-	1,418,253	2,674,468
Year ended 31 May 2017:						
Profit and total comprehensive income for the year	-	-	-	-	232,346	232,346
Own shares acquired	-	-	-	(429,100)	-	(429,100)
Balance at 31 May 2017	128,826	1,104,431	22,958	(429,100)	1,650,599	2,477,714
Year ended 31 May 2018:						
Profit and total comprehensive income for the year	-	-	-	-	591,927	591,927
Disposals of own shares	-	-	-	30,944	-	30,944
Balance at 31 May 2018	128,826	1,104,431	22,958	(398,156)	2,242,526	3,100,585

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash absorbed by operations	23	(148,153)		(1,263,773)	
Interest paid		(5,788)		(5,788)	
Income taxes (paid)/refunded		(25,372)		405,578	
Net cash outflow from operating activities		(179,313)		(863,983)	
Investing activities					
Purchase of tangible fixed assets		(114,534)		(101,015)	
Proceeds on disposal of tangible fixed assets		411		86	
Interest received		13		1,038	
Net cash used in investing activities		(114,110)		(99,891)	
Financing activities					
Purchase of own shares		-		(429,100)	
Sale of treasury shares		30,944		-	
Net cash generated from/(used in) financing activities		30,944		(429,100)	
Net decrease in cash and cash equivalents		(262,479)		(1,392,974)	
Cash and cash equivalents at beginning of year		1,875,199		3,085,614	
Effect of foreign exchange rates		(23,575)		182,559	
Cash and cash equivalents at end of year		1,589,145		1,875,199	

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies

Company information

Integrated Environmental Solutions Limited ("the company") is a private company limited by shares and is registered and incorporated in Scotland. The registered office is Helix Building, Kelvin Campus, West of Scotland Science Park, Glasgow, G20 0SP.

The group consists of Integrated Environmental Solutions Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £591,927 (2017: £232,346).

Basis of consolidation

The consolidated financial statements incorporate those of Integrated Environmental Solutions Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 May 2018, except Integrated Environmental Solutions India P.Ltd, whose financial year ends on 31 March 2018. No significant transactions or events occurred in the period between 31 March 2018 and 31 May 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies (Continued)

Going concern

No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the Directors.

Turnover

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business and funding for core research projects, net of discounts, VAT and other sales related taxes.

Customer support and maintenance - revenue allocable to customer support and maintenance is recognised on a straight line basis over the terms of the support and maintenance contract. Revenue not recognised in the income statement under this policy is classified as deferred income in the balance sheet.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings - Leasehold	over a useful life of 10 years
Fixtures, fittings and equipment	33% Straight Line
Computer equipment	33% Straight Line
Other assets	33% Straight Line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, that are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised costs using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Research and development costs

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

2 Judgements and key sources of estimation uncertainty

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

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

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2018 £	2017 £
Turnover analysed by class of business		
Sales of goods	6,858,706	6,531,549
Sales of services	2,904,189	2,526,775
Core project funding	901,065	1,010,560
	<u>10,663,960</u>	<u>10,068,884</u>
	2018 £	2017 £
Other revenue		
Interest income	13	1,038
Grants received	2,873	37,107
	<u></u>	<u></u>

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

3 Turnover and other revenue (Continued)

	2018 £	2017 £
Turnover analysed by geographical market		
Asia	661,638	630,984
Australasia	574,852	520,398
Europe	3,127,154	2,733,456
North America	2,350,547	2,271,331
United Kingdom	3,550,342	3,484,370
Middle East	258,018	296,964
Rest of the world	141,409	131,381
	<u>10,663,960</u>	<u>10,068,884</u>

4 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Administrative staff	5	5	3	3
Operational staff	155	152	131	131
Management staff	12	12	11	11
	<u>172</u>	<u>169</u>	<u>145</u>	<u>145</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	6,788,273	6,705,975	6,413,914	6,426,996
Social security costs	694,179	686,835	694,023	686,810
Pension costs	463,212	430,154	458,665	429,294
	<u>7,945,664</u>	<u>7,822,964</u>	<u>7,566,602</u>	<u>7,543,100</u>

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

5 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	497,238	532,772
Company pension contributions to defined contribution schemes	72,172	68,362
	<u>569,410</u>	<u>601,134</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2017 - 5).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	143,092	144,255
Company pension contributions to defined contribution schemes	15,229	15,479
	<u>158,321</u>	<u>159,734</u>

6 Operating profit/(loss)

	2018 £	2017 £
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange gains	(16,450)	(189,733)
Government grants	(2,873)	(37,107)
Depreciation of owned tangible fixed assets	104,991	117,944
(Profit)/loss on disposal of tangible fixed assets	(411)	24
Operating lease charges	225,626	233,276
	<u>209,883</u>	<u>124,300</u>

7 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	8,840	8,550
For other services		
Taxation compliance services	2,600	2,800
All other non-audit services	2,700	7,346
	<u>5,300</u>	<u>10,146</u>

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

8 Interest receivable and similar income

	2018	2017
	£	£
Interest income		
Interest on bank deposits	13	1,034
Other interest income	-	4
	<u>13</u>	<u>1,038</u>
Total income	<u>13</u>	<u>1,038</u>

9 Interest payable and similar expenses

	2018	2017
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	5,788	5,788
	<u>5,788</u>	<u>5,788</u>

10 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	(572,446)	(581,985)
Adjustments in respect of prior periods	5,813	(20,285)
	<u>(566,633)</u>	<u>(602,270)</u>
Total UK current tax	<u>(566,633)</u>	<u>(602,270)</u>
Foreign current tax on profits for the current period	25,292	16,988
Adjustments in foreign tax in respect of prior periods	-	(1)
	<u>(541,341)</u>	<u>(585,283)</u>
Total current tax	<u>(541,341)</u>	<u>(585,283)</u>
Deferred tax		
Origination and reversal of timing differences	-	85
Adjustment in respect of prior periods	-	(85)
Other adjustments	(6,705)	(500)
	<u>(6,705)</u>	<u>(500)</u>
Total deferred tax	<u>(6,705)</u>	<u>(500)</u>
Total tax credit for the year	<u>(548,046)</u>	<u>(585,783)</u>

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

10 Taxation (Continued)

The total tax credit for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2018 £	2017 £
Loss before taxation	(462)	(258,876)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.83%)	(88)	(51,343)
Tax effect of expenses that are not deductible in determining taxable profit	5,086	2,476
Adjustments in respect of prior years	5,813	(20,286)
Depreciation on assets not qualifying for tax allowances	378	1,516
Research and development tax credit	(753,300)	(734,116)
Deferred tax adjustments in respect of prior years	(444)	(85)
Foreign exchange differences	-	644
Surrender of tax losses and other deductions	177,648	214,282
Foreign tax	(253)	(5,536)
Deferred tax not recognised	(3,770)	2,727
Profit/(loss) relating to foreign subsidiaries	20,884	3,938
Taxation credit for the year	(548,046)	(585,783)

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

11 Tangible fixed assets

Group	Land and buildings - Leasehold	Fixtures, fittings and equipment	Computer equipment	Other assets	Total
	£	£	£	£	£
Cost					
At 1 June 2017	16,787	227,477	334,316	63,671	642,251
Additions	-	16,997	96,143	1,394	114,534
Disposals	-	(4,568)	(24,613)	-	(29,181)
Exchange adjustments	-	(2,704)	46,970	(53,359)	(9,093)
At 31 May 2018	16,787	237,202	452,816	11,706	718,511
Depreciation and impairment					
At 1 June 2017	3,917	141,477	243,264	47,788	436,446
Depreciation charged in the year	1,679	31,169	70,798	1,345	104,991
Eliminated in respect of disposals	-	(4,568)	(24,613)	-	(29,181)
Exchange adjustments	-	(1,207)	38,242	(43,256)	(6,221)
At 31 May 2018	5,596	166,871	327,691	5,877	506,035
Carrying amount					
At 31 May 2018	11,191	70,331	125,125	5,829	212,476
At 31 May 2017	12,870	86,000	91,052	15,883	205,805

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

11 Tangible fixed assets (Continued)

Company	Land and buildings - Leasehold £	Fixtures, fittings and equipment £	Computer equipment £	Total £
Cost				
At 1 June 2017	16,787	201,907	323,243	541,937
Additions	-	15,462	85,775	101,237
Disposals	-	(4,568)	(24,613)	(29,181)
Exchange adjustments	-	(696)	(607)	(1,303)
At 31 May 2018	16,787	212,105	383,798	612,690
Depreciation and impairment				
At 1 June 2017	3,917	128,383	233,769	366,069
Depreciation charged in the year	1,679	28,075	63,586	93,340
Eliminated in respect of disposals	-	(4,568)	(24,613)	(29,181)
Exchange adjustments	-	(177)	(520)	(697)
At 31 May 2018	5,596	151,713	272,222	429,531
Carrying amount				
At 31 May 2018	11,191	60,392	111,576	183,159
At 31 May 2017	12,870	73,524	89,474	175,868

12 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	13	-	-	33,129	24,701

Movements in fixed asset investments

Company	Shares £
Cost or valuation	
At 1 June 2017	24,701
Additions	8,428
At 31 May 2018	33,129
Carrying amount	
At 31 May 2018	33,129
At 31 May 2017	24,701

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

13 Subsidiaries

Details of the company's subsidiaries at 31 May 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Integrated Environmental Solutions India P.Ltd	India	Environmental software and consultancy	Ordinary	100.00	
Integrated Environmental Solutions Limited	Singapore	Environmental software and consultancy	Ordinary	100.00	
IES R & D Limited	Ireland	Environmental software and consultancy	Ordinary	100.00	

14 Debtors

	Group 2018 £	2017 £	Company 2018 £	2017 £
Amounts falling due within one year:				
Trade debtors	2,251,214	2,572,203	2,180,136	2,341,983
Corporation tax recoverable	1,150,381	583,340	1,150,381	583,340
Amounts owed by group undertakings	-	-	87,352	269,153
Other debtors	511,434	519,511	453,505	470,759
Prepayments and accrued income	490,254	638,354	482,362	535,159
	<u>4,403,283</u>	<u>4,313,408</u>	<u>4,353,736</u>	<u>4,200,394</u>

15 Creditors: amounts falling due within one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Trade creditors		239,787	301,643	233,351	294,228
Amounts due to group undertakings		-	-	82,573	95,889
Other taxation and social security		389,766	361,361	379,723	351,206
Deferred income	19	1,047,811	1,116,195	1,039,369	1,110,415
Other creditors		562,056	1,134,079	528,594	1,095,042
Accruals and deferred income		734,882	629,756	560,555	505,137
		<u>2,974,302</u>	<u>3,543,034</u>	<u>2,824,165</u>	<u>3,451,917</u>

16 Creditors: amounts falling due after more than one year

	Group 2018 £	2017 £	Company 2018 £	2017 £
Other creditors	-	192,927	-	192,927
	<u>-</u>	<u>192,927</u>	<u>-</u>	<u>192,927</u>

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

17 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	2,762,648	3,091,714	2,720,993	3,081,895
Carrying amount of financial liabilities				
Measured at amortised cost	1,536,725	2,258,405	1,405,073	2,183,223

18 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2018 £	Liabilities 2017 £
Group		
Accelerated capital allowances	(7,744)	(1,367)

The company has no deferred tax assets or liabilities.

	Group 2018 £	Company 2018 £
Movements in the year:		
Liability/(asset) at 1 June 2017	(1,367)	-
Credit to profit or loss	(6,377)	-
Liability/(asset) at 31 May 2018	(7,744)	-

The deferred tax asset set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

19 Deferred income

	Group 2018 £	2017 £	Company 2018 £	2017 £
Other deferred income	1,047,811	1,116,195	1,039,369	1,110,415

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

20 Retirement benefit schemes

	2018	2017
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	463,212	430,154

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

21 Share capital

	Group and company	
	2018	2017
Ordinary share capital	£	£
Issued and fully paid		
515,303 Ordinary shares of 25p each	128,826	128,826

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

22 Reserves

Own shares

This relates to the cost of acquiring own shares purchased by the IES Shares Scheme Trust.

Share premium account

Consideration received for shares issued above their nominal value net of transaction costs.

Capital redemption reserve

The nominal value of shares repurchased and still held at the end of the reporting period.

Profit and loss reserve

Cumulative profit and loss net of distributions to owners.

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

23 Cash generated from group operations

	2018 £	2017 £
Profit for the year after tax	547,584	326,907
Adjustments for:		
Taxation credited	(548,046)	(585,783)
Finance costs	5,788	5,788
Investment income	(13)	(1,038)
(Gain)/loss on disposal of tangible fixed assets	(411)	24
Depreciation and impairment of tangible fixed assets	104,991	117,944
Foreign exchange gains on cash equivalents	26,447	(189,733)
Movements in working capital:		
Decrease/(increase) in debtors	477,166	(791,964)
(Decrease) in creditors	(693,275)	(220,272)
(Decrease)/increase in deferred income	(68,384)	74,354
Cash absorbed by operations	(148,153)	(1,263,773)

24 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Within one year	39,723	31,409	39,723	31,409
Between one and five years	2,660	43,651	2,660	43,651
In over five years	191,682	191,456	191,682	191,456
	<u>234,065</u>	<u>266,516</u>	<u>234,065</u>	<u>266,516</u>

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group, who are also directors, is as follows.

	2018 £	2017 £
Aggregate compensation	<u>627,186</u>	<u>666,782</u>

INTEGRATED ENVIRONMENTAL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

25 Related party transactions (Continued)

Transactions with related parties

	Interest payable	
	2018	2017
	£	£
Company		
Entities with common directorship	5,788	5,788
	<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

	2018	2017
	£	£
Company		
Entities with common directorship	213,742	207,954
	<u> </u>	<u> </u>