

Registered Number: 01829338

AVT Reliability Ltd
Annual Report
for the year ended 31 December 2020

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AVT Reliability Ltd
Annual Report
for the year ended 31 December 2020

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AVT Reliability Ltd

Directors and advisers

Directors

J H Chappell
C J Rea CBE DL
F Thomas
S M Shaw
J N Hamilton
C L Dickinson
A J Gales

Company secretary

C L Dickinson

Registered office

Global Technology Centre
Mill Close
Bradmarsh Business Park
Rotherham
S60 1BZ

Independent auditors

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Bankers

HSBC Bank plc
4th Floor, City Point
29 King Street
Leeds
LS1 2HL

AVT Reliability Ltd

Strategic report for the year ended 31 December 2020

The directors present their strategic report on the company for the year ended 31 December 2020.

Principal activities

The principal activity of the company is providing engineering consultancy services.

Our purpose and future developments

The company's purpose is to put customers at the heart of our business through providing exceptional customer service.

The directors believe that the business is at the forefront in the provision of web based condition monitoring, software driven analysis and reporting for many frequently occurring and preventable equipment failures. Our services help customers to reduce unplanned downtime and improve their plant reliability. The company has spent significant time and resources in developing two innovative solutions - a modular bracing solution called **Easy-Brace®**, and **Machine Sentry®** which itself also includes two leading edge sensors, Machine Sentry mobile and Machine Sentry Fixed. These product offer alternative and cost effective solution for the industry. In addition the Machine Sentry Cloud based software includes over 40 years of condition monitoring and analytic expertise concentrated into a state of the art algorithm, providing our customer a unique ability to display, organise, analyse and manage their data in an efficient format, further supporting the reliability of their plant and transition toward a digital age.

In the coming year the company plans to continue strategic global Machine Sentry growth whilst continuing the focus on higher value service sales. The company will continue to invest in product development.

Review of business and future developments

Despite the global pandemic we have witnessed growth in our Machine Sentry sales, in line with our strategy. Despite this during the year ended 31 December 2020 turnover decreased by 10.7% to £6.7m (2019: £7.5m) and operating profit decreased by 41% to £201,000 (2019: £340,000). The Directors are optimistic about the continuous growth of the Machine Sentry software and its associated sensors Machine Sentry Fixed and Machine Sentry Mobile as well as their Easybrace Solution and the impact this will have on the results.

The net assets of the company have increased by 3.3% to £3.1m (2019: £3.0m).

Our confidence for the future is built on the excellence of our product and service offering, and the business model and value proposition of our ultimate parent company, AES Engineering Limited, which is unique in the industry sector. We are carefully managing the coronavirus situation and the Group is committed to providing a safe environment for our employees and ensuring business continuity. We already have in place processes to protect our staff, including travel restrictions, working from home arrangement and temperature checks on entry to buildings.

AVT Reliability Ltd

Strategic report for the year ended 31 December 2020 - continued

Research and development

To sustain the growth in a technologically advanced business, innovative and new product development is fundamental. During the year the company invested £101,916 (2019: £97,045) on research and development activities.

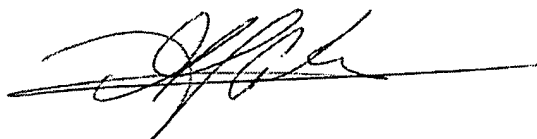
Principal risks and KPIs

The directors of AES Engineering Limited, the ultimate parent company manage the group's risks and operations at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that discussion of the group's risks and analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company's business. The principal risks and uncertainties of the group, including credit, liquidity and cash flow risk of the company, and the development, performance and position of the company are discussed in the Director's report of AES Engineering Limited's Annual Report which does not form part of this report.

Withdrawal of the United Kingdom from the European Union.

The UK has now left the EU and the transition period also ended on 31 December 2020. Supply chain disruption was the main risk to AVT Reliability Limited following the transition period, however we continue to actively engage with our key suppliers, customers and freight forwarders to reduce any impact on supply chains and distribution of our product and services to customers.

On behalf of the Board



A J Gales
Director
7 June 2021

AVT Reliability Ltd

Directors' report for the year ended 31 December 2020

The directors present their report and the audited financial statements of the company for the year ended 31 December 2020.

Details of principal risks, including financial risks, and KPIs are provided in the Strategic report.

Results and dividends

The profit and loss account for the year is set out on page 12. No dividends were paid during the year (2019: £nil).

Directors

The directors who held office during the year and up to the date of signing are given below:

J H Chappell
C J Rea CBE DL
S M Shaw
F E S Thomas
J N Hamilton
C L Dickinson
A J Gales (appointed 19th May 2021)

Directors' indemnities

The group maintains liability insurance for its directors and officers. The company has also provided an indemnity for its directors and the company secretary during the financial year and at the date of this report, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Charitable donations

The company made £nil (2019: £750) charitable donations during the year. No political donations were made during the year (2019: £nil).

Employees

Communication is crucial to helping employees engage with the business. We communicate through team briefings, presentations, intranet and newsletters. The company has well-established forums for exchanging information and best practice, as well as discussing business issues, including efficiency initiatives, training and development, environmental and health & safety issues. All employees contribute to and understand the company's business culture - particularly the needs of the customers it serves. The company uses employee surveys to establish feedback.

The company is committed to promoting policies which are designed to ensure that employees and those who seek to work for the company are treated equally regardless of sex, marital status, sexual orientation, race or ethnic origin.

The company gives full and fair consideration to applications for employment by people who are disabled, to continue wherever possible the development of staff who become disabled and to provide equal opportunities for the career development of disabled employees

AVT Reliability Ltd

Directors' report for the year ended 31 December 2020 - continued

The company recognises that training for all levels of staff is vital to performance and it also provides a mechanism for increasing morale and improving staff retention. This ensures that knowledge of the company's product offering is not lost, thereby enhancing customer service. All employees are provided with regular training on behavioural standards.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AVT Reliability Ltd

Directors' report for the year ended 31 December 2020 - continued


Statement of directors' responsibilities - continued

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

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

Approved by and signed on behalf of the Board



**A J Gales
Director
7 June 2021**

Independent auditor's report to the members of AVT Reliability Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AVT Reliability Limited ("the company") for the year ended 31 December 2020 which comprise the profit & loss account, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1 on pages 15 to 18,

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

Independent auditors' report to the members of AVT Reliability Ltd – continued

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud;
- Reading board minutes;
- Considering remuneration incentive schemes and performance targets; and
- Using analytical procedures to identify unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, including: the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify additional fraud risks.

In determining the audit procedures we have taken into account the results of our evaluation of the company-wide fraud risk management controls. We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts involving revenue and cash.
- For a sample of revenue transactions around the period end, vouching to supporting external documentation to corroborate whether those items were recorded in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulation.

Independent auditors' report to the members of AVT Reliability Ltd – continued

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, and certain aspects of company legislation, recognising the nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon. Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;

Independent auditors' report to the members of AVT Reliability Ltd – continued

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditors' report to the members of AVT Reliability Ltd – continued

The purpose of our audit work and to whom we owe our responsibilities

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.

David Caseldine (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

AVT Reliability Ltd

Profit and loss account for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	1	6,732	7,492
Other operating income		13	12
		6,745	7,504
Cost of sales		(4,925)	(5,575)
Gross profit		1,820	1,929
Administrative expenses		(1,619)	(1,589)
Operating profit	2	201	340
Interest payable and similar expenses	3	-	(8)
Profit before taxation		201	332
Tax on profit	6	(91)	(42)
Profit for the financial year		110	290

All items dealt with in arriving at the operating profit above relate to continuing operations.

The company has no other comprehensive income and therefore no separate statement of other comprehensive income has been presented.

The notes on Page 15 to Page 26 form part of the financial statements.

AVT Reliability Ltd

Balance sheet as at 31 December 2020

Registered number: 01829338

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	7	500	594
Intangible assets	8	152	201
		652	795
Current assets			
Debtors	9	2,624	2,211
Inventories	11	216	188
Cash at bank and in hand		532	630
		3,372	3,029
Creditors: amounts falling due within one year	10	(921)	(831)
Net current assets		2,451	2,198
Total assets less current liabilities		3,103	2,993
Net assets		3,103	2,993
Capital and reserves			
Called up share capital	13	-	-
Retained earnings		3,103	2,993
Total shareholders' funds		3,103	2,993

The financial statements on pages 12 to 26 were approved by the board of directors on 7 June 2021
were signed on its behalf by:



A J Gales

Director

AVT Reliability Ltd

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 January 2019	-	2,703	2,703
Profit for the year	-	290	290
At 31 December 2019	-	2,993	2,993
Profit for the year	-	110	110
At 31 December 2020	-	3,103	3,103

AVT Reliability Ltd

Statement of accounting policies

General Information

AVT Reliability Ltd's ('the company') principal activity is providing engineering consultancy services. The company is limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Global Technology Centre, Mill Close, Bradmarsh Business Park, Rotherham S60 1BZ.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The directors have prepared detailed cash flow forecasts for a period of 13 months from the date of these financial statements. The forecasts consider the directors' views of current and future economic conditions that are expected to prevail over the period. These forecasts include assumptions regarding future revenues and costs together with risks and mitigating actions where applicable.

The forecasts indicate the company is able meet its liabilities as they fall due throughout the period to 30 June 2022.

Taking account of the anticipated continuing impact of COVID-19 on operations and its financial resources, the directors have modelled a severe but plausible downside scenario sensitivity which allows for a further two month period of lockdown between the date of these accounts and 30 June 2022. The business continued to trade profitably through various 2020 and 2021 lockdown periods and would expect to be able to do so again, should the government impose further lockdown restrictions in the future and as at 31 December 2020 the company had significant net cash reserves of £532,000. Taking into account the severe but plausible downside before other mitigating actions available, the company is expected still to be able to operate with significant positive cash levels throughout the period to 30 June 2022. Accordingly, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Exemptions for qualifying entities under FRS 102

The company is a wholly owned subsidiary of AES Engineering Limited. It is included in the consolidated financial statements of AES Engineering Limited which are publicly available.

Consequently the company is a qualifying entity as per FRS 100 and has taken advantage of the disclosure exemptions of FRS 102, Section 1, paragraph 1.12(a) reconciliation of the number of shares outstanding at the beginning and at the end of the period, paragraph 1.12(b) statement of cash flows, 1.12(d) certain share based payments disclosures and 1.12(e) key management compensation in total.

AVT Reliability Ltd

The company has taken advantage of the exemption available under the terms of FRS 102 not to disclose related party transactions with group companies.

Turnover

Turnover comprises revenue recognised by the company in respect of services supplied during the year, exclusive of Value Added Tax and trade discounts. Turnover is recognised when the risks and rewards of ownership have passed to the customer or the services have been completed and agreed by the customer.

AVT Reliability Ltd

Statement of accounting policies - continued

Inventory

Inventory is stated at the lower of cost and net realisable value. In respect of finished goods and goods for resale, cost includes direct materials, labour and manufacturing overheads incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs to completion and selling costs. Provision is made for slow moving and obsolete stock.

Tangible assets and depreciation

The cost of tangible assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible assets, less their estimated residual value, over their estimated economic lives. The depreciation rates used for this purpose are:

Plant and equipment	15-50% straight line
Motor vehicles	25% straight line
Leasehold Property	Lifetime of the lease
Office Equipment	15-50% straight line

Intangible assets

Development costs are capitalised where they meet the following criteria:

- the technical feasibility of the intangible asset is completed so that it will be available for use or sale; and
- the company has an intention to complete the intangible asset and use or sell it; and
- the company has the ability to use or sell the intangible asset; and
- it can be demonstrated how the intangible asset will generate probable future economic benefits. Among other things, there is a market for the output of the intangible asset or the intangible asset is to be used internally; and
- the company has adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible assets can be reliably measured during its development.

Where these criteria are not met, development costs are written off in the year of expenditure

Deferred taxation

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

AVT Reliability Ltd

Statement of accounting policies - continued

Pension costs

The company operates defined contribution pension schemes. The charge in the profit and loss account for pension costs is the amount of the company's contributions payable to the pension schemes in the year.

Leasing

Assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible assets. The related obligations, net of future finance charges, are included in creditors.

Operating lease rentals are charged to the profit and loss account as they are incurred. Lease incentives are recognised on a straight line basis over the period until the next rent review.

Critical accounting estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, economic utilisation and the physical condition of the assets. See note 7 for the carrying values of plant, property and equipment.

(b) Capitalised development costs

Development projects where knowledge and understanding gained from research and practical experience are directed towards developing new products or processes, are recognised as intangible assets in the balance sheet when they meet the criteria for capitalisation. Development costs are capitalised when the technical and commercial feasibility of completing the product or process can be demonstrated and the product or process is intended to be sold or used. Probable future economic benefit related to the asset flowing to the company is also expected and can be reliably measured. The reported value includes all directly attributable compensation to employees working on a development project. Individual assessment is made of major ongoing research and development projects to determine whether these criteria have been met. See note 8 for the carrying value of capitalised development costs.

AVT Reliability Ltd

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

1 Turnover

The company's turnover and operating profit relate entirely to its principal activity of engineering consultancy services.

2 Operating profit

	2020 £'000	2019 £'000
Operating profit is stated after charging:		
Depreciation of owned tangible assets	332	340
Depreciation on long term leasehold property	15	15
Amortisation of intangible assets	151	135
Auditors' remuneration including expenses		
- audit	26	13
Operating leases – property and machinery	54	56

3 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest payable to group companies	-	8

AVT Reliability Ltd

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

4 Staff Costs

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

By activity	2020	2019
	Number	Number
Sales engineers	67	73
Management and administration	7	6
	74	79

Staff costs for the above persons were:	2020	2019
	£'000	£'000
Wages and salaries	3,170	3,540
Social security costs	379	412
Other pension costs	74	73
	3,623	4,025

5 Directors' emoluments

	2020	2019
	£'000	£'000
Emoluments including benefits in kind	230	216
Company pension contributions to money purchase scheme	3	-
	233	216

Retirement benefits are accruing to 2 (2019: nil) directors under a money purchase scheme.

The highest paid director received emoluments of £121,404 (2019: £119,671), including £1,314 (2019: £1,188) payment to a pension.

Some of the directors of AVT Reliability Ltd are remunerated by another group company, AESSEAL Plc.

AVT Reliability Ltd

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

6 Tax on profit

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax on profits of the year	82	85
Adjustments in respect of previous year	-	-
Current tax charge for the year	82	85
Deferred tax: origination and reversal of timing differences	9	(43)
Tax on profit	91	42

Corporation tax is calculated at 19% (2019: 19.00%) of the estimated assessable profit for the year. Deferred tax balances at the year-end have been measured at 19%.

The tax charged on the profit for the year is higher (2019: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'000	2019 £'000
Profit before taxation	201	332
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	38	63
Effects of:		
Origination and reversal of timing differences	53	(43)
Adjustments in respect of previous year	-	22
Total tax charge for the year	91	42

The UK Budget on 3 March 2021 included an announcement that the corporation tax rate will increase to 25% from 1 April 2023 for certain companies. The increase has not yet been substantively enacted and its effects therefore are not reflected in these financial statements.

AVT Reliability Ltd

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

7 Tangible assets

	Land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2020	148	847	947	391	2,333
Additions	-	120	75	58	253
Disposals	-	-	(25)	-	(25)
At 31 December 2020	148	967	997	449	2,561
Accumulated depreciation					
At 1 January 2020	72	784	615	268	1,739
Charge for the year	15	69	188	75	347
Disposals	-	-	(25)	-	(25)
At 31 December 2020	87	853	778	343	2,061
Net book value					
At 31 December 2020	61	114	219	106	500
At 31 December 2019	76	63	332	123	594

The cost of depreciable assets included in land and buildings is £148,000 (2019: £148,000).

AVT Reliability Ltd

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

8 Intangible assets

	Deferred development expenditure £'000	Total £'000
Cost		
At 1 January 2020	469	469
Additions	102	102
At 31 December 2020	571	571
Accumulated amortisation		
At 1 January 2020	268	268
Charge for the year	151	151
At 31 December 2020	419	419
Net book value		
At 31 December 2020	152	152
At 31 December 2019	201	201

9 Debtors

	2020 £'000	2019 £'000
Trade debtors	1,105	1,309
Amounts owed by group undertakings	1,231	598
Other debtors	202	209
Deferred tax asset (note 12)	86	95
	2,624	2,211

Amounts owed by group undertakings falling due within one year are unsecured, at a market rate of interest and are repayable on demand.

AVT Reliability Ltd

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

10 Creditors – amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	88	97
Amounts owed to group undertakings	246	38
Corporate tax payable	47	73
Other taxation and social security	307	370
Accruals and deferred income	233	253
	921	831

Amounts owed to group undertakings falling due within one year are unsecured, at a market rate of interest and are repayable on demand.

11 Inventory

	2020	2019
	£'000	£'000
Work in progress	174	105
Finished goods and goods for resale	42	83
	216	188

AVT Reliability Ltd

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

12 Deferred tax asset

Deferred tax	2020	2019
	£'000	£'000
At 1 January	95	52
Credit/(Debit) to the profit and loss account (note 6)	(9)	43
At 31 December	86	95

	2020	2019
	£'000	£'000
Deferred taxation provided in the financial statements comprises		
Timing differences:		
Accelerated capital allowances	86	95
	86	95

13 Called up share capital

	2020	2019
	£	£
Authorised		
2 (2019: 2) ordinary shares of £1 each	2	2
Allotted and fully paid		
2 (2019: 2) ordinary shares of £1 each	2	2

There have been no changes during the year.

AVT Reliability Ltd

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

14 Leasing commitments

At 31 December 2020 the company had total commitments under non-cancellable operating leases expiring as follows:

	2020	2019
Land and buildings	£'000	£'000
Within one year	65	56
In more than one year, but not more than five years	186	215
More than five years	-	-
	251	271

15 Pension commitments

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds.

Outstanding contributions payable to the schemes by the company are included in the pension cost charge in respect of the year end amounted to £12,874 (2019: £15,344).

16 Related party transactions and balances

The company has no other related party transactions with other companies that are not wholly owned within the group.

17 Parent undertaking and ultimate controlling party

The ultimate parent undertaking, and the largest and smallest group in which the results of the company are consolidated, is AES Engineering Limited, a company incorporated in Great Britain.

Copies of the consolidated financial statements of AES Engineering Limited can be obtained from the Registered Office at Global Technology Centre, Mill Close, Bradmarsh Business Park, Rotherham S60 1BZ, United Kingdom. The ultimate controlling party is considered to be Mr C J Rea CBE DL, by virtue of his shareholding in AES Engineering Limited.