

ERCL Limited
Annual Report and Financial Statements
For the year ended 31 December 2019

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Company Number: 08743541

Company Information

Parent Company	Getech Group plc
Directors	A Darbyshire
Company Secretary	A Darbyshire
Registered Number	08743541
Registered Office	Kitson House Elmete Lane Leeds LS8 2LJ
Auditors	Grant Thornton UK LLP No. 1 Whitehall Riverside Leeds LS1 4BN
Bankers	NatWest Bank plc PO Box 183 8 Park Row Leeds LS1 1QT

Director's report

The Directors present their report and financial statements for the year ended 31 December 2019.

Principal activities

ERCL Limited specialises in upstream oil and gas services.

Results and dividends

The results for the period are set out on page 6.

The Director paid a dividend of £nil during the period (2018: £nil).

Director

The following Director has held office since 1 January 2019:

A Darbyshire

Statement of Director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). Under company law the director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The director confirms that:

- so far the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP, are deemed to be reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Director's report

Post balance sheet events

We do not know how long Covid-19 disruption and oil price weakness will last but there is certainty that when the world emerges from lockdown it will be in a deep recession. To manage the risk that is associated with this the company has taken steps that deliver significant reductions in monthly costs.

This has been achieved through overhead cost management, use of the UK Government Job Retention Scheme, and salary reductions.

Whilst revenue uncertainty exists, ERCL retains additional cost flexibility, and the benefits of the actions already taken combine with our strong balance sheet and orderbook to provide significant financial capacity. This will underpin the company throughout 2020 and 2021.

Small company exemptions

The company has taken the exemption conferred by S415(A) of the Companies Act 2006 permitting it to prepare a director's report in accordance with the small companies regime on the grounds that it would qualify as small but for being a member of an ineligible group.

The company has further taken the exemption conferred by S414B of the Companies Act 2006 to not prepare a Strategic Report on the same grounds.

The report was approved by the Board on 22 June 2020 and signed on their behalf.

Andrew Darbyshire

A Darbyshire
Company Secretary

Independent Auditor's Report

To the members of ERCL Limited

Opinion

We have audited the financial statements of ERCL Limited (the 'company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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 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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 the audit:

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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: 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.

Grant Thornton UK LLP

Victoria McLoughlin BA FCA

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Leeds

26 June 2020

Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	3	275	657
Cost of sales		(322)	(888)
Exceptional cost of sales	13	(289)	-
Gross (loss)/profit		(336)	(231)
Administrative costs		(93)	(271)
Exceptional restructuring costs	13	-	(152)
Operating loss	4	(429)	(654)
Finance income		-	-
Loss before tax		(429)	(654)
Income tax credit	6	14	136
Total comprehensive income for the period		(415)	(518)

The statement of comprehensive income has been prepared on the basis that all operations are continuing.

The accompanying notes on pages 9 to 22 form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2019

Company registration number: 08743541

	Note	31 Dec 2019 £'000	31 Dec 2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	4	10
Intangible assets	7	-	296
Deferred tax assets	6	158	143
		162	449
Current assets			
Corporation tax asset		10	24
Trade and other receivables	9	100	160
Cash and cash equivalents		72	143
		182	327
Total assets		344	776
Liabilities			
Current liabilities			
Trade and other payables	10	142	159
		142	159
Non-current liabilities			
Deferred tax liabilities	6	-	-
		-	-
Total liabilities		142	159
Net assets		202	617
Equity			
Equity attributable to owners of the Parent			
Share capital	11	10	10
Retained earnings	12	192	607
Total equity		202	617

The financial statements on pages 6 to 22 were approved and authorised for issue by the Board of Directors on 22 June 2020.

Andrew Darbyshire

A Darbyshire

Director

The accompanying notes on pages 9 to 22 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2017	10	1,125	1,135
Total transactions with owners	-	-	-
Total comprehensive income for the year	-	(518)	(518)
At 31 December 2018	10	607	617
Total transactions with owners	-	-	-
Total comprehensive income for the period	-	(415)	(415)
At 31 December 2019	10	192	202

The accompanying notes on pages 9 to 22 form an integral part of these financial statements.

Notes to the Financial Statements

1. Company information

The financial statements of ERCL Limited (the "Company") for the year ended 31 December 2019 were approved by the board and authorised for issue on 22 June 2020 and the Statement of Financial Position was signed on the Board's behalf by A Darbyshire.

ERCL Limited specialises in upstream oil and gas services.

ERCL Limited is incorporated and domiciled in England and Wales and its registered office address is Kitson House, Elmete Lane, Leeds, LS8 2LJ.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The principal accounting policies adopted by the Company, judgements and key areas of estimation uncertainty are set out in Note 2.15.

2. Accounting Policies

2.1. Statement of compliance

These financial statements have been prepared on a historical cost basis, in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' ("FRS 101"). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the period unless otherwise stated.

2.2. Disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- a statement of cash flows and related notes
- the requirement to produce a statement of financial position at the beginning of the earliest comparative period
- the requirements of IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of the group as they are wholly owned by the group
- presentation of comparative reconciliations for property, plant and equipment
- disclosure of key management personnel compensation
- capital management disclosures
- presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- the effect of future accounting standards not adopted
- disclosures in relation to impairment of assets
- disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)
- fair value measurement disclosures (other than disclosures required as a result of recording financial instruments at fair value)

Notes to the Financial Statements

2.3. *Going concern*

The Directors have performed regular reviews of trading and cash flow forecasts and have considered the sensitivity of these forecasts with regards to different assumptions about future income and costs relating to ERCL and its parent company. Various scenarios have been run on the potential impact of Covid-19. These include an assessment of the orderbook – customer contractual commitments and the ability to deliver this work; and the modelling of extreme and hypothetical ‘zero new revenue’ downside scenarios, these extending across multiple years. Additional cost actions have also been modelled, including a bottom up restructuring of ERCL and its parent company’s overhead, offices, technical staff and commercial activities.

In addition to the sensitivity models of future income and costs, we have made various assumptions to model cash flow forecasts: It has been assumed that the UK Government Job Retention Scheme will continue to be available until the end of September 2019 and that current social distancing measures, which impact our ability to meet clients in person, will also be in place until the end of September. We have also not relied on the availability of additional sources of cash in our forecast assumptions, notwithstanding continued support from the parent company.

These cash flow projections, when considered in conjunction with existing cash balances, and the cost saving measures implemented, demonstrate that the ERCL has access to sufficient working capital for the foreseeable future. Consequently, the Directors are fully satisfied that ERCL is a going concern.

2.4. *Parent Company*

The Company is a wholly owned subsidiary of Getech Group plc which prepares publicly available consolidated financial statements in accordance with IFRS as adopted by the EU. This Company is included in the consolidated financial statements of Getech Group plc for the period ended 31 December 2019. These accounts are available from its registered office at Kitson House, Elmete Hall, Elmete Lane, Leeds LS8 2LJ.

2.5. *Intangible Assets and Amortisation*

Expenditure on development activities is capitalised if the product or process meets the recognition criteria for development expenditure. The expenditure capitalised includes all directly attributable costs, from the date that the intangible asset meets the recognition criteria necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated to write down their cost by equal instalments over their estimated economic lives at the following rate:

Reports	ten years on a straight-line basis
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2.6. *Tangible assets*

Property, Plant and Equipment (“PPE”) is initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company’s management.

Depreciation is recognised on a straight-line basis for fixtures and fittings and computer equipment over their useful lives, which is deemed to be three years. Material residual value estimates and useful economic lives are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

The carrying values of PPE are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount.

Notes to the Financial Statements

2.7. Financial assets

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Classification and Initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVOCI or FVTPL.

Subsequent measurement of financial assets - Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Notes to the Financial Statements

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2.8. Cash and cash equivalents

Cash comprises cash on hand and demand deposits which are presented as cash at bank and in hand in the statement of financial position.

Cash equivalents comprise short-term, highly liquid investments with maturities of three months or less from inception that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are presented as part of current asset investments in the statement of financial position.

2.9. Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value and all transaction costs are recognised immediately in profit or loss. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are re-measured at each reporting date at fair value, with changes in fair value being recognised in profit or loss. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in profit or loss. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are categorised as at fair value through profit or loss where they are designated as at fair value through profit or loss on initial recognition. Deferred consideration on acquisitions of assets, which is contingent on subsequent sales of such assets, is treated as financial liability at fair value through profit or loss, and the value is allocated between current and non-current liabilities in accordance with best estimates of the timing and amounts expected to fall due.

A financial liability is derecognised only when the obligation is extinguished; that is, when the obligation is discharged or cancelled, or it expires.

Notes to the Financial Statements

2.10. Equity, reserves and dividend payments

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity. Transaction costs on the issue of shares are deducted from the share premium account arising on that issue. Dividends on the Company's ordinary shares are recognised directly in equity.

Interim dividends are recognised when they are paid. A liability for unpaid dividends is recognised when the dividends have been approved in a general meeting prior to the reporting date.

2.11. Revenue recognition

The Company has adopted IFRS 15 and its principles. Revenue is measured by reference to the fair value of consideration received or receivable by the Company for products and services provided, excluding VAT and comparable overseas taxes. Typical invoice payment terms are 30 days for all categories of revenue.

Revenue from products and services falls into the two categories below:

Consultancy services

The company provides various consulting services to its customers. Revenue from these services is recognised on a time-and-materials basis plus a margin as the services are provided. Customers are invoiced monthly as work progresses.

Multiclient products

For sales of data and completed products, revenue is recognised when performance obligations have been satisfied, which is on dispatch unless otherwise agreed.

Notes to the Financial Statements

2.12. Foreign currency translation and balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

Foreign exchange gains and losses resulting from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items, measured at fair value, which are translated using the exchange rates at the date when fair value was determined. Where a gain or loss on a non-monetary item is recognised in other comprehensive income the foreign exchange component of that gain or loss is also recognised in other comprehensive income.

2.13. Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Calculation of deferred tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period, that are expected to apply when the asset is realised, or the liability is settled.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover the related asset or settle the related obligation. Deferred tax liabilities are not discounted.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax is not discounted.

2.14. Post-employment benefits and short-term employee benefits

Short-term employee benefits

Short term employee benefits including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the Company would expect to pay as in the event of unused entitlement.

Post-employment benefit plans

Contributions to defined contribution pension schemes are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset. Unpaid contributions are reflected as a liability.

Notes to the Financial Statements

2.15. Key judgements and uncertainties

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Deferred taxation

Management judgement is required in determining provisions for deferred tax liabilities and assets. The process involves estimating the actual current tax exposure together with assessing temporary differences resulting from the different valuation of certain assets and liabilities in the financial statements and the tax returns. Management must assess the probability that the deferred tax assets will be recovered from future taxable income.

Carrying amount of non-current assets

Where there is an indication of impairment, a review of the carrying values of non-current assets is undertaken as follows:

- Intangible non-current assets are estimated on the basis of value in use

The value is calculated from the present value of future cash flows expected to be derived from the asset under review. The key elements of estimation are the calculation of future cash flows. For intangible assets, future cash flows are forecast revenues from the associated cash-generating unit. Further estimation is made in determining an appropriate discount rate that reflects the specific risks associated with the asset or cash-generating unit.

2.16. Exceptional items

Items which are material either because of their size or their nature, and which are non-recurring, are presented within their relevant consolidated income statement category, but highlighted through separate disclosure. The separate reporting of exceptional items helps provide a better picture of the Company's underlying performance. Items which are included within the exceptional category include:

- spend on the integration of significant acquisitions and other major restructuring programmes;
- significant goodwill or other asset impairments relating to specific market events; and
- other particularly significant or unusual items.

2.17. Reporting period

The current period covers a 12-month period from 1 January 2019 to 31 December 2019.

Notes to the Financial Statements

3. Revenue

Revenue, analysed geographically between markets, was as follows:

	2019 Revenue £'000	2018 Revenue £'000
United Kingdom	68	77
Rest of Europe	-	54
Americas	-	66
Asia-Pacific	-	343
Africa	207	117
	275	657

During the year all revenues were generated from consultancy services.

4. Operating (loss)/profit

The operating loss for the period has been arrived at after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	6	8
Amortisation of intangible assets	7	6
Impairment of intangible assets	289	-
Research and development costs expensed as incurred	106	77
Remuneration receivable by the Company's auditor for audit services:		
– the auditing of the accounts	5	5
Operating leases:		
– rental costs of land and building	-	66
Foreign exchange movement	-	(8)

Notes to the Financial Statements

5. Directors and employees

The employee benefit expenses, including directors, during the period were as follows:

	2019 £'000	2018 £'000
Wages and salaries	218	720
Social security costs	26	77
Pension costs	5	23
	249	820

The average number employed by the Company, including Executive Directors was:

	2019 £'000	2018 £'000
Administration	-	1
Technical	3	10
	3	11

Directors' remuneration comprised the following:

	2019 £'000	2018 £'000
Directors' emoluments	-	121
Pension costs	-	1
	-	122

During the year, no directors (2018: one) had benefits accruing under money purchase pension schemes.

Notes to the Financial Statements

6. Income tax

The income tax charge comprises:

	2019 £'000	2018 £'000
Current income tax		
Current period	(10)	(22)
Prior year	2	(14)
Total current tax	(8)	(36)
Deferred tax		
Current period	(2)	(100)
Prior period	(4)	-
Total deferred tax	(6)	(100)
Tax (credit) on loss	(14)	(136)

Factors affecting the tax charge for the period:

The tax credit for the period can be reconciled to loss per the statement of comprehensive income at the standard rate of corporation tax in the UK of 19% (2018: 19%) as follows:

	2019 £'000	2018 £'000
Loss from ordinary activities before tax	(429)	(654)
Tax at UK corporation tax rate of 19% (2018: 19%)	(82)	(124)
Effects of:		
Additional deduction for research and development	-	(15)
Surrender of tax losses for R&D tax credit refund	-	27
Impairment of intangible assets	53	-
Adjustment to tax charge in respect of prior years	(2)	(14)
Tax losses not recognised as an asset	22	-
Other differences	(5)	(10)
Total tax credit reported in the statement of comprehensive income	(14)	(136)

Notes to the Financial Statements

Deferred taxation

The net movement on the deferred tax asset accounts is as follows:

	2019 £'000	2018 £'000
Deferred tax assets/(liabilities)		
Balance brought forward	143	43
Charged in respect of timing differences	15	100
Balance carried forward	158	143

The deferred taxation recognised in the financial statements at 17% (2017: 17%) is set out below:

	2019 £'000	2018 £'000
Accelerated capital allowances	(1)	(2)
Tax losses	159	145
Net deferred tax asset / (liability)	158	143

The deferred tax asset in respect of tax losses arises as a result of losses incurred by ERCL after 1 April 2017. The parent company group is expected to generate future taxable profits, which these losses will be set against. The trading losses carried forward have no expiry date.

Losses incurred by ERCL prior to 1 April 2017 amount to £130,000 for which no deferred tax asset has been recognised.

7. Intangible assets

The carrying amounts of intangible assets for the period presented in the financial statements are reconciled as follows:

	Reports £'000	Total £'000
Cost		
At 1 January 2019	857	857
Additions	-	-
At 31 December 2019	857	857
Amortisation and impairment		
At 1 January 2019	561	561
Amortisation charge for the period	7	7
Impairment charge	289	289
At 31 December 2019	857	857
Carrying amount		
At 31 December 2019	-	-
At 1 January 2019	296	296

Amortisation charges are included in "Cost of Sales" in the statement of comprehensive income.

Notes to the Financial Statements

8. Property, plant and equipment

The carrying amounts of property, plant and equipment for the period presented in the financial statements are reconciled as follows:

	Computer equipment £'000	Total £'000
Cost		
At 1 January 2019	33	33
Additions	-	-
Disposals	-	-
At 31 December 2019	33	33
Depreciation		
At 1 January 2019	23	23
Charge for the period	6	6
Depreciation on disposal	-	-
At 31 December 2019	29	29
Carrying amount		
At 31 December 2019	4	4
At 1 January 2019	10	10

Depreciation charges are included in "Administrative costs" in the statement of comprehensive income.

9. Trade and other receivables

	31 December 2019 £'000	31 December 2018 £'000
Trade receivables	2	59
Amounts owed by group undertakings	79	88
Other receivables	15	7
Prepayments and accrued income	4	6
	100	160

All amounts are short term. The carrying amounts of trade and other receivables are considered to be reasonable approximations to fair value.

10. Trade and other payables

	31 December 2019 £'000	31 December 2018 £'000
Current liabilities		
Trade payables	-	11
Amounts owed to group undertakings	140	128
Social security and other taxes	-	13
Other payables	1	2
Accruals and deferred income	1	5
	142	159

The carrying amounts of trade and other payables are considered to be reasonable approximations to fair value.

Notes to the Financial Statements

11. Share capital

	31 December 2019 £'000	31 December 2018 £'000
Authorised		
10,000 Ordinary Shares of £1 each (2018: 10,000)	10	10
Issued, called up and fully paid		
10,000 Ordinary Shares of £1 each (2018: 10,000)	10	10

12. Reserves

Called-up share capital represents the nominal value of shares that have been issued.

Retained earnings includes all current and prior period retained profits and losses, net of distributions made.

13. Exceptional items

Exceptional (costs)/credits included in the income statement are detailed in the table below:

	31 December 2019 £'000	31 December 2018 £'000
Exceptional cost of sales		
<i>Impairment of intangible assets</i>	289	-
	289	-
Exceptional administrative costs		
Restructuring costs	-	152
	-	152

The above table lists the exceptional items reported in the Statement of Comprehensive Income. Classified as exceptional cost of sales, the impairment of intangible assets reduces the carrying value of ERCL's inventory of reports to *£nil* (2018: £296,000).

In 2018 restructuring costs totalling £152,000 were classified as an exceptional administrative cost.

14. Related party transactions

As permitted by FRS 101, the Company has not disclosed transactions with Group undertakings.

15. Ultimate controlling party

The immediate and ultimate parent company is Getech Group plc, which is the smallest and the largest group in which the Company's accounts are consolidated, and whose registered office is Kitson House, Elmete Hall, Elmete Lane, Leeds, LS8 2LJ.

Getech Group plc is the ultimate controlling party, the Directors consider there to be no ultimate controlling party of Getech Group plc.

Notes to the Financial Statements

16. Post balance sheet events

We do not know how long Covid-19 disruption and oil price weakness will last but there is certainty that when the world emerges from lockdown it will be in a deep recession. To manage the risk that is associated with this the company has taken steps that deliver a significant reduction in monthly costs.

This has been achieved through overhead cost management, use of the UK Government Job Retention Scheme, and company-wide salary reductions