

# Megger Group Limited

Registered Number: 2582519

## Report and Financial Statements 30 November 2013

Avocet House, Archcliffe Road, Dover, Kent, CT17 9EN

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## Annual Report 2013

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# Megger Group Limited

## Directors' Report for the year ended 30 November 2013

The Directors present their annual report and the audited consolidated financial statements (pages 11 to 51) and Company financial statements (52 to 62) for the year ended 30 November 2013.

Certain aspects of reporting previously contained within the directors' report are now included within the strategic report on page 5. For completeness, the strategic report includes discussion on the following:

- strategy of the company;
- performance and development of the company during the period;
- financial position at the end of the period;
- future development and performance of the company; and
- principal risks and uncertainties.

### Results and dividends

The consolidated statement of income and consolidated statement of comprehensive income are set out on pages 12 and 13. During the year ended 30 November 2013, the company paid no dividend to the shareholder (2012: nil).

### Principal activities and review of the business

The principal activities of the Group continued to be the design, manufacture, marketing and distribution of electrical and electronic measuring instruments. The principal activity of the Company was that of a holding company.

A review of the business is presented on page 6.

### Significant Events

The Directors agreed to adopt IFRS for financial reporting of both the consolidated group and the Company results for the year ended 30 November 2013. The functional currency was deemed to have changed to Euros with effect from 1 December 2012 to reflect the importance of that currency in its financing and in its operations.

On 5 September 2013 the Company completed a new Euro based four year unsecured term loan facility plus multi-currency RCF with a club of international banks. This facility was used (i) to repay certain shareholder loans that had been provided in 2012 to finance the acquisition of the Seba business and (ii) is available to provide working capital to various entities within the Group. The previous RCF facility with Bank of America was repaid and terminated.

In November 2013, as part of an internal restructuring, a new holding company was formed in Germany - Megger Holdings GmbH. This company acquired the shares in the Group's two German manufacturing facilities from Megger Holdings GmbH & Co KG. Financing for this restructure was provided internally.

### Employees

Group policy is to follow laws and norms in each country where it operates and, specifically in the UK:

- The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.
- Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.
- The Group subsidiaries hold regular meetings with employee representatives to discuss the Group's financial results, any significant operating issues, the future plans of the Group and other matters of concern to its employees.
- Consultation is generally through informal channels but, where appropriate, is supplemented by Works Councils, whose members are elected by the employees.

# Megger Group Limited

## Directors' Report for the year ended 30 November 2013

### Going concern

A financial review of the results and financial position of Megger Group occurs each month with the whole Board of Megger Group Limited. This has included a review of the forecasts of the business for at least one year after the date of approval of these financial statements. The group has considerable financial resources together with established long-term relationships with a number of customers and suppliers. As a consequence, the directors believe that the company is well placed to manage its business risks and liquidity successfully. During the year the Company drew down the full amount of its newly agreed term loan facility. Under the terms of this facility the Company is required to make quarterly payments of interest and quarterly repayments of principal over the four years of the agreement.

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Principal risks and uncertainties

Risks and uncertainties are discussed in the Strategic Report on pages 6 to 8.

### Directors

The Directors in office during the year ended 30 November 2013 were:

P. H. Frank (Chairman)  
A. R. Hardie  
A. J. Boughtwood (appointed 24 October 2013)  
A. C. Dodds (appointed 24 October 2013)  
M. M. Iann (resigned 25 February 2014)

### Directors' qualifying third party indemnity provisions

Megger Group Limited has granted an indemnity to one or more of its directors and the directors of its subsidiary companies, against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

### Group research and development activities

The Group is heavily committed to research and development activities so as to secure its position as a market leader in its addressed markets. Each manufacturing site has a programme of current and future development projects which address on going enhancements to existing products as well as development of new products to expand the portfolio.

### Financial Risk management objectives and policies

These are discussed in detail in the Strategic Report on page 6.

### Auditor

The 2013 financial statements were audited by Grant Thornton UK LLP and under section 487(2) of the Companies' Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditors 28 days after these financial statements are sent to the members.

# Megger Group Limited

## Directors' Report for the year ended 30 November 2013

### Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report and 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the company and 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;
- state whether applicable IFRSs 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 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 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 directors confirm that:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors' report was approved by the Board of Directors on 18 March 2014 and was signed on its behalf by:



A R Hardie  
Director

Registered office: Avocet House, Archcliffe Road, Dover, Kent, CT17 9EN.  
A R Hardie – Company Secretary

# Megger Group Limited

## Strategic Report for the year ended 30 November 2013

The Directors present their strategic report for the year ended 30 November 2013.

### Review of the business

The Group's core business is the design, manufacture and sale of test instrumentation for the electrical transmission and distribution industry and telecommunications networks. In addition it supplies terminal blocks and connectors, delivers safety and training services and provides a range of leak detection and monitoring systems to water utilities. It has 7 manufacturing facilities in Europe and the USA supported by world wide sales and marketing facilities.

The consolidated revenues of the Group increased from €176m in 2012 to €211m in 2013; largely as a result of the full year impact of the acquisition of the Seba business in June 2012. Margin levels were maintained and whilst the Group continued to expand its gross research and development expenditure to develop its product offerings overheads were generally contained, so that with the increased revenues consolidated EBITDA rose to €43.1m (2012: €36.0m). Refer to note 7c.

The full year impact of the cost of financing the Seba acquisition resulted in a significant increase in finance costs. Net income attributable to the shareholder remained stable at €15.2m (2012: 15.2m).

The Group's balance sheet remains strong with equity attributable to the shareholder of €140m (2012: €127m; 2011: €62m). Net borrowings were €130m (2012: €139m).

Key Performance Indicators	2013 €'000	2012 €'000	
Revenues	211,445	175,708	20%
Gross Profit	49%	50%	-1%
Net Finance Expense	(4,986)	(2,824)	77%
Net Income	15,186	15,169	0%
EBITDA	43,108	35,986	20%
Equity Attributable to Shareholders of the Parent	140,182	127,018	10%
	<b>Heads</b>	<b>Heads</b>	
Numbers employed	1,230	1,149	7%

Revenues increased by 20% over 2012 due to both the full year impact of the Seba acquisition and growth in the original business. Underlying gross profit margin levels were maintained, although the full year effect of the Seba acquisition (with its higher material content) reduced the consolidated margin by 1 point. Overheads levels were contained but amortisation of Seba intangibles and full year impact of the financing of the Seba acquisition meant that net income remained flat.

Further investment in engineering and customer support increased headcount by 7%.

### Outlook for the financial year ending 30 November 2014

Overall the business outlook for 2014 remains strong with some major orders being negotiated at the start of the year. Although significant uncertainty remains in the world's major economies, the Directors remain confident for the future with (i) expansion of electrical infrastructure in the developing economies, (ii) ageing infrastructure in the developed economies, and (iii) accelerating roll out of green technology all driving demand for the Group's products.

Investment in research and development will be maintained to enhance existing products and develop new ones in order to meet these market requirements. In addition selective expansion is being maintained in sales and marketing activities to exploit the opportunities provided by new and enhanced products. Investment in property, plant and equipment will be made to support the business as necessary.

### Principal risks and uncertainties

The principal risks and uncertainties facing the Group are broadly financial, exchange rates, legislation, economic conditions, technology, competitor activity and maintenance of product quality.

#### **Financial risk management objectives and policies**

The Group's principal financial instruments comprise bank loans and overdrafts, cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into forward currency transactions to manage the currency and risks arising from the Group's operations and its sources of finance.

#### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For the Group, market price risk comprises: interest risk, currency risk and other price risk.

Financial instruments affected by market risk include loans and borrowings, deposits, and derivative financial instruments.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest expense for one year, based on the floating rate non-trading financial assets and financial liabilities held at year end.

#### **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group decides whether to enter into fixed or variable interest contracts based on the most favourable conditions at the time of entering in the contract.

The table detailed in note 27 of the consolidated financial statements demonstrates the interest risk sensitivity.

#### **Exchange rate risks**

The Group operates internationally with 70% of revenues denominated in currencies other than Euros. Generally the period of time between order receipt and customer payment is limited and currency gains and losses on individual transactions are generally not significant although lead times in parts of the Seba business can be much longer and in such cases significant currency exposures are generally managed by matching financial assets with financial liabilities in the same currency.

However over the year as a whole the Group results, investment values and borrowings can be significantly affected by fluctuations in exchange rates.

The table detailed in note 27 of the consolidated financial statements demonstrates the exchange rate risk sensitivity.

#### **Liquidity risks**

The Group monitors its risk to a shortage of funds using detailed budgets for future periods. The Group updates its budget quarterly to monitor the liquidity risk closely. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and funding from its shareholder. The Group has strong cash flows that will support repayment of the loans as they fall due.

The table detailed in note 27 of the consolidated financial statements demonstrates the liquidity risk sensitivity.

#### **Legislation risk**

The Group is exposed to on-going changes to legal and/or regulatory requirements, not just in countries where it has operations but also in the countries where it does business and these regulations may substantially differ from country to country. The Group is fully committed to complying with such changes and is supportive of both environmental improvement and European health and safety requirements. However, as regulations continue to change the Group may face potential design and supply issues as well as the incremental costs of complying with such changes and this can be a disadvantage when compared with some less global competitors.

The Group regularly monitors legal and regulatory matters at both a Group and operational level and consults with external advisers where necessary.



**Economic conditions risks**

Many of the Group's products are used in infrastructure development as well as maintenance and are therefore dependent on favourable economic conditions to fund such projects. The Group's products are also used in the general construction industry. Although uncertainties in the foreign exchange and debt markets and the battle by many governments to reduce their national debt mean that the economic outlook for 2014 remains somewhat uncertain, the Group is expected to remain strongly profitable and cash positive with substantial growth potential.

Offsetting some of the issues created by the current economic position:

- Most of the Group's product ranges have a limited life in use and require replacement after a few years so ensuring a substantial market.
- The Group is introducing numerous new products which are expected to add market share, create new opportunities and trigger demand for upgrades.
- The Group is continuing to invest for the long term.
- Aging infrastructure maintenance will have to continue regardless of economic conditions.

**Competitor and Technology Risk**

Competitor activity and developing technology could affect the level of the Group's revenues and profitability.

The Group invests heavily in engineering to ensure that its products are technically appropriate and are price competitive. It also invests heavily in providing local pre and post sale support to its customers.

**Product Quality Risk**

Quality deficiencies could jeopardise the Group's reputation in the market and lead to liability claims for defective products.

The Group invests heavily in engineering to ensure that its products are of the highest quality and it applies the latest standards and practices in its development processes in conjunction with rigorous testing routines.

**General**

The Directors have ensured that the Group has in place effective systems for managing and mitigating significant risks, which, where relevant, incorporate performance management systems and the appropriate remuneration incentives.

The strategic report was approved by the Board of Directors on 18 March 2014 and was signed on its behalf by:



A R Hardie  
Director

Registered office: Avocet House, Archcliffe Road, Dover, Kent, CT17 9EN.  
A R Hardie – Company Secretary

# **Megger Group Limited**

**Independent auditor's report to the  
members of Megger Group Limited**

## Independent auditor's report to the members of Megger Group Limited

We have audited the financial statements of Megger Group Limited for the year ended 30 November 2013 which comprise the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

### Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2013 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Eleanor Walsh  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP,  
Statutory Auditor, Chartered Accountants  
Gatwick  
18 March 2014

# **Megger Group Limited**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 30 November 2013**

## Consolidated statement of income

For the year ended 30 November 2013  
In thousands of Euro

	note	2013	2012
Revenues	6	211,445	175,708
Cost of goods sold and services rendered		(107,381)	(88,480)
<b>Gross profit</b>		<b>104,064</b>	<b>87,228</b>
Selling and marketing expenses		(42,075)	(33,475)
Administrative expenses		(11,798)	(9,715)
Research & Development expenses	7.a	(15,561)	(14,565)
Other operating income		373	1,786
Other operating expenses		(8,740)	(7,383)
<b>Total expenses</b>		<b>(77,801)</b>	<b>(63,352)</b>
<b>Operating profit</b>		<b>26,263</b>	<b>23,876</b>
Financial income	8.a	3,318	1,188
Financial expense	8.b	(8,304)	(4,012)
<b>Profit before tax</b>		<b>21,277</b>	<b>21,052</b>
Taxation	9.a	(6,091)	(5,883)
<b>Profit for the period from continuing operations</b>		<b>15,186</b>	<b>15,169</b>
<b>PROFIT FOR THE YEAR</b>		<b>15,186</b>	<b>15,169</b>
Of which			
Attributable to non-controlling interests	18	(5)	2
<b>Attributable to shareholders of the parent</b>		<b>15,191</b>	<b>15,167</b>

All operations are classified as continuing.

The accompanying notes on pages 18 to 51 form an integral part of the Consolidated financial statements

## Consolidated statement of comprehensive income

For the year ended 30 November 2013

In thousands of Euro

	note	2013	2012
<b>PROFIT FOR THE YEAR</b>		<b>15,186</b>	<b>15,169</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Items that may be reclassified subsequently to the statement of income</b>			
Currency translation		(3,083)	2,720
Currency translations, net of tax		(3,083)	2,720
<b>Items that will not be reclassified subsequently to the statement of income</b>			
Actuarial gain/(loss) on post-retirement benefits plans		1,317	(2,896)
Income tax effect		(261)	666
Actuarial results, net of tax	21	1,056	(2,230)
Other comprehensive income for the year, net of tax		(2,027)	490
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>13,159</b>	<b>15,659</b>
Of which			
Attributable to non-controlling interests	18	(5)	2
Attributable to shareholders of the parent		13,164	15,657

The accompanying notes on pages 18 to 51 form an integral part of the Consolidated financial statements

## Consolidated balance sheet

As at 30 November 2013  
In thousands of Euro

### Assets

	note	2013	2012	2011
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Property, plant and equipment	10	23,059	24,092	11,188
Intangible assets	11	225,353	225,880	38,685
Investment in associates	12	563	564	-
Deferred tax assets	9.d	1,984	3,147	2,038
Deferred facility costs	13	1,377	-	-
<b>Total Non-current Assets</b>		<b>252,336</b>	<b>253,683</b>	<b>51,911</b>
<b>Current Assets</b>				
Inventories	14	36,858	37,408	15,510
Trade and other receivables	15	44,459	47,581	27,201
Cash and cash equivalents	16	19,070	24,146	7,707
<b>Total Current Assets</b>		<b>100,387</b>	<b>109,135</b>	<b>50,418</b>
<b>TOTAL ASSETS</b>		<b>352,723</b>	<b>362,818</b>	<b>102,329</b>

The accompanying notes on pages 18 to 51 form an integral part of the Consolidated financial statements

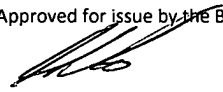
## Consolidated balance sheet

As at 30 November 2013  
In thousands of Euro

### Shareholders' equity and liabilities

	note	2013	2012	2011
<b>Equity</b>				
Issued share capital	17	92,158	92,158	42,868
Retained earnings and other reserves	17	44,750	28,503	15,566
Translation reserve	17	3,274	6,357	3,637
<b>Total equity attributable to shareholders of the parent</b>		<b>140,182</b>	<b>127,018</b>	<b>62,071</b>
Non-controlling interests	18	45	50	-
<b>Total equity</b>		<b>140,227</b>	<b>127,068</b>	<b>62,071</b>
<b>Non-current Liabilities</b>				
Financial debt	19.a	84,427	198	33
Payables to related parties	19.a	50,000	139,003	-
Provisions	20	2,862	4,663	4,425
Employee benefit liabilities	21	4,695	6,803	3,170
Deferred tax liabilities	9.d	23,992	27,417	4,837
Other non-current liabilities	22	72	757	2,076
<b>Total Non-current Liabilities</b>		<b>166,048</b>	<b>178,841</b>	<b>14,541</b>
<b>Current Liabilities</b>				
Trade and other payables	23	27,537	31,892	16,210
Financial debt	19.b	14,511	24,166	8,417
Provisions	20	729	314	316
Current income tax payables	9.c	3,671	537	774
<b>Total Current Liabilities</b>		<b>46,448</b>	<b>56,909</b>	<b>25,717</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>		<b>352,723</b>	<b>362,818</b>	<b>102,329</b>

Approved for issue by the Board and signed on its behalf on 18 March 2014.

  
A R Hardie  
Director



## Consolidated statement of changes in equity

for the year ended 30 November 2013

In thousands of Euro

	Issued Capital (note 17)	Retained earnings and merger reserve (note 17)	Translation reserve	Total equity attributable to shareholders of the parent	Non-controlling interests (note 18)	Total Equity
<b>Balance at 30 November 2011</b>	<b>42,868</b>	<b>15,566</b>	<b>3,637</b>	<b>62,071</b>	<b>-</b>	<b>62,071</b>
Profit for the year	-	15,167	-	15,167	2	15,169
Other comprehensive income (actuarial)	-	(2,230)	-	(2,230)	-	(2,230)
Other comprehensive income (translation differences)	-	-	2,720	2,720	-	2,720
<b>Total comprehensive income</b>	<b>-</b>	<b>12,937</b>	<b>2,720</b>	<b>15,657</b>	<b>2</b>	<b>15,659</b>
Transactions with owners:						
Issue of share capital	49,290	-	-	49,290	-	49,290
Acquisition of non-controlling interests	-	-	-	-	48	48
<b>Balance at 30 November 2012</b>	<b>92,158</b>	<b>28,503</b>	<b>6,357</b>	<b>127,018</b>	<b>50</b>	<b>127,068</b>
Profit for the year	-	15,191	-	15,191	(5)	15,186
Other comprehensive income (actuarial)	-	1,056	-	1,056	-	1,056
Other comprehensive income (translation differences)	-	-	(3,083)	(3,083)	-	(3,083)
<b>Total comprehensive income</b>	<b>-</b>	<b>16,247</b>	<b>(3,083)</b>	<b>13,164</b>	<b>(5)</b>	<b>13,159</b>
<b>Balance at 30 November 2013</b>	<b>92,158</b>	<b>44,750</b>	<b>3,274</b>	<b>140,182</b>	<b>45</b>	<b>140,227</b>

The issued share capital and other items are detailed in note 17 of the consolidated financial statements.

## Consolidated statement of cash flows

for the year ended 30 November 2013

In thousands of Euro

	note	2013	2012
<b>OPERATING ACTIVITIES</b>			
<b>Profit after tax</b>		<b>15,186</b>	<b>15,169</b>
<b>Financial income and expense</b>			
Financial income	8.a	(3,318)	(1,188)
Financial expense	8.b	8,304	4,012
		<b>4,986</b>	<b>2,824</b>
<b>Non-cash items of income and expense:</b>			
Depreciation and impairment of property, plant and equipment	10	4,548	3,296
Amortisation and impairment of intangible assets	11	12,297	8,813
Loss on disposal of property, plant and equipment		173	10
Movements in provisions and pensions		(2,683)	(1,380)
		<b>14,335</b>	<b>10,739</b>
<b>Decrease/(increase) in working capital:</b>			
Movement in trade and other receivables and prepayments		1,745	(1,582)
Pension contributions paid		(512)	(408)
Movement in inventories		550	(500)
Movement in trade and other payables		1,729	7,515
Income tax paid		(3,852)	(7,112)
		<b>(340)</b>	<b>(2,087)</b>
<b>Net cash flows from operating activities</b>		<b>34,167</b>	<b>26,645</b>
<b>Investing activities:</b>			
Proceeds from sale of property, plant and equipment		555	314
Purchase of property, plant and equipment		(5,777)	(4,422)
Purchase of intangible assets		(1,688)	(875)
Development capitalisation		(9,831)	(6,417)
Proceeds from sale of a subsidiary or associate		1	-
Acquisition of a subsidiary or associate net of cash acquired		(1,966)	(202,663)
Interest received	8.a	127	66
<b>Net cash flows used in investing activities</b>		<b>(18,579)</b>	<b>(213,997)</b>
<b>Financing activities:</b>			
Proceeds from borrowings		113,000	155,443
Proceeds from issue of shares		-	49,290
Repayments of borrowings		(127,464)	28
Interest paid	8.b	(4,729)	(2,778)
<b>Net cash flows used in financing activities</b>		<b>(19,193)</b>	<b>201,983</b>
Foreign exchange differences		(1,471)	1,684
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(5,076)</b>	<b>16,315</b>
Cash and cash equivalents at beginning of period		24,146	7,831
<b>Cash and cash equivalents at end of period</b>		<b>19,070</b>	<b>24,146</b>

The accompanying notes on pages 18 to 51 form an integral part of the Consolidated financial statements

## **Notes to the consolidated financial statements**

**for the year ended 30 November 2013**

**In thousands of Euro**

### **1. General**

The consolidated financial statements of Megger Group Limited ("the Company" or "MGL") (a company incorporated and domiciled in the UK) for the year ended 30 November 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 18 March 2014. The Company, a limited-liability company registered under UK Companies Act, 2006, with number 2582519, is located at Avocet House, Archcliffe Road, Dover, Kent, CT17 9EN. The Company acts as a holding company with investments mainly in Europe and North America. The principal activity of Megger Group Limited and subsidiaries ("the Group") is the design, manufacture, marketing and distribution of a range of electrical and electronic testing and measuring instruments. In the opinion of the Directors this represents one class of continuing business.

The ultimate parent of the Group is TBG Limited, based at Level 8 Penthouse, Bay Street Complex, St. Georges Bay, St. Julian's, STJ 3311, Malta. TBG Limited is the largest undertaking of which the Company is a member.

### **2. Summary of significant accounting principles**

#### **2.1 - Basis of preparation**

The consolidated financial statements have been prepared on an accruals basis and under the historical cost convention, unless otherwise stated. All material consolidated companies have a 30 November year-end and use consistent accounting policies. The consolidated financial statements are presented in Euros for the first time and all values are rounded to the nearest thousand (€'000) except when otherwise indicated. All other currencies are also rounded to the nearest thousand except when otherwise indicated. Refer to note 2.7 for further details on the change of both functional and presentation currency from Great British Pounds (GBP) to Euros.

#### **2.2 - Statement of compliance**

The consolidated financial statements of the Group are prepared in accordance with adopted International Accounting Standards Board (IASB) as adopted by the European Union (adopted IFRSs) for the first time. The Group's previous consolidated financial statements, for the year ended 30 November 2012, were prepared in accordance with UK accounting standards. The transition date was 1 December 2011 (being the start of the comparative year).

In adopting IFRS for the first time, the Group has applied IFRS 1. The impact on the income statement and balance sheet as at 30 November 2011, and 30 November 2012 as previously presented under UK GAAP has been documented with reconciliation between the IFRS and UK GAAP positions presented in note 29. The equity position at each of the previous year ends is also presented in that note.

#### **2.3 - Accounting policies not yet effective**

The IFRS standards which are issued but not yet effective and adopted in the EU and improvements in IFRS were reviewed against their potential use in the preparation of the Group's financial statements. Only those issued, EU adopted, but not yet effective standards which could have an impact on the Group's financial statements have been set out in note 5. None of the improvements in IFRS would have a significant impact on the Group's financial statements.

#### **2.4 - Scope of consolidation**

The consolidated financial statements comprise the financial statements of Megger Group Limited and its subsidiaries and associates as at 30 November 2013.

A list of the significant consolidated companies is provided in note 3 of the Company's financial statements. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases to exist. The group controls a subsidiary when it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

#### **2.5 - Non-controlling interests**

Non-controlling interests represent the portion of profit or loss and net assets that is not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and separately from shareholders' equity in the consolidated balance sheet.

## **2. Summary of significant accounting principles (continued)**

### **2.6 - Investments in associates**

Companies where the Group has the power to exercise a significant influence but does not exercise control, generally accompanying a shareholding of between 20% and 50% of the voting rights or where cross-directorships are in place, are accounted for using the equity method. When significant influence is deemed to be in place even if the shareholding is less than 20% an associate is accounted for using the equity method.

On acquisition the investment is recognised at cost. While significant influence is retained, the Group's share of its associates' other movements is recognised in other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment in the consolidated balance sheet.

### **2.7 - Foreign currency translation**

#### ***(a) Functional and presentation currency***

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The Group consolidated financial statements are presented in Euro which is the both the Company's functional and presentation currency. The functional currency of the Company changed from GBP to Euro with effect from 1 December 2012, being the start of the first financial year that the Euro was the most significant currency. This is in response to the change of circumstances of the Company as, following the acquisition of the Seba group of companies and the refinancing of its loan arrangements, the majority of its financial instruments are denominated in Euros. Furthermore, the parent raises the majority of its funds in Euros and incurs the majority of its expenditure in Euros.

The presentation currency of the Company has been changed from GBP to Euros with effect from 1 December 2012. This is a choice of the Directors' following the change of functional currency to Euros. A significant proportion of revenue is also expected to be denominated in Euros going forward.

#### ***(b) Transactions and balances***

Transactions in currency other than an entity's functional currency (foreign currency) are recognised at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Foreign exchange gains and losses resulting from such transactions are recognised in the profit or loss.

#### ***(c) Subsidiaries***

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Euros using exchange rates prevailing at the reporting date. Income and expense items are translated at the monthly average exchange rates each month throughout the year, unless exchange rates fluctuated significantly during the year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's translation reserve. Such exchange differences are recognised in other comprehensive income and reclassified from equity to the profit or loss when the foreign operation is disposed of.

### **2.8 - Revenue recognition**

Revenue represents amounts received and receivable from third parties for goods supplied to the customers and for services rendered. Services provided by the Group include maintenance contracts and training. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received net of discounts, rebates and other sales taxes or duties. 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 delivery of the goods.

Revenue from the rendering of services is recognised on the provision of those services. This will normally be on a straight-line basis over the term of the contract, or, if the performance pattern is other than straight line, as the service is provided.

## **2. Summary of significant accounting principles (continued)**

### **2.9 - Expenses**

Costs of goods sold are determined on the basis of the cost of production or of purchase, adjusted for movements of inventories, and includes freight and duty incurred on shipments of products to customers. Cost of services rendered is recognised at the time the revenue is recognised.

Provisions for estimated warranty costs arising from standard warranty terms are recorded in cost of goods sold at the time the related sale is recognised. The provisions are based on historic rates of warranty cost incurred. Unused warranty provisions are likewise adjusted through cost of sales.

All other expenses are recognised when the Group receives the risks and rewards of ownership of the goods or when it receives the service.

Government grants are recognised when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for Research & Development activities are offset against the capitalised work in progress Research & Development asset and reduce future depreciation accordingly. Grants awarded for the purchase or the production of property, plant and equipment (grants related to assets) are offset against the acquisition or production costs of the respective assets and reduce future depreciation accordingly. Grants awarded for other than non-current assets (grants related to income) are reported in the consolidated statement of income under the same functional area as the corresponding expenses. They are recognised as income over the periods necessary to match them on a systematic basis to costs that are intended to be compensated.

### **2.10 - Other operating income and expenses**

These comprise, but are not limited to, restructuring costs, profit and loss on disposal of property, plant and equipment, onerous contracts, provisions for customer claims not covered by warranty and impairments of tangible or intangible assets, including goodwill. Restructuring costs are restricted to dismissal indemnities and employee benefits paid to terminated employees upon the reorganisation of a business.

### **2.11 - Financial income and expense**

Financial income is recognised as interest accrues (using the effective interest method) on funds invested outside the group. Financial expense includes the cost of borrowing from third parties and recognised on an effective interest rate basis, resulting from the financial liability being recognised on an amortised cost basis, including commitment fees. Other items, such as foreign exchange differences on short-term financial assets and liabilities denominated in currencies other than the functional currency of the entity, are recorded as financial income or expense, as appropriate.

### **2.12 - Taxes**

The Group is subject to taxes in countries all over the world. Taxes and fiscal risks recognised in the consolidated financial statements reflect Group Management's best estimate of the outcome based on the facts known at the balance sheet date in each individual country. These facts may include but are not limited to change in tax laws and interpretation thereof in the various jurisdictions where the Group operates. They may have an impact on the income tax as well as the resulting assets and liabilities. Any differences between tax estimates and final tax assessments are charged to the statement of income in the period in which they are incurred unless anticipated.

#### ***(a) Current income tax***

Taxes include current taxes on profit and other taxes such as taxes on capital. Also included are withholding taxes on current and expected transfers of income from group companies and tax adjustments relating to prior years. Income tax is recognised through profit or loss, except to the extent that it relates to items directly taken to equity or other comprehensive income, in which case it is recognised against equity or other comprehensive income.

#### ***(b) Deferred income tax***

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from the principles of the International Financial Reporting Standards. It also arises on temporary differences stemming from tax losses carried forward.

## 2. Summary of significant accounting principles (continued)

### 2.12 - Taxes (continued)

#### **(b) Deferred income tax (continued)**

Deferred taxes are calculated under the liability method at the rates of tax expected to prevail when the temporary differences reverse subject to such rates being substantively enacted at the balance sheet date. Any changes of the tax rates are recognised in the statement of income unless related to items directly recognised against equity or other comprehensive income. Deferred tax assets are recognised on all deductible temporary differences provided that it is probable that future taxable income will be available.

No deferred tax liability is recognised in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries which could be subject to withholding and other taxes on remittance.

#### **(c) Sales tax and Value Added Tax**

Revenues, expenses and assets are recognised net of the amount of sales tax and value added tax except where the sales tax incurred on a purchase of assets and services is not recoverable from the taxation authority, in which case the sales tax is recognised, as applicable, as part of the cost of acquisition of the asset or as part of the expense item.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of trade and other receivables or payables in the balance sheet.

### 2.13 - Financial instruments

#### **(a) Financial assets**

Financial assets within the scope of IAS 39 are classified as:

- Loans and receivables;
- Financial assets at fair value through profit and loss (FVTPL); and
- Available-for-sale assets.

The Group determines the classification of its financial assets at initial recognition based on the nature and terms of the asset and the classification at the balance sheet date is set out in Note 27. All financial assets are initially recognised at fair value.

#### Loans and receivables

Subsequent to initial recognition, trade receivables, loans and other receivables are held at amortised cost on an effective rate basis.

Gains and losses are recognised in the consolidated statement of income when the trade receivables, loans and other receivables are de-recognised or impaired, as well as through the amortisation process.

Costs directly attributable to the securing of finance facilities are initially recognised as other non-current assets and prepaid expenses and subsequently released on a straight line basis over the remaining term of the facility.

#### Financial assets at fair value through profit and loss (FVTPL)

There are no financial assets at fair value through profit and loss.

#### Available-for-sale assets

There are no available-for-sale financial assets.

Movements in fair value would be recognised in other comprehensive income until the asset is disposed of at which point the accumulated gains and losses recognised in other comprehensive income are recycled to profit or loss and recognised as part of the gain or loss on disposal.

**2. Summary of significant accounting principles (continued)**

**2.13 - Financial instruments (continued)**

***(a) Financial assets (continued)***

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Financial assets carried at amortised cost are assessed for impairment as and when indicators of such impairment are noted.

***(b) Financial liabilities***

Financial liabilities within the scope of IAS 39 can be classified as:

- financial liabilities measured at amortised cost; or
- financial liabilities at fair value through profit and loss (FVTPL).

The Group determines the classification of its financial liabilities at initial recognition and the classification at the balance sheet date is set out in Note 27. Financial liabilities are recognised initially at their fair value.

Financial liabilities measured at amortised cost

Subsequent to initial recognition, these are measured at amortised cost on a straight line basis over the life of the financial liability. Gains and losses are recognised in the profit or loss when the liabilities are de-recognised as well as through the amortisation process.

Financial liabilities at fair value through profit and loss (FVTPL)

There are no financial liabilities at fair value through profit or loss.

***(c) Off-setting of financial instruments***

Financial assets and financial liabilities are offset and the net amount reporting in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

***(d) Cash and cash equivalents***

Cash, bank balances and time deposits are classified as cash and cash equivalents if their maturities are three months or less at inception, as short-term investments if their maturity is more than three months and less than twelve months at inception and as non-current financial assets otherwise.

Bank overdrafts which are repayable on demand are included as a component of cash and cash equivalents in the statement of cash flows.

**2.14 - Property, plant and equipment**

Property, plant and equipment is recorded at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment if the recognition criteria are met with the replaced assets being written down as necessary. Likewise, when major refurbishments are performed, their cost is recognised in the carrying amount of the plant and equipment if the recognition criteria are satisfied with replaced assets being written down as necessary. All other repair and maintenance costs are recognised in the statement of income as incurred. Software that is an integral part of the related hardware (either for a piece of equipment or the operating system of computer) is treated as part of the plant and equipment.

Property, plant and equipment under construction is carried at the costs incurred up to the balance sheet date.

# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 2. Summary of significant accounting principles (continued)

#### 2.14 - Property, plant and equipment (continued)

Borrowing costs incurred for the construction of any qualifying asset (i.e. assets that require a substantial period of time to be ready for use) are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is based on the average rate of interest on bank borrowings for qualifying assets. Capitalised interest is depreciated over the estimated useful life of the related asset. Other borrowing costs are recognised in the statement of income, in accordance with IAS 23.

The accounting treatment of Demonstration Stock will depend on whether it is typically held within the business for more or less than 12 months. Where Demonstration Stock is issued to customers on a trial basis, with the understanding that the customer will be invoiced for it if not returned within a defined period (but less than 12 months), then it is included within inventories. Otherwise, where Demonstration Equipment is planned to be held within the business for a period in excess of 12 months, it is capitalised as Plant and Machinery and depreciated over its estimated useful life up to a maximum of 5 years.

On the sale of capitalised Demonstration Stock it is transferred to inventories at the lower of acquisition or production cost and net realisable value. When sold in the ordinary course of business, the income will be taken to turnover and the inventories value to cost of goods sold.

Depreciation is computed from the date the asset is available for use using the straight-line method over the expected useful life and taking the estimated residual value into account. The useful lives of the main assets are as follows:

Buildings	30 years
Plant and Machinery	3-10 years
Vehicles	4 years
Demonstration Stock	1-5 years

Depreciation of property, plant and equipment is allocated to the appropriate headings of expenses by function in the statement of income.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or losses arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is de-recognised.

The residual values, useful lives and methods of depreciation of the assets are reviewed at each financial year end, and adjusted prospectively if appropriate.

#### 2.15 - Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of income as financial expense. The associated obligations are included in financial liabilities.

Assets acquired under finance leases are capitalised and depreciated in accordance with the Group's policy on property, plant and equipment unless the lease term is shorter.

Rental and other operating lease payments are recognised as an expense in the statement of income on a straight line basis over the lease term.

Rental income is recognised in the statement of income on a straight line basis over the lease term. The asset is presented in the balance sheet.



## 2. Summary of significant accounting principles (continued)

### 2.16 - Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed in the period incurred. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest. Uniform accounting policies are applied. Subsequent changes to the fair value of contingent consideration classified as a liability at the acquisition date are recognised in profit and loss.

For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree's identifiable net assets. After initial recognition the non-controlling interest may show a deficit balance since both profits and losses are allocated to the shareholders based on their equity interests. In business combinations achieved in stages, any previously held equity interest in the acquiree is re-measured to its acquisition date fair value. If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting profit and loss. At the date control is lost, any retained equity interests are re-measured to fair value.

### 2.17 - Intangible assets

Intangible assets are classified as goodwill, development costs, customer lists and other intangible assets. Intangible assets acquired separately from a business combination are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Amortisation of intangible assets is recognised in appropriate headings of expenses by function in the statement of income.

Goodwill has an indefinite life and is tested for impairment annually at the cash generating unit level to which it is allocated based on the expectation of where the synergies of the combination are expected.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset. They are recognised in the statement of income when the asset is de-recognised.

For the purposes of impairment testing goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units.

The cash generating units have been identified based on the Group's internal management and reporting organisation which reflects the different manufacturing and sales operations within the Group. Initial allocation of goodwill to those cash generating units is based on the forecast contribution that will be made by the acquired business.

Impairment is determined by assessing the recoverable amount (being the higher of its net realisable value or its value-in-use) of the cash-generating unit to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss and is not subsequently reversed.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of income, as a gain on bargain purchase.

## 2. Summary of significant accounting principles (continued)

### 2.17 - Intangible assets (continued)

#### **(a) Research and development costs**

Research expenditure is charged to the statement of income as incurred. Development expenditure, typically on new or enhanced products, is recognised on an individual project basis, as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Development costs not meeting these criteria are expensed as incurred.

The expenditure capitalised includes the cost of materials, direct labour and other directly attributable expenditure that serves to prepare the asset for use, net of any government grants received. Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit, subject to a maximum amortisation period of five years. During the period of development, and thereafter the asset is tested for impairment annually.

In connection with the requirements of section 844 of Companies Act 2006, the Directors consider the capitalisation of development costs to be within the normal course of business and part of an ongoing product development process required to maintain the Group's product base. For this reason, these capitalised costs should not, and are not treated as realised losses for the determination of distributable profits.

All amortisation and impairment charges are recorded as Research & Development expenses in the profit or loss.

Amortisation on other intangible assets is presented in administrative expenses in the profit or loss.

Other intangible assets mainly comprise trademarks and trade names, technology acquired as part of a business combination and acquired software which is not an integral part of the related hardware. In addition, software licence costs and project related costs for significant software implementation projects are capitalised and reported within other intangible assets. Customer relationships, acquired as part of a business combination, are valued at fair value. Customer relationships acquired separately are measured at cost.

Customer relationships are amortised over a period of the contractual arrangements or the remaining estimated useful life of the customer relationship and is recognised in the statement of income.

A summary of the policies applied to the Group's intangible assets is as follows:

	Customer	Development costs
Useful lives	Finite	Finite
Amortisation period used	Amortised over the period of the contractual arrangement or useful life on a straight line basis	Amortised over the period of expected future benefits (up to 5 years) on a straight line basis
Acquired or internally generated	Acquired	Internally generated

Management has re-assessed the useful life attributed to technology acquired as part of the Seba acquisition in 2012 from 3 to 19 years to 3 to 5 years as from 1 December 2012.

## 2. Summary of significant accounting principles (continued)

### 2.18 - Impairment of goodwill, other intangible assets and property, plant and equipment

The Group assesses at least annually (normally at 30 November) whether there is an indication that an asset may be impaired. If an indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case it is determined by cash generating units.

Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used.

The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

Impairment losses are recognised in the statement of income in those expense categories consistent with the function of the impaired asset.

### 2.19 - Inventories

Inventories are carried at the lower of acquisition or production cost and net realisable value, principally on a FIFO basis. The cost of work-in-progress and finished goods include materials, labour and an appropriate allocation of direct and indirect overheads, including depreciation, allocated on normal operating capacity. When considered appropriate, allowance is made for obsolete or slow moving goods. The amount of the allowance is recognised in the statement of income.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### 2.20 - Liabilities

#### (a) Accrued expenses

Accrued expenses comprise the liabilities which can be reliably estimated as to timing and amount and incurred on or before the end of the current accounting period that are expected to become due within 12 months. They are distinct from accounts payables as those will typically have an invoice issued at the end of the accounting period. Accrued expenses do not include provisions which are described below.

#### (b) Provisions

Provisions comprise liabilities of uncertain timing or amount that arise from restructuring plans, litigation, warranties, customers claims not covered by warranties and other risks. Provisions are recognised when the Group has a legal or constructive obligation stemming from a past event, and when the future cash out flows can be reliably estimated. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such plans will be carried out by either starting to implement them or announcing their main features. Obligations under litigation reflect Group management's best estimate of the outcome based on the facts known at the balance sheet date.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

## **2. Summary of significant accounting principles (continued)**

### **2.20 - Liabilities (continued)**

#### **(c) Employment benefits**

The Group has a defined contribution pension plan in the US. Contributions payable for the year are recognised in the profit or loss. A UK pension fund is held within Megger Instruments Limited (a subsidiary undertaking) and is a contributory, defined benefit, externally funded scheme which is contracted out of the UK state scheme. The scheme is closed for additional benefit accruals.

Scheme assets are measured at fair values. The liabilities are measured annually on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates of equivalent currency and term of the scheme liabilities. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

Past service costs are recognised over the period in which the benefit changes vest. Interest on the scheme liabilities and the expected return on scheme assets are included in financial expenses. Actuarial gains and losses are reported within other comprehensive income.

The Group has additional pension scheme obligations in Megger SARL, SebaKMT International SARL and Seba Dynatronik Meß- und Ortungs-Technik GmbH which are not significant. These are recognised at fair value as employee benefit liabilities with the changes in their value being recognised in the profit or loss. Certain employees of the Group participate in a long-term bonus plan. Provisions are made for the estimated liability for this plan at each financial year-end, based upon current and estimated future business performance.

#### **(d) Advances received from customers**

Advances received from customers are reported separately in the balance sheet and not netted off from Inventories in accordance with IAS 11.42.

#### **(e) Trade payables**

Trade payables are classified as financial liabilities, are initially measured at fair value, and are subsequently measured at amortised cost.

### **2.21 - Other current and non-current assets and liabilities**

Other current and non-current assets and liabilities are stated at the amounts they were acquired or incurred.

## **3. Significant accounting estimates and judgements**

The preparation of the Group's consolidated financial statements involves the use of judgement and/or estimation which can impact the application of policies, the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. These are based on management's best knowledge of the relevant facts and circumstances, having regard to historical experience and various other factors that are considered reasonable under the circumstances. However, judgements and estimations regarding the future are a key source of uncertainty and actual results may vary from the amounts included in the financial statements. Information about judgements and estimation is contained in the accounting policies and/or other notes to the financial statements. The key areas where judgement is involved are:

- Impairment of intangible assets and goodwill, judgements and outcomes detailed in note 11.
- Employee benefits, judgements and outcomes detailed in note 21.

The key area of estimates and assumptions that have the most significant impact on recognition and measurement of revenues, expenses, assets and liabilities is:

- Assumptions used in assessing the potential impairment of intangible assets and goodwill; estimates and judgements detailed in note 11.

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## Consolidated financial statements for the year ended 30 November 2013

### 4. Adoption of revised and new International Financial Reporting Standards and new interpretations

In adopting IFRS for the first time, the company has applied IFRS1. The transition to IFRS had an impact on both the income statement or balance sheet as previously presented under UK GAAP, as presented in note 29. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 December 2011 for the purposes of the transition to adopted IFRSs.

### 5. Standards issued and adopted by the EU that are not yet effective

The following standards and amendments have been endorsed by EU and will be adopted by the Company in future periods. The improvements to IFRSs relate largely to clarification issues only. The effect of applying these amendments are not expected to have a material impact on the Group's financial statements:

- IFRS 10: "Consolidated Financial Statements": effective for periods beginning on or after 1 January 2014.
- IFRS 11: "Joint Arrangements": effective for periods beginning on or after 1 January 2014.
- IFRS 12: "Disclosures of Interests in other Entities": effective for periods beginning on or after 1 January 2014.
- IFRS 13: "Fair value measurement": effective for periods beginning on or after 1 January 2013.
- IAS 19: "Employee Benefits": effective for periods beginning on or after 1 January 2013.
- IAS 27: "Separate Financial Statements": effective for periods beginning on or after 1 January 2014.
- IAS 28: "Investment in Associates and Joint Ventures": effective for periods beginning on or after 1 January 2014.
- IAS 32: "Offsetting financial assets and liabilities": effective for periods beginning on or after 1 January 2014.
- Amendment to IFRS 7: "Disclosures - Offsetting financial assets and liabilities": effective for periods beginning on or after 1 January 2013.
- Improvements to IFRSs (issued by the IASB in May 2012): effective for periods beginning on or after 1 January 2013.

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### 6. Revenues

	2013	2012
	€'000	€'000
Sale of goods	205,684	167,283
Rendering of services	5,761	8,425
	<b>211,445</b>	<b>175,708</b>

Revenues by currency	2013	2012
EUR	65,137	41,609
USD	70,002	81,797
CAD	8,002	6,393
GBP	17,942	18,800
SEK	16,130	15,139
Other currencies	34,232	11,540
	<b>211,445</b>	<b>175,278</b>

### 7. Information on the consolidated statements of income and other comprehensive income

#### 7.a. Expenses by nature

	2013	2012
	€'000	€'000
Operating profit is stated after charging:		
Wages and salaries	60,962	49,285
Social Security costs	6,315	4,094
Pension and other expenses	1,690	1,442
<b>Employee benefit expense total</b>	<b>68,967</b>	<b>54,821</b>
Depreciation of property, plant and equipment	4,548	3,296
Amortisation and impairment of intangible assets excluding development costs	7,565	5,016
Loss on sale of Property, Plant and Equipment	173	-
Research and development expenses less amounts capitalised and amortisation	15,561	14,565
Loss on disposal of intangible assets	6	186
Lease payments recognised as an operating expense	3,199	582
Auditors remuneration - statutory audit of parent group accounts	90	120
Auditors remuneration - other assurance services to parent company	30	60
Auditors remuneration - audit of subsidiary accounts	21	20
Fees to associates of the auditor - Group audit	60	66
Fees to associates of the auditor to subsidiaries	400	223
<b>Auditors remuneration total</b>	<b>601</b>	<b>489</b>

#### 7.b. Average number of employees

The average number of persons employed during the year was:	2013	2012
Production and operating employees	638	616
Administrative employees	592	533
	<b>1,230</b>	<b>1,149</b>

Directors and key management are detailed in note 24.1 of the consolidated financial statements.

#### 7.c. EBITDA calculation

	2013	2012
	€'000	€'000
Profit before tax	21,277	21,052
<b>Non-cash items of income and expense :</b>		
Depreciation of property, plant and equipment (note 10)	4,548	3,297
Amortisation of intangible assets (note 11)	12,297	8,813
Financial income (note 8.a)	(3,318)	(1,188)
Financial expense (note 8.b)	8,304	4,012
<b>EBITDA</b>	<b>43,108</b>	<b>35,986</b>

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**8. Financial income and expenses**

**8.a. Financial income**

	2013	2012
	€'000	€'000
Interest income	127	66
Foreign exchange gains	2,211	255
Discount for early settlement	980	867
	<b>3,318</b>	<b>1,188</b>

**8.b. Financial expense**

	2013	2012
	€'000	€'000
Interest expense	(1,838)	(450)
Interest expense related parties	(2,151)	(1,738)
Bank facility commitment fees amortisation	(128)	(39)
Bank charges	(586)	(519)
Financial charges on finance leases	(26)	(32)
Foreign exchange losses	(2,726)	(314)
Pension interest	(849)	(920)
	<b>(8,304)</b>	<b>(4,012)</b>

**9. Taxation**

This caption includes taxes on profit, capital and withholding taxes on transfers between group companies.

**9.a Tax expense**

The major components of tax expense for the year were:

	2013	2012
	€'000	€'000
<b>Current income tax (note 9.c)</b>		
Charge for the year	(6,588)	(6,945)
Adjustments in respect of current income tax of previous periods	(577)	150
Utilisation of previously unrecognised tax losses	73	-
Expenditure not allowed for income tax purposes	(131)	67
	<b>(7,223)</b>	<b>(6,728)</b>
<b>Deferred tax (note 9.d)</b>		
Temporary differences	1,202	785
Deferred tax related to changes of tax rates	200	(11)
Recognised tax losses from previous years	-	92
Adjustments in respect of deferred income tax of previous periods	(259)	-
Other movements	(4)	1
	<b>1,139</b>	<b>867</b>
<b>Total income tax</b>	<b>(6,084)</b>	<b>(5,861)</b>
Other tax expense	(7)	(22)
<b>Tax expense reported in the income statement</b>	<b>(6,091)</b>	<b>(5,883)</b>

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**9. Taxation (continued)**

**9.b Tax reconciliation**

	2013	2012
	€'000	€'000
<b>Profit before tax</b>	<b>21,277</b>	<b>21,052</b>
At statutory income tax rates of 23.3% (2012: 24.7%) (average)	(4,965)	(5,201)
Provided in connection with possible tax exposures (Seba acquisition)	-	903
Utilisation of previously unrecognised tax losses	73	-
Recognised tax losses from previous years	-	92
Difference in income tax rates of other countries	(1,734)	(963)
Adjustments in respect of current income tax of previous periods	(577)	80
Adjustments in respect of deferred income tax of previous periods	(259)	-
Income not subject to tax	3,080	1,176
Expenditure not allowed for income tax purposes	(1,873)	(1,727)
Impact of incentives for R&D	91	10
Other	81	(8)
<b>Total income tax (Effective income tax rate of 28.6% (2012: 26.8%))</b>	<b>(6,083)</b>	<b>(5,638)</b>
Other tax expense	(8)	(245)
<b>Tax expense reported in the income statement</b>	<b>(6,091)</b>	<b>(5,883)</b>

**9.c Current income tax payables**

	2013	2012
	€'000	€'000
<b>Current income tax payables at 1 December</b>	<b>537</b>	<b>774</b>
Charge for the year	6,588	6,945
Adjustments in respect of current income tax of previous periods	577	(150)
Utilisation of previously unrecognised tax losses	(73)	-
Other tax expense	(106)	80
Settlements	(3,852)	(7,112)
<b>Current income tax payables at 30 November</b>	<b>3,671</b>	<b>537</b>

**9.d Deferred income tax**

Deferred income tax assets and deferred income tax liabilities primarily relate to temporary differences due to differences between the accounting and tax bases for measuring assets and liabilities.

A deferred tax asset has not been recognised in respect of tax losses in some jurisdictions since it is uncertain whether sufficient taxable profits will be generated to utilise those losses.



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## Consolidated financial statements for the year ended 30 November 2013

### 9. Taxation (continued)

#### 9.d Deferred income tax (continued)

Deferred income tax at 30 November relates to the following:

	Intangibles excluding			Total
	Accelerated depreciation	development costs	Development costs	
<b>Deferred tax liability</b>				
<b>Balance at 1 December 2011</b>	<b>553</b>	<b>-</b>	<b>4,284</b>	<b>4,837</b>
Charged/(credited) to income statement	(34)	(1,326)	566	(794)
Acquisition of a subsidiary	-	22,071	-	22,071
Exchange differences	20	-	1,283	1,303
<b>Balance at 30 November 2012</b>	<b>539</b>	<b>20,745</b>	<b>6,133</b>	<b>27,417</b>
Charged/(credited) to income statement	41	(1,921)	(82)	(1,962)
Other	-	-	152	152
Exchange differences	(26)	-	(1,589)	(1,615)
<b>Balance at 30 November 2013</b>	<b>554</b>	<b>18,824</b>	<b>4,614</b>	<b>23,992</b>

	Intra-group					Total
	Difference in depreciation	Losses available for offset	profit elimi- nation on inventories	Post- employment benefits	Other temporary differences	
<b>Deferred tax asset</b>						
<b>Balance at 1 December 2011</b>	<b>73</b>	<b>-</b>	<b>279</b>	<b>780</b>	<b>906</b>	<b>2,038</b>
Credited/(charged) to income statement	64	62	27	(65)	(15)	73
Credited to other comprehensive income	-	-	-	666	-	666
Acquisition of a subsidiary	-	-	-	-	124	124
Exchange differences	5	-	9	(39)	271	246
<b>Balance at 30 November 2012</b>	<b>142</b>	<b>62</b>	<b>315</b>	<b>1,342</b>	<b>1,286</b>	<b>3,147</b>
Credited/(charged) to income statement	65	45	8	(298)	(643)	(823)
Charged to other comprehensive income	-	-	-	(261)	-	(261)
Exchange differences	(2)	(1)	(14)	(39)	(23)	(79)
<b>Balance at 30 November 2013</b>	<b>205</b>	<b>106</b>	<b>309</b>	<b>744</b>	<b>620</b>	<b>1,984</b>

The intangibles deferred tax liability balance of €18,824,000 (2012: €20,725,000; 2011: nil) relates to technology, trademark licenses and customer list intangible assets within the Group that were recognised with the Seba acquisition in 2012. As at 30 November 2013 the Group recognized €126,000 (2012: €123,000; 2011: nil) in other deferred tax assets for transferred losses that meet the criteria for recognition.

The Group has tax losses of €354,000 (2012: €202,000; 2011: nil) that are available for offset against future taxable profits of the companies in which the losses arose. In addition there is €1,831,000 (2012: €1,983,000; 2011: €287,000) of tax losses whose utilisation against future profits remain currently uncertain. Deferred tax assets have not been recognised in respect of these losses as they do not meet the criteria for recognition.

As at 30 November 2013 the decrease in the rate of UK corporation tax from 21% to 20% from 1 April 2015 is deemed to be 'substantially enacted' and has therefore been reflected within the financial statements for the year ended 30 November 2013. The effect on these financial statements is a decrease in the unrecognised deferred tax asset of €37,000 (2012: a decrease in the unrecognised deferred tax asset of €58,000; 2011: a decrease in the unrecognised deferred tax asset of €31,000).

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### 10. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Other operating fixed assets €'000	Construction in progress €'000	Total €'000
<b>Cost or valuation</b>					
<b>Balance at 1 December 2011</b>	<b>10,409</b>	<b>20,217</b>	<b>6,701</b>	<b>365</b>	<b>37,692</b>
Acquisition of subsidiaries	8,130	2,861	5,483	-	16,474
Additions	914	2,227	1,020	261	4,422
Disposals	(557)	(419)	(525)	(288)	(1,789)
Translation	1,160	1,089	243	9	2,501
<b>Balance at 30 November 2012</b>	<b>20,056</b>	<b>25,975</b>	<b>12,922</b>	<b>347</b>	<b>59,300</b>
Additions	557	4,085	1,135	-	5,777
Disposals	(254)	(1,745)	(2,253)	(22)	(4,274)
Translation	(858)	(826)	(1,094)	(8)	(2,786)
<b>Balance at 30 November 2013</b>	<b>19,502</b>	<b>27,489</b>	<b>10,710</b>	<b>317</b>	<b>58,017</b>
<b>Depreciation and impairment</b>					
<b>Balance at 1 December 2011</b>	<b>6,242</b>	<b>15,741</b>	<b>4,521</b>	<b>-</b>	<b>26,504</b>
Charge for the year	437	1,531	1,328	-	3,296
Acquisition of subsidiaries	23	1,812	3,447	-	5,282
Disposals	(557)	(199)	(483)	-	(1,239)
Translation	304	843	218	-	1,365
<b>Balance at 30 November 2012</b>	<b>6,449</b>	<b>19,728</b>	<b>9,031</b>	<b>-</b>	<b>35,208</b>
Charge for the year	628	2,581	1,339	-	4,548
Disposals	(165)	(1,360)	(2,022)	-	(3,547)
Translation	(78)	(573)	(600)	-	(1,251)
<b>Balance at 30 November 2013</b>	<b>6,834</b>	<b>20,376</b>	<b>7,748</b>	<b>-</b>	<b>34,958</b>
<b>Net book value:</b>					
<b>At 30 November 2013</b>	<b>12,668</b>	<b>7,113</b>	<b>2,962</b>	<b>317</b>	<b>23,059</b>
At 30 November 2012	13,607	6,247	3,891	347	24,092
At 1 December 2011	4,167	4,476	2,180	365	11,188

The carrying value of plant and equipment held under finance leases contracts at 30 November 2013 was €49,000 (2012: €62,000; 2011: €182,000). Additions during the year include €44,000 (2012: €5,000; 2011: €5,000) of plant and equipment under finance leases contracts.

#### Operating lease commitments

Operating leases mainly relate to buildings and vehicles. The future minimum rental and lease commitments under non-cancellable contracts are as follows:

	2013 €'000	2012 €'000	2011 €'000
Within one year	2,199	1,791	1,079
After one year but not more than five years	6,474	6,516	1,674
More than five years	2,647	4,515	114
	<b>11,320</b>	<b>12,822</b>	<b>2,867</b>

#### Finance lease commitments

The Group has finance leases for various items of plant and machinery. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	2013 €'000	2012 €'000	2011 €'000
Within one year	11	63	134
After one year but not more than five years	52	9	33
Total minimum lease payments	<b>63</b>	<b>72</b>	<b>167</b>
Present value of minimum lease payments	<b>63</b>	<b>72</b>	<b>167</b>

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## 11. Intangible assets

	Goodwill	Development costs	Customer lists	Other	Total
	€'000	€'000	€'000	€'000	€'000
<b>Cost:</b>					
<b>At 1 December 2011</b>	<b>26,456</b>	<b>36,937</b>	<b>-</b>	<b>2,270</b>	<b>65,663</b>
Additions - internal development	-	6,417	-	875	7,292
Acquisition of subsidiaries	100,887	2,751	57,447	21,775	182,860
Disposal	-	(5,855)	-	-	(5,855)
Translation differences	5,240	1,746	-	282	7,268
<b>At 30 November 2012</b>	<b>132,583</b>	<b>41,996</b>	<b>57,447</b>	<b>25,202</b>	<b>257,228</b>
Additions - internal development	-	9,831	-	1,689	11,520
Goodwill recognised on acquisition	1,281	-	-	-	1,281
Disposal	-	(7,894)	-	(10)	(7,904)
Translation differences	(94)	(1,697)	-	(66)	(1,857)
<b>At 30 November 2013</b>	<b>133,770</b>	<b>42,236</b>	<b>57,447</b>	<b>26,815</b>	<b>260,268</b>
<b>Amortisation and impairment</b>					
<b>At 1 December 2011</b>	<b>5,093</b>	<b>20,553</b>	<b>-</b>	<b>1,332</b>	<b>26,978</b>
Amortisation	-	3,797	1,841	3,175	8,813
Disposal	-	(5,671)	-	1	(5,670)
Translation differences	195	872	-	160	1,227
<b>At 30 November 2012</b>	<b>5,288</b>	<b>19,551</b>	<b>1,841</b>	<b>4,668</b>	<b>31,348</b>
Amortisation	-	4,732	4,419	3,146	12,297
Disposal	-	(7,894)	-	(4)	(7,898)
Translation differences	(215)	(574)	-	(43)	(832)
<b>At 30 November 2013</b>	<b>5,073</b>	<b>15,815</b>	<b>6,260</b>	<b>7,767</b>	<b>34,915</b>
<b>Net book value:</b>					
<b>At 30 November 2013</b>	<b>128,697</b>	<b>26,422</b>	<b>51,187</b>	<b>19,047</b>	<b>225,353</b>
At 30 November 2012	127,295	22,445	55,606	20,534	225,880
At 1 December 2011	21,363	16,384	-	938	38,685

### Goodwill

The goodwill of €128,697,000 (2012: €127,295,000; 2011: €21,363,000) relates to the acquisition in 2008 of Megger Sweden AB and Pax Diagnostics AB plus the Group's investments in Seba.

The price paid for the acquisition of the Seba business in 2012 was provisional and was finalised in 2013 resulting in an increase of €1,281,000 in both the total price paid and in the value of goodwill, as detailed in the below table:

	2013	2012	Change
	€'000	€'000	€'000
Consideration transferred	210,352	209,071	1,281
Plus: non-controlling interest	48	48	-
Less: fair value of identifiable intangible net assets acquired	(103,759)	(103,759)	-
<b>Goodwill arising on acquisition</b>	<b>106,641</b>	<b>105,360</b>	<b>1,281</b>

Cash Generating Units have been identified based on the Group's manufacturing and sales channel structures and the initial value of goodwill allocated to those cash generating units based on anticipated future contribution from the acquired assets. The recoverable amounts of the cash generating units have been assessed on "value-in-use" calculations using consistent assumptions. To calculate "value-in-use", cash flow projections have been derived from 6 year business plan data approved by the Board of Directors with future cash flows for periods beyond the plan timeframe based on the last cash flow of the 6 year business plan. The Board adopted a 6 year business plan as it believes the industry and Company trends will continue at above normal rates during that period and adoption of a shorter term plan would not suitably reflect the "value-in-use" of the identified cash generating units. Furthermore, management believes it is able to reliably forecast for that period.

The cash flow projections used in these calculations were assessed using the following key data:

a) Growth rates were based on estimated growth forecasts of the electrical transmission and distribution test instrument industry and the expected underlying performance of the Group.

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## Consolidated financial statements for the year ended 30 November 2013

### 11. Intangible assets (continued)

b) Revenue growth, which varies geographically, is between 2% and 8% annually in the period 2014 to 2019 and is consistent with the historic long term growth trends achieved by the Group.

c) Cash generation beyond the 6 year business plan horizon was extrapolated using an estimated 2% per annum growth rate, in perpetuity.

d) Applying a discount rate of 12% pre taxation which was calculated based on the participant investor principal using independent market data.

The recoverable amounts for each cash generating unit determined by the "value-in-use" calculations exceed the carrying value of each cash generating unit and no impairment loss arises (2012: nil).

The excess of the value-in-use over the carrying value of the cash generating units is between €5,900,000 and €100,000,000. Two cash generating units have excesses of less than 20%.

Apart from the considerations in determining the value-in-use of the cash generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the estimate of recoverable amounts of the cash generating units is particularly sensitive to both revenue growth and the discount rate and:

a) If the revenue growth rates used are reduced by 1% and all other assumptions remain unmodified, a goodwill impairment loss of €504,000 would have to be recognised. If the revenue growth rates used are reduced by 0.9% and all other assumptions remain unmodified the cash generating units recoverable amount would be equal to its carrying value.

b) If the discount rate used is increased by 1% a goodwill impairment loss of €4,314,000 would have to be recognised. If the discount rate used is increased by 0.8% the cash generating units recoverable amount would be equal to its carrying value.

### Development costs

In accordance with IAS 38 (Intangible assets) certain internal development costs are capitalised when it can be demonstrated that they will generate probable future economic benefits to the Group. In addition, it is required that the Group has the intention and the resources to complete, use and obtain the benefits from an intangible asset. The internally generated intangible asset is amortised over its expected economic life. The recoverable amounts of capitalised development costs are based on cash flow projections for the associated products from the 6 year business plan data, using a discount rate of 12% pre taxation.

### Customer lists

The customer list balance of €51,187,000 (2012: €55,506,000; 2011: nil) was recognised with the Seba acquisition and is being amortised over its estimated useful life of 13 years. Amortisation of the customer list is included in other operating expenses.

### Other intangible assets

Net book value of other intangible assets comprise trademarks and trade names for €11,163,000 (2012: €11,680,000; 2011: €290,000), technology for €5,361,000 (2012: €7,445,000; 2011: nil) and software for €2,524,000 (2012: €1,409,000; 2011: €648,000), which are amortised over their estimated useful lives up to a maximum of 5 years or, for technology, over the period to the expiry of the patent, if less than 5 years. The estimated useful life for Technology projects was reassessed in the year from expiry of patent to a maximum of 5 years. Amortisation of other intangible fixed assets is included in general & administrative expenses and in other operating expenses.

### 12. Investment in associate

	2013 €'000	2012 €'000	2011 €'000
<b>Share of the associate's balance sheet:</b>			
Current assets	563	564	-
<b>Net share of assets</b>	<b>563</b>	<b>564</b>	<b>-</b>

The amount of €563,000 relates to minority shareholdings in 3 (2012: 4; 2011: nil) associates and these have been grouped together as they are not material. The Group's share of the associate's revenue, profit, assets and liabilities are not material.

### 13. Deferred facility costs

	2013 €'000	2012 €'000	2011 €'000
Loan facility fee	1,377	-	-
	<b>1,377</b>	<b>-</b>	<b>-</b>

The facility fee and legal costs directly attributable to the securing of finance facilities have been capitalised and recognised in other non-current assets and prepaid expenses. They will be subsequently released on a straight line basis over the remaining term of the facility (4 years).

	2013 €'000	2012 €'000	2011 €'000
Incurred	2,025	-	-
Amortised in the year	(131)	-	-
	<b>1,894</b>	<b>-</b>	<b>-</b>
Disclosed within non-current assets	1,377	-	-
Disclosed within prepayments	517	-	-
	<b>1,894</b>	<b>-</b>	<b>-</b>

# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 14. Inventories

	2013 €'000	2012 €'000	2011 €'000
Raw and auxiliary materials	22,218	19,336	11,293
Work in progress	2,702	2,947	726
Finished products and trading goods	11,938	15,125	3,491
	<b>36,858</b>	<b>37,408</b>	<b>15,510</b>

There are no inventories carried at fair value less cost of sale (2012 and 2011: nil). Total inventories are reported net of provisions for obsolete or slow-moving goods and other inventories reserves of €5,850,000 (2012: €5,297,000; 2011: €2,271,000). The amount of inventories recognised as an expense is €67,979,000 (2012: €56,678,000; 2011: €34,485,000), of which the amount of write-down of inventories recognised as an expense is €553,000 (2012: €3,025,000; 2011: €544,000). Both of these which are included in costs of sales in the statement of income. 100% (2012: 43%; 2011: 100%) of inventories are valued on a FIFO basis and 0% (2012: 57%; 2011: 0%) at average cost.

### 15. Trade and other receivables

	2013 €'000	2012 €'000	2011 €'000
Trade receivables	38,683	40,039	23,791
Prepayments to suppliers	925	2,950	897
Receivables from related parties	-	299	-
Prepaid expenses	2,119	2,241	1,130
VAT receivable	1,606	1,600	1,226
Other receivables	1,126	452	157
	<b>44,459</b>	<b>47,581</b>	<b>27,201</b>

Trade receivables are non-interest bearing and are mainly on 30-90 day terms. The carrying amounts of the trade and other receivables approximate their fair value.

As at 30 November 2013 trade receivables at amortised cost of €1,062,000 (2012: €849,000; 2011: €385,000) are impaired and fully provided for. The movements in the provision for impairment of receivables are as follows:

	Individually impaired €'000	Collectively impaired €'000	Total €'000
<b>At 1 December 2011</b>	<b>267</b>	<b>118</b>	<b>385</b>
Charge for the year	783	519	1,302
Utilised	(179)	(39)	(218)
Unused amount reversed	(93)	(538)	(631)
Translation differences	6	5	11
<b>Balance as at 30 November 2012</b>	<b>784</b>	<b>65</b>	<b>849</b>
Charge for the year	370	302	672
Utilised	(70)	(3)	(73)
Unused amount reversed	(394)	(7)	(401)
Translation differences	15	-	15
<b>Balance as at 30 November 2013</b>	<b>705</b>	<b>357</b>	<b>1,062</b>

# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 15. Trade and other receivables (continued)

As at 30 November, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			1-30 days	31-60 days	61-90 days	91-180 days	> 180 days
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
2013	38,683	22,208	11,321	3,784	487	497	386
2012	40,039	31,910	4,508	1,583	536	776	726
2011	23,791	19,048	3,294	946	235	358	(90)

There was no past due or impaired amount for receivable from related party, notes receivable, insurance, interest and other receivables.

### 16. Cash and cash equivalents

	2013	2012	2011
	€'000	€'000	€'000
Cash at banks and on hand & cash equivalents	19,070	24,146	7,707
<b>Cash and cash equivalents reported in the balance sheet</b>	<b>19,070</b>	<b>24,146</b>	<b>7,707</b>
Bank overdrafts	-	-	124
<b>Cash and cash equivalents reported in the cash flow statement</b>	<b>19,070</b>	<b>24,146</b>	<b>7,831</b>

Cash at banks and cash equivalents earn interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate their fair value.

### 17. Share capital and other reserves

#### Share capital

The authorised share capital is 74,785,000 Ordinary shares of a nominal value of GBP 1.00 each (2012: 74,785,000; 2011: 34,785,000). The issued share capital is 74,785,000 Ordinary shares of a value of GBP 1.00 each (2012: 74,785,000; 2011: 34,785,000). There are no current plans to issue more shares.

A holder of an Ordinary share is entitled to one vote in general meetings for each share held, to dividends distributed and to any surplus assets of the Company upon liquidation of the Company.

#### Retained earnings

Retained earnings represent the cumulative profits attributable to the shareholders of the parent company.

#### Merger reserve (included in retained earnings and Other Reserves in the Statement of Comprehensive Income)

The merger reserve of €30,364,000 (2012 and 2011: €30,364,000) arose as a result of the group reconstruction that took place in 2000.

#### Translation reserve

The translation reserve comprises the cumulative gains and losses arising on consolidation from translating the financial statements of foreign operations that use functional currencies other than Euros.

### 18. Non-controlling interests

The non-controlling interests relate to the 5.0% (2012: 5.0%; 2011: 0.0%) shareholding in Seba Spektrum OOO and 0.2% (2012: 0.2%; 2011: 0.0%) in Seba Energo OOO.

# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 19. Current and non-current financial debt

#### 19.a. Non-current financial debt

Financial debt relates to loans from banks, creditors and financial institutions.

Conditions of loans	Effective interest rate	Maturity	2013 €'000	2012 €'000	2011 €'000
Unsecured bank loans	6.8%	07-13	-	189	-
Unsecured finance lease			52	9	33
Unsecured external bank loans	Euribor + 2%	09-17	84,375	-	-
<b>Unsecured external total:</b>			<b>84,427</b>	<b>198</b>	<b>33</b>
Unsecured related party debt	Euribor + 2.5%	09-17	50,000	139,003	-
			<b>134,427</b>	<b>139,201</b>	<b>33</b>

The Directors' Report refers to the refinancing that took place during the year.

The current instalments of long term debts are €12,511,000 (2012 and 2011: €nil) and are included in current financial debt (note 19.b). At 30 November 2013, the Group had available €11,612,000 (2012: USD 20,443,000; 2011: USD 32,902,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The carrying amounts of the non-current financial liabilities approximate their fair value.

#### 19.b. Current financial debt

Included in bank overdrafts and loans are the following loans:

Conditions of loans	Effective interest	2013 €'000	2012 €'000	2011 €'000
Secured bank loans	Federal Fund	-	24,103	8,159
Bank overdraft		-	-	124
Unsecured finance lease		11	63	134
Unsecured external bank loans	Euribor + 1.75%	2,000	-	-
Unsecured external bank loans	Euribor + 2%	12,500	-	-
		<b>14,511</b>	<b>24,166</b>	<b>8,417</b>

The carrying amounts of the current financial liabilities approximate their fair value.

# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 20. Provisions

The movements in the provisions were as follows:

	Redundancy €'000	Warranties, licence and guarantee costs €'000	Long-term bonus plans €'000	Other €'000	Total €'000
<b>Balance at 1 December 2011</b>	<b>11</b>	<b>548</b>	<b>4,074</b>	<b>108</b>	<b>4,741</b>
Arising during the year	-	22	-	-	22
Additions	-	-	-	73	73
Utilised	(11)	65	147	(60)	141
<b>Balance at 30 November 2012</b>	<b>-</b>	<b>635</b>	<b>4,221</b>	<b>121</b>	<b>4,977</b>
Arising during the year	10	752	418	398	1,578
Additions	-	34	(733)	-	(699)
Utilised	-	(36)	(2,106)	(123)	(2,265)
<b>Balance at 30 November 2013</b>	<b>10</b>	<b>1,385</b>	<b>1,800</b>	<b>396</b>	<b>3,591</b>
<b>Current 2013</b>	<b>10</b>	<b>323</b>	<b>-</b>	<b>396</b>	<b>729</b>
<b>Non-current 2013</b>	<b>-</b>	<b>1,062</b>	<b>1,800</b>	<b>-</b>	<b>2,862</b>
	<b>10</b>	<b>1,385</b>	<b>1,800</b>	<b>396</b>	<b>3,591</b>
<b>Current 2012</b>	<b>-</b>	<b>314</b>	<b>-</b>	<b>-</b>	<b>314</b>
<b>Non-current 2012</b>	<b>-</b>	<b>321</b>	<b>4,221</b>	<b>121</b>	<b>4,663</b>
	<b>-</b>	<b>635</b>	<b>4,221</b>	<b>121</b>	<b>4,977</b>
<b>Current 2011</b>	<b>11</b>	<b>304</b>	<b>-</b>	<b>1</b>	<b>316</b>
<b>Non-current 2011</b>	<b>-</b>	<b>244</b>	<b>4,074</b>	<b>107</b>	<b>4,425</b>
	<b>11</b>	<b>548</b>	<b>4,074</b>	<b>109</b>	<b>4,741</b>

#### Redundancy

This concerns redundancy liabilities arising out of restructuring activities. The restructuring processes continued during the year and will continue in the next financial year with utilisation expected during the year ending 30 November 2014.

#### Warranties, licence and guarantee costs

This concerns warranty costs associated with new products sold and range from between 1 and 3 years, depending on the product sold. Continuing additions and utilisation is expected during the year ending 30 November 2014.

#### Long-term bonus plans

Certain directors and employees of the Group participate in a number of different long-term bonus plans. Provisions are made for the estimated liability for these plans at each financial year-end. €1,430,000 is provided for plans where payment is due in 2015 (2012: €4,221,000; 2011: €4,074,000) and €370,000 for plans where payment is due 2016 (2012 and 2011: nil). These payments are estimates based on budgeted performance of the Group over future years are not guaranteed. The provisions have been discounted to reflect their payment date.

#### Other

Other provisions arising during the year relate to the fulfilment of a performance bond (€352,000) and litigation (€44,000). Other provisions utilised in the year relate to litigation (€123,000).



# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 21. Employee benefit liabilities

Megger Instruments Limited operates a contributory, defined benefit, externally funded scheme which is contracted out of the UK state scheme. The scheme is closed for additional benefit accruals. The present value of the defined benefit obligation is calculated tri-annually, with the last formal valuation being carried out as at 5 April 2012 and updated to 30 November 2013 by qualified independent actuaries. From this the fair value of plan assets is deducted. Past services costs are recognised immediately in the statement of income. The assets of the schemes are administered in funds independent from those of the Group. Certain employees of the Group participate in a long-term bonus plan. Provisions are made for the estimated liability for this plan at each financial year-end, based upon current and estimated future business performance.

Additional schemes exist in Megger SARL, SebaKMT International SARL and Seba Dynatronic Meß- und Ortungs-Technik GmbH. The net valued liabilities of these schemes are included in employee benefit liabilities and adjusted through the profit or loss as the amounts involved are not significant.

	2013 €'000	2012 €'000	2011 €'000
Pension liabilities	4,695	6,784	3,152
Early retirement benefits	-	19	-
End of employment benefits	-	-	18
	<b>4,695</b>	<b>6,803</b>	<b>3,170</b>

Employer contributions to the schemes by the group in the year ended 30 November 2013 amounted to €512,000 (2012: €410,000; 2011: €388,000). The outstanding contributions to the schemes at the year end were €48 (2012 and 2011: €nil).

The best estimate of the contributions expected to be paid into defined benefit schemes for the following year is €569,000.

#### Net benefit expense recognised in the income statement

The following tables summarise the components of the expenses recognised in profit or loss

	2013 €'000	2012 €'000	2011 €'000
Interest costs on benefit obligation	848	922	937
Expected (return) on plan assets	(980)	(872)	(998)
Exchange differences	-	-	23
<b>Net benefit expense/ (gain)</b>	<b>(132)</b>	<b>50</b>	<b>(38)</b>

The Group expects the employee net benefit expense recognised in the statement of income in 2014 to approximate the expenses incurred in 2013.

The cumulative amount of actuarial gains and losses recognised in other comprehensive income is a gain of €1,317,000 (2012: €2,896,000 loss).

#### Net benefit expense recognised in other comprehensive income:

	2013 €'000	2012 €'000	2011 €'000
Actuarial (gains) and losses	(1,317)	2,896	564
Deferred income taxes	261	(666)	(89)
<b>Actuarial result through comprehensive income</b>	<b>(1,056)</b>	<b>2,230</b>	<b>475</b>
<b>Net benefit expense (gain) recognised in other comprehensive income</b>	<b>(1,056)</b>	<b>2,230</b>	<b>475</b>

**Megger Group Limited**  
Consolidated financial statements for the year ended 30 November 2013

**21. Employee benefit liabilities (continued)**

**Benefit (asset)/liability:**

	2013	2012	2011
	€'000	€'000	€'000
Defined benefit obligations	22,701	23,415	18,067
Fair value of plan assets	(18,006)	(16,632)	(14,915)
<b>Deficit/(Surplus)</b>	<b>4,695</b>	<b>6,783</b>	<b>3,152</b>
<b>Defined benefit obligation</b>	<b>4,695</b>	<b>6,783</b>	<b>3,152</b>

Changes in the present value of the defined benefit obligation are as follows:

	2013	2012	2011
	€'000	€'000	€'000
<b>At 1 December</b>	<b>23,415</b>	<b>18,067</b>	<b>18,143</b>
Interest costs on benefit obligations	848	922	937
Pensions paid	(939)	(852)	(699)
Actuarial losses/ (gains)	(113)	3,338	(117)
Exchange differences	(510)	1,940	(197)
<b>At 30 November</b>	<b>22,701</b>	<b>23,415</b>	<b>18,067</b>

Changes in the fair value of plan assets are as follows:

	2013	2012	2011
	€'000	€'000	€'000
<b>At 1 December</b>	<b>16,632</b>	<b>14,915</b>	<b>15,073</b>
Expected return on plan assets	980	872	998
Contributions by employers	512	410	388
Pensions paid	(937)	(851)	(698)
Actuarial gains/(losses)	1,205	428	(681)
Exchange differences	(386)	858	(165)
<b>At 30 November</b>	<b>18,006</b>	<b>16,632</b>	<b>14,915</b>

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2013	2012	2011
Equities	66.0%	63.0%	62.0%
Government bonds	24.0%	25.0%	24.0%
Corporate bonds	10.0%	11.0%	13.0%
Property	0.0%	0.0%	0.0%
Other	0.0%	1.0%	1.0%
<b>At 30 November</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

# Megger Group Limited

Consolidated financial statements for the year ended 30 November 2013

## 21. Employee benefit liabilities (continued)

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. The principal assumptions used by the scheme's actuaries of the various schemes were:

		2013	2012	2011
Discount rate		4.4%	4.0%	5.0%
Expected rate of return on assets	Equities	8.2%	7.7%	6.5%
	Government bonds	4.4%	4.0%	5.0%
	Corporate bonds	3.7%	3.0%	3.2%
	Other	0.5%	0.5%	0.5%
	Average rate	6.8%	0.0%	0.0%
Future pension increases	Post 88 GMPs	2.3%	2.1%	2.1%
	Pre 1997 benefits (non GMP)	2.8%	2.4%	2.7%
	Post 1997 benefits	3.5%	2.7%	3.1%
Revaluation deferred pensions (non GMP)		2.6%	0.0%	0.0%
Inflation assumption		3.5%	2.5%	2.8%
Mortality tables used (applicable to 2013, 2012 and 2011)				
	Before retirement	Males	90% of AMC00	
		Females	100% of AFC00	
	After retirement	Males	110% of S1PMA	
		Females	110% of S1PFA	
	Improvement		CMI Model 2011 (1.0%)	

The actual return on scheme assets was:

	2013	2012	2011
	€'000	€'000	€'000
Expected return on scheme assets	980	872	998
Actuarial gain / (loss)	1,205	428	(681)
Actual return on scheme assets	2,185	1,300	317

Amounts for the current and previous four periods are as follows:

	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
Defined benefit obligation	22,701	23,415	18,067	18,143	17,218
Plan assets	(18,006)	(16,632)	(14,915)	(15,073)	(13,620)
Deficit	4,695	6,783	3,152	3,070	3,598
Defined benefit obligation	4,695	6,783	3,152	3,070	3,598

The history of experience losses and (gains) has been:

	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
Difference between expected and actual return on scheme assets	(46)	(537)	153	492	(375)
Experience (gains) and losses on scheme liabilities	1,190	459	(721)	70	2,520

# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 22. Other non-current liabilities

Other non-current liabilities represent contingent consideration on the acquisition in 2008 of Pax Diagnostics AB, which will be finalised before 30 November 2014.

### 23. Trade and other payables

	2013 €'000	2012 €'000	2011 €'000
Trade payables	10,725	12,156	7,469
Payables to related parties	1,405	3,419	-
Deferred revenues	204	997	-
Other taxes and social security payables	1,875	2,738	553
Customer payments on account	2,339	1,898	893
Accruals and other current liabilities	10,989	10,684	7,295
	<b>27,537</b>	<b>31,892</b>	<b>16,210</b>

Trade payables are non-interest bearing and are normally settled on 30-60 day terms. The carrying amounts of the trade and other payables approximate their fair value.

### 24. Related Party disclosures

The Company has one Director who had either direct or indirect shareholdings in two companies, Vivax/Metrotech Corporation and Seitz AG, which the Group does business with. The interest with Seitz AG ceased on 10 December 2012 and there were no related party purchases from Seitz AG during the year (2012: €1,762,000, of which €841,000 was payable at 30 November 2012; 2011: nil). The interest with Vivax/Metrotech Corporation ceased on 3 September 2013. Related party sales to Vivax/Metrotech Corporation during the year totalled €967,000 (2012: €841,000, of which €299,000 was receivable at 30 November 2012; 2011: nil). Related party purchases from Vivax/Metrotech Corporation during the year totalled €2,489,000 (2012: €2,454,000, of which €695,000 was payable at 30 November 2012; 2011: nil).

#### 24.1 Compensation of Directors of the Group and other matters:

The remuneration of the Board of Directors was:

	2013 €'000	2012 €'000
Directors fees	47	37
Salaries	287	162
Short-term benefit plan	154	79
Long-term bonus plan	375	-
	<b>863</b>	<b>278</b>

The Group has both short-term and long-term bonus plans for certain Directors. These bonus plans are, among other criteria, based on the operational performance of the Group.

There are no Key management personnel outside of the Board. Key management compensation therefore relates to the amounts tabled above, plus other costs, National Insurance €108,000 (2012: €32,000), Health Insurance €6,000 (2012: €5,000) and Car €11,000 (2012: nil).

Total emoluments of the Highest paid director are €285,000 (2012: €247,000) with an accrued pension of €11,000 per annum (2012: €11,000).

# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 25. Commitments and contingencies

#### Contingent liabilities

In September 2013 the Company borrowed €100,000,000 under a 4 year term loan agreement. In addition a revolving credit line amounting to €20,000,000 (2012 and 2011: USD 40,000,000) is available to the company and other companies within the Group.

The Company and its wholly owned subsidiaries, Megger Limited, Megger International Finance Limited, AVO International inc, James G. Biddle Co., Biddle Instruments Financial Corporation, AVO Multi-Amp Corporation, Seba Dynatronic Meß- und Ortungs-Technik GmbH, Hagenuk KMT Kabelmeßtechnik GmbH, Megger Holding Germany GmbH & Co KG, Megger GmbH, Megger Holdings GmbH, and Megger Sweden AB, have guaranteed repayment of the overall borrowings under this facility which, at 30 November 2013 amounted to €98,875,000 (2012 and 2011: nil). At the balance sheet date all drawings from the facility have been made by the Company.

The Directors are of the opinion that no loss will arise as a result of the above arrangements.

### 26. Capital management

The Group manages its capital to maximise its long term shareholder value and to ensure that entities in the Group will be able to continue as going concerns in so far as the underlying business remains profitable. It does so by making adjustments to its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may, within the restrictions of any external covenants, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

During the year the Group negotiated new banking facilities to repay certain shareholder loans and to provide working capital and investment financing to specified members of the Group. This new external financing requires the achievement of certain profitability ratios, all of which were met at year end, and which the Directors are satisfied will be met through the life of those facilities.

The capital structure of the Group currently consists of net external borrowings (borrowings as detailed in note 19, partly offset by cash and bank balances), subordinated shareholder loan and the equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interest) as detailed in note 17. The Group's overall strategy has remained unchanged for many years.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	2013 €'000	2012 €'000	2011 €'000
Total equity	140,227	127,068	62,071
Cash and cash equivalents	(19,070)	(24,146)	(7,707)
<b>Capital</b>	<b>121,157</b>	<b>102,922</b>	<b>54,364</b>
Total equity	140,227	127,068	62,071
Borrowings	148,938	163,367	8,450
<b>Overall financing</b>	<b>289,165</b>	<b>290,435</b>	<b>70,521</b>
 <b>Capital-to-overall financing ratio</b>	 <b>0.42</b>	 <b>0.35</b>	 <b>0.77</b>

The Group is not subject to any externally imposed capital requirements. As the Group is privately held and is currently in a net cash position, the Group's risk management committee has not set any gearing ratios or targets.

# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 27. Financial instruments

#### Financial risk management objectives and policies

The Group's principal financial instruments comprise bank and other loans, overdrafts and cash. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The carrying amounts of financial assets presented in the statement of financial position relate to the following measurement categories as defined in IAS 39:

	Loans and receivables €'000	Other (non- IAS 39) €'000	Total for line item €'000
<b>2013</b>			
<b>Current:</b>			
Trade and other receivables	42,340	2,119	44,459
Cash and cash equivalents	19,070	-	19,070
<b>Total for category</b>	<b>61,410</b>	<b>2,119</b>	<b>63,529</b>
<b>2012</b>			
<b>Current:</b>			
Trade and other receivables	45,340	2,241	47,581
Cash and cash equivalents	24,146	-	24,146
<b>Total for category</b>	<b>69,486</b>	<b>2,241</b>	<b>71,727</b>
<b>2011</b>			
<b>Current:</b>			
Trade and other receivables	26,071	1,130	27,201
Cash and cash equivalents	7,707	-	7,707
<b>Total for category</b>	<b>33,778</b>	<b>1,130</b>	<b>34,908</b>

The other (non-IAS 39) financial assets relate to prepaid expenses and are accounted for in line with IAS 1: "Presentation of Financial Statements".

The carrying amounts of financial liabilities presented in the statement of financial position relate to the following measurement categories as defined in IAS 39:

	Financial liabilities measured at amortised cost €'000	Other (non- IAS 39) €'000	Total for line item €'000
<b>2013</b>			
<b>Non-current:</b>			
Financial debt	134,375	52	134,427
<b>Current:</b>			
Trade and other payables	23,323	4,214	27,537
Financial debt	14,500	11	14,511
<b>Total for category</b>	<b>172,198</b>	<b>4,277</b>	<b>176,475</b>
<b>2012</b>			
<b>Non-current:</b>			
Financial debt	139,192	9	139,201
<b>Current:</b>			
Trade and other payables	27,256	4,636	31,892
Financial debt	24,103	63	24,166
<b>Total for category</b>	<b>190,551</b>	<b>4,708</b>	<b>195,259</b>
<b>2011</b>			
<b>Non-current:</b>			
Financial debt	-	33	33
<b>Current:</b>			
Trade and other payables	14,764	1,446	16,210
Financial debt	8,283	134	8,417
<b>Total for category</b>	<b>23,047</b>	<b>1,613</b>	<b>24,660</b>

# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 27. Financial instruments (continued)

The other (non-IAS 39) financial liabilities relate to:

	2013	2012	2011
	€'000	€'000	€'000
Finances leases (IAS 17: "Leases")	63	72	167
Other taxes and social security payables (IAS 1: "Presentation of Financial Statements")	1,875	2,738	553
Customer payments on account (IAS 1: "Presentation of Financial Statements")	2,339	1,898	893
	<b>4,277</b>	<b>4,708</b>	<b>1,613</b>

The Group is exposed to market risk, credit risk and liquidity risk:

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For the Group, market price risk comprises: interest risk, currency risk and other price risk.

Financial instruments affected by market risk include loans and borrowings.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at year end.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate, because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group decides whether to enter into fixed or variable interest contracts based on the most favourable conditions at the time of entering in the contract.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no impact on the Group's equity. The effective interest rates in place are set out in note 19.

Increase/decrease		Effect on profit before tax		
in basis points				
		2013	2012	2011
		€'000	€'000	€'000
Euro	+100	1,441	580	111
Euro	-100	(1,441)	(580)	(111)

# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 27. Financial instruments (continued)

#### Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency). The main currency that gives rise to the risk is the USD, GBP and SEK.

The following table demonstrates the sensitivity to the effect of a reasonably possible change in the Euro exchange rate on the translation of these foreign subsidiary financial assets and liabilities, of the Group's profit before tax and the Group's equity.

	Change in € rate	Effect on PBT €'000	Effect on equity €'000
<b>2013</b>	10%	1,989	1,350
	-10%	(1,989)	(1,350)
<b>2012</b>	10%	2,233	1,515
	-10%	(2,233)	(1,515)
<b>2011</b>	10%	1,275	865
	-10%	(1,275)	(865)

#### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group has no significant credit risks, other than those, which have already been allowed for, nor any concentrations of credit with a single customer or in an industry or geographical region, which carries an unusually high credit risk. Credit risks are monitored regularly. The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables and cash and equivalents.

#### Liquidity risk

The Group monitors its risk to a shortage of funds using detailed budgets for future periods. The Group updates its budget quarterly to monitor the liquidity risks closely. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and funding from and to other entities within the Group. The Group has significant funds available to repay the loans. The table below summarizes the maturity profile of the Group's financial liabilities at 30 November 2013 based on contractual undiscounted payments, inclusive of interest payable:

	Within one year €'000	1-2 years €'000	2-4 years €'000	More than 4 years €'000	Total €'000
External financial debt	14,511	12,500	71,927	-	98,938
Related party financial debt	-	-	50,000	-	50,000
Interest on financial debt	1,134	7,421	4,831	-	13,386
<b>Financial debt total:</b>	<b>15,645</b>	<b>19,921</b>	<b>126,758</b>	<b>-</b>	<b>162,324</b>
Other financial liabilities and trade payables	27,537	-	-	-	27,537

### 28. Rates of exchange

The principal rates of exchange used in the preparation of these financial statements were as follows (for €1.00):

	Statement of income average rates			Balance sheet end rates		
	2013	2012	2011	2013	2012	2011
USD	1.3168	1.2940	1.3892	1.3617	1.3006	1.3463
GBP	0.8431	0.8187	0.8688	0.8312	0.8115	0.8562
CAD	1.3448	1.3017	1.3754	1.4416	1.2920	1.3687
SEK	8.6338	8.7882	9.0327	8.8998	8.6600	9.0786



# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 29. First-time adoption of IFRS

The date of transition to IFRS is 1 December 2011. The Group applied IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS) in preparing these first IFRS consolidated financial statements. The effects of the transition to IFRS on equity and total comprehensive income are presented in this section and are further explained in the notes that accompany the tables.

#### Reconciliation of consolidated statement of income (2012)

	UK GAAP	Intangibles	Deferred classification	Re-	IFRS	IFRS
	2012	(note 1)	Tax (note 2)	(note 3)	2012	2012
	£'000	£'000	£'000	£'000	£'000	£'000
Revenues	142,797	-	-	(203)	142,594	175,708
Cost of goods sold and services rendered	(72,061)	-	-	379	(71,682)	(88,480)
<b>Gross profit</b>	<b>70,736</b>	<b>-</b>	<b>-</b>	<b>176</b>	<b>70,912</b>	<b>87,228</b>
Selling and marketing expenses	(27,260)	-	-	36	(27,224)	(33,475)
Administrative expenses	(8,364)	-	-	462	(7,902)	(9,715)
Intangible asset expenses	(16,490)	569	-	11	(15,910)	(14,565)
Other operating income/(expenses)	1,634	(1,451)	-	(603)	(420)	(5,597)
<b>Total expenses</b>	<b>(50,480)</b>	<b>(882)</b>	<b>-</b>	<b>(94)</b>	<b>(51,456)</b>	<b>(63,352)</b>
<b>Profit before financial income/expense and taxes</b>	<b>20,256</b>	<b>(882)</b>	<b>-</b>	<b>82</b>	<b>19,456</b>	<b>23,876</b>
Financial income	931	-	-	-	931	1,188
Financial expense	(3,130)	-	-	(38)	(3,168)	(4,012)
<b>Profit before tax</b>	<b>18,057</b>	<b>(882)</b>	<b>-</b>	<b>44</b>	<b>17,219</b>	<b>21,052</b>
Taxes	(5,855)	-	1,076	(27)	(4,806)	(5,883)
<b>Profit for the period from continuing operations</b>	<b>12,202</b>	<b>(882)</b>	<b>1,076</b>	<b>17</b>	<b>12,413</b>	<b>15,169</b>
<b>PROFIT FOR THE PERIOD</b>	<b>12,202</b>	<b>(882)</b>	<b>1,076</b>	<b>17</b>	<b>12,413</b>	<b>15,169</b>
Of which						
Attributable to non-controlling interests	1	-	-	-	1	2
Attributable to shareholders of the parent	12,201	(882)	1,076	17	12,412	15,167

#### Reconciliation of consolidated statement of comprehensive income (2012)

	UK GAAP	Intangibles	Deferred classification	Re-	IFRS	IFRS
	2012	(note 1)	Tax (note 2)	(note 3)	2012	2012
	£'000	£'000	£'000	£'000	£'000	£'000
<b>PROFIT FOR THE PERIOD</b>	<b>12,202</b>	<b>(882)</b>	<b>1,076</b>	<b>17</b>	<b>12,413</b>	<b>15,169</b>
<b>OTHER COMPREHENSIVE INCOME:</b>						
Items that may be reclassified subsequently to the statement of income						
Exchange differences on translation of foreign operations	(433)	-	-	(209)	(642)	2,720
<b>Currency translations, net of tax</b>	<b>(433)</b>	<b>-</b>	<b>-</b>	<b>(209)</b>	<b>(642)</b>	<b>2,720</b>
Actuarial results on post-retirement benefits plans	(2,357)	-	-	-	(2,357)	(2,896)
Income tax effect	547	-	-	-	547	666
<b>Actuarial results, net of tax</b>	<b>(1,810)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,810)</b>	<b>(2,230)</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>(2,243)</b>	<b>-</b>	<b>-</b>	<b>(209)</b>	<b>(2,452)</b>	<b>490</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>9,959</b>	<b>(882)</b>	<b>1,076</b>	<b>(192)</b>	<b>9,961</b>	<b>15,659</b>
Of which						
Attributable to non-controlling interests	1	-	-	-	1	2
Attributable to shareholders of the parent	9,958	(882)	1,076	(192)	9,960	15,657

**Megger Group Limited**  
Consolidated financial statements for the year ended 30 November 2013

**29. First-time adoption of IFRS (continued)**

**Reconciliation of equity (2012)**

	UK GAAP	Intangibles	Deferred	Re-	IFRS	IFRS
	2012	(note 1)	Tax (note 2)	(note 3)	2012	2012
	£'000	£'000	£'000	£'000	£'000	£'000
<b>ASSETS</b>						
<b>Non-current Assets</b>						
Property, plant and equipment	19,551	-	-	-	19,551	24,092
Intangible assets	159,831	5,546	17,910	-	183,287	225,880
Investment in associate	458	-	-	-	458	564
Deferred tax assets	-	-	-	2,554	2,554	3,147
<b>Total Non-current Assets</b>	<b>179,840</b>	<b>5,546</b>	<b>17,910</b>	<b>2,554</b>	<b>205,850</b>	<b>253,683</b>
<b>Current Assets</b>						
Inventories	30,356	-	-	-	30,356	37,408
Trade and other receivables	33,444	-	-	2,752	36,196	45,041
Receivables from related parties	-	-	-	243	243	299
Prepaid expenses	1,789	-	-	29	1,818	2,241
Other current assets	1,672	-	-	(1,320)	352	-
Cash and cash equivalents	19,594	-	-	-	19,594	24,146
<b>Total Current Assets</b>	<b>86,855</b>	<b>-</b>	<b>-</b>	<b>1,704</b>	<b>88,559</b>	<b>109,135</b>
<b>TOTAL ASSETS</b>	<b>266,695</b>	<b>5,546</b>	<b>17,910</b>	<b>4,258</b>	<b>294,409</b>	<b>362,818</b>
<b>Equity</b>						
Issued share capital	74,784	-	-	-	74,784	92,158
Retained earnings and other reserves	21,666	5,546	1,076	(5,080)	23,208	28,503
Translation reserve	-	-	-	5,077	5,077	6,357
<b>Total equity attributable to shareholders of the parent</b>	<b>96,450</b>	<b>5,546</b>	<b>1,076</b>	<b>(3)</b>	<b>103,069</b>	<b>127,018</b>
Non-controlling interests	40	-	-	-	40	50
<b>Total equity</b>	<b>96,490</b>	<b>5,546</b>	<b>1,076</b>	<b>(3)</b>	<b>103,109</b>	<b>127,068</b>
<b>Non-current Liabilities</b>						
Financial debt	112,797	-	-	(112,636)	161	198
Provisions	3,428	-	-	355	3,783	4,663
Employee benefit liabilities	3,644	-	-	1,876	5,520	6,803
Payables to related parties	-	-	-	112,794	112,794	139,003
Deferred tax liabilities	4,027	-	16,834	1,387	22,248	27,417
Other non-current liabilities	872	-	-	(257)	615	757
<b>Total Non-current Liabilities</b>	<b>124,768</b>	<b>-</b>	<b>16,834</b>	<b>3,519</b>	<b>145,121</b>	<b>178,841</b>
<b>Current Liabilities</b>						
Trade and other payables	11,244	-	-	1,207	12,451	13,375
Payables to related parties	1,537	-	-	1,237	2,774	3,419
Financial debt	19,583	-	-	26	19,609	24,166
Provisions	-	-	-	255	255	314
Advances received from customers	-	-	-	-	-	679
Deferred revenues	-	-	-	-	-	997
Current income tax payables	435	-	-	-	435	537
Other taxes and social security payables	2,082	-	-	(909)	1,173	2,738
Accruals and other current liabilities	10,556	-	-	(1,074)	9,482	10,684
<b>Total Current Liabilities</b>	<b>45,437</b>	<b>-</b>	<b>-</b>	<b>742</b>	<b>46,179</b>	<b>56,909</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>266,695</b>	<b>5,546</b>	<b>17,910</b>	<b>4,258</b>	<b>294,409</b>	<b>362,818</b>

**Megger Group Limited**  
Consolidated financial statements for the year ended 30 November 2013

**29. First-time adoption of IFRS (continued)**

**Reconciliation of equity (2011)**

	UK GAAP	Intangibles	Deferred classification	Re-	IFRS	IFRS
	2011	(note 1)	Tax (note 2)	(note 3)	2011	2011
	£'000	£'000	£'000	£'000	£'000	€'000
<b>ASSETS</b>						
<b>Non-current Assets</b>						
Property, plant and equipment	9,576	-	-	-	9,576	11,188
Intangible assets	26,462	6,651	-	-	33,113	38,685
Deferred tax assets	-	-	-	1,745	1,745	2,038
<b>Total Non-current Assets</b>	<b>36,038</b>	<b>6,651</b>	<b>-</b>	<b>1,745</b>	<b>44,434</b>	<b>51,911</b>
<b>Current Assets</b>						
Inventories	13,276	-	-	-	13,276	15,510
Trade and other receivables	21,126	-	-	1,048	22,174	25,913
Prepaid expenses	967	-	-	-	967	1,130
Other current assets	1,192	-	-	(1,049)	143	157
Cash and cash equivalents	6,596	-	-	-	6,596	7,707
<b>Total Current Assets</b>	<b>43,157</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>43,156</b>	<b>50,417</b>
<b>TOTAL ASSETS</b>	<b>79,195</b>	<b>6,651</b>	<b>-</b>	<b>1,744</b>	<b>87,590</b>	<b>102,328</b>
<b>Equity</b>						
Issued share capital	34,784	-	-	-	34,784	42,868
Retained earnings and other reserves	11,708	6,651	-	(5,729)	12,630	15,566
Translation reserve	-	-	-	5,720	5,720	3,637
<b>Total equity attributable to shareholders of the parent</b>	<b>46,492</b>	<b>6,651</b>	<b>-</b>	<b>(9)</b>	<b>53,134</b>	<b>62,071</b>
Non-controlling interests	-	-	-	-	-	-
<b>Total equity</b>	<b>46,492</b>	<b>6,651</b>	<b>-</b>	<b>(9)</b>	<b>53,134</b>	<b>62,071</b>
<b>Non-current Liabilities</b>						
Financial debt	-	-	-	29	29	33
Provisions	3,458	-	-	339	3,797	4,425
Employee benefit liabilities	2,003	-	-	711	2,714	3,170
Deferred tax liabilities	3,064	-	-	1,076	4,140	4,837
Other non-current liabilities	1,923	-	-	(146)	1,777	2,076
<b>Total Non-current Liabilities</b>	<b>10,448</b>	<b>-</b>	<b>-</b>	<b>2,009</b>	<b>12,457</b>	<b>14,541</b>
<b>Current Liabilities</b>						
Trade and other payables	6,393	-	-	-	6,393	7,469
Financial debt	7,204	-	-	-	7,204	8,417
Provisions	-	-	-	261	261	316
Current income tax payables	653	-	-	9	662	774
Other taxes and social security payables	1,564	-	-	(1,564)	-	-
Accruals and other current liabilities	6,441	-	-	1,038	7,479	8,741
<b>Total Current Liabilities</b>	<b>22,255</b>	<b>-</b>	<b>-</b>	<b>(256)</b>	<b>21,999</b>	<b>25,717</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>79,195</b>	<b>6,651</b>	<b>-</b>	<b>1,744</b>	<b>87,590</b>	<b>102,329</b>

# Megger Group Limited

## Consolidated financial statements for the year ended 30 November 2013

### 29. First-time adoption of IFRS (continued)

#### Note 1 Intangibles

##### Business combinations

All previous business combinations have been restated under IFRS 3. Under UK GAAP, goodwill arising on business combinations is amortised. Under IFRS, goodwill is held at cost and reviewed for impairment. Goodwill in the 2012 balance sheet has been included at cost adjusted for impairment, so UK GAAP amortisation has been reversed.

In the statement of income, goodwill amortisation charged in 2012 under UK GAAP is reversed, increasing the carrying value of goodwill and increasing profit.

##### Other intangible assets

UK GAAP does not permit the recognition of Backlog and Customer Relationships acquired in the 2012 Seba business combination as separately identifiable intangibles, which IFRS does. The intangibles recognised under IFRS therefore are greater than under UK GAAP, but there is a corresponding decrease in the goodwill recognised.

There were no acquisition intangibles (other than goodwill) identified on the Swedish Pax acquisition that pre-dates the IFRS transition, requiring restatement.

##### Net transition adjustments

Intangibles adjustments are:

	1 December 2011 £'000	30 November 2012 £'000
MGL brought forward goodwill and other intangible assets recognised in IFRS but not in UK GAAP	14,776	14,499
Reversal of the amortisation of goodwill relating to Megger Sweden PAX acquisition costs	(8,125)	(7,020)
Seba acquisition costs capitalised as Goodwill in UK GAAP but expensed in IFRS	-	(1,450)
Reversal of the amortisation of goodwill and other intangible assets relating to Seba acquisition costs	-	(483)
	6,651	5,546

The adjustments to profit for 2012 related to Intangibles are:

	2012 £'000
Reversal of amortisation under UK GAAP to be subject to impairment testing under IFRS	1,048
Seba acquisition costs capitalised as Goodwill in UK GAAP but expensed in IFRS	(1,450)
Reversal of the amortisation of goodwill and other intangible assets	(480)
	(882)

#### Note 2 Deferred tax

Deferred Tax is recognised on acquired intangibles and amortised over the life of the intangible assets. The different intangible asset amounts recognised under UK GAAP and IFRS means the Deferred Tax recognised and its amortisation are also different. The following table shows the effect of transition adjustments on deferred tax liabilities and the movement in deferred tax recognised in profit and loss:

	1 December 2011 £'000	30 November 2012 £'000
Movement in deferred tax recognised in the consolidated statement of income in 2012	-	(1,076)
Effect on deferred tax liabilities	-	(1,076)

#### Note 3 Reclassification

Certain presentation differences between UK GAAP and IFRS have no material impact upon reported profit or total equity. Some assets and liabilities have been reclassified into another line item under IFRS at the date of transition.

# **Megger Group Limited**

**Registered Number: 2582519**

## **Company Financial Statements**

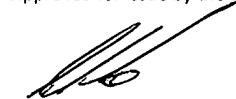
**30 November 2013**

## Company balance sheet

As at 30 November 2013  
In thousands of Euro

	note	2013	2012	2011
<b>ASSETS</b>				
<b>Non-current assets</b>				
Participations in group companies	3	313,580	262,072	135,033
Property, plant and equipment	4	44	4	1
Intangible assets	5	633	-	-
Receivable from subsidiary	11	25,966	31,481	-
Deferred tax assets		112	260	268
Other non-current assets		1,378	-	-
<b>Total Non-current assets</b>		<b>341,713</b>	<b>293,817</b>	<b>135,302</b>
<b>Current Assets</b>				
Other current assets		781	222	59
Receivables from third parties		63	-	-
Receivable from subsidiary	11	712	442	1,529
Cash and cash equivalents	6	3,959	5,992	825
<b>Total Current Assets</b>		<b>5,515</b>	<b>6,656</b>	<b>2,413</b>
<b>TOTAL ASSETS</b>		<b>347,228</b>	<b>300,473</b>	<b>137,715</b>
<b>SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>				
<b>Equity</b>				
Issued share capital		(92,158)	(92,158)	(42,868)
Retained earnings		(103,721)	(95,888)	(88,316)
<b>Total equity</b>		<b>(195,879)</b>	<b>(188,046)</b>	<b>(131,184)</b>
<b>Non-current Liabilities</b>				
	7	(134,936)	(90,126)	(1,067)
<b>Current Liabilities</b>				
Payables to third parties		(15,397)	(20,737)	(4,989)
Payables to subsidiaries	11	(20)	(68)	(30)
Current income tax payables		-	-	(239)
Accrued expenses		(996)	(1,496)	(206)
<b>Total Current Liabilities</b>		<b>(16,413)</b>	<b>(22,301)</b>	<b>(5,464)</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>		<b>(347,228)</b>	<b>(300,473)</b>	<b>(137,715)</b>

Approved for issue by the Board and signed on its behalf on 18 March 2014.



A R Hardie  
Director

The accompanying notes on pages 56 to 62 form an integral part of the Company financial statements

## Company statement of changes in equity

As at 30 November 2013

In thousands of Euro

	Issued capital	Retained earnings	Total equity
<b>Balance at 30 November 2011</b>	<b>42,868</b>	<b>88,316</b>	<b>131,184</b>
Profit for the year	-	7,572	7,572
<b>Total comprehensive income</b>	<b>-</b>	<b>7,572</b>	<b>7,572</b>
Issue of share capital	49,290	-	49,290
<b>Balance at 30 November 2012</b>	<b>92,158</b>	<b>95,888</b>	<b>188,046</b>
Profit for the year	-	7,833	7,833
<b>Total comprehensive income</b>	<b>-</b>	<b>7,833</b>	<b>7,833</b>
<b>Balance at 30 November 2013</b>	<b>92,158</b>	<b>103,721</b>	<b>195,879</b>

### Share capital

The share capital is detailed in note 17 of the consolidated financial statements.

### Retained earnings

This reserve represents accumulated retained profits. The amount is available for distribution to the shareholder, subject to a limitation on the realised profit in accordance with the requirements of the UK Companies Act, 2006.

## Company statement of cash flows

As at 30 November 2013

In thousands of Euro

	2013	2012
<b>Profit after tax</b>	<b>7,833</b>	<b>7,572</b>
<b>Adjustment to reconcile profit before tax to net cash flows from operating activities:</b>		
Financial income	(1,131)	(363)
Dividends received from subsidiaries	(10,244)	(5,099)
Financial expense	3,284	1,392
	<b>(8,091)</b>	<b>(4,070)</b>
<b>Non-cash items of income and expense:</b>		
Depreciation and impairment of property, plant and equipment	3	1
Amortisation and impairment of intangible assets	52	-
	<b>55</b>	<b>1</b>
<b>Movements in working capital:</b>		
Movement in trade and other receivables and prepayments	3,200	(30,503)
Movement in trade and other payables	(436)	1,167
Movement on intercompany balances as a result of reorganisation	(51,508)	-
Income tax received/(paid)	44	(54)
	<b>(48,700)</b>	<b>(29,390)</b>
<b>Net cash flows from operating activities</b>	<b>(48,903)</b>	<b>(25,887)</b>
<b>Investing activities:</b>		
Purchase of property, plant and equipment	(43)	(4)
Purchase of intangible fixed assets	(685)	-
Acquisition of a subsidiary or associate net of cash acquired	-	(127,039)
Interest received	1,004	363
Dividends received from subsidiaries	10,244	5,099
	<b>10,520</b>	<b>(121,581)</b>
<b>Financing activities:</b>		
Proceeds from borrowings	113,000	104,670
Proceeds from issue of shares	-	49,290
Repayments of borrowings	(73,617)	-
Interest paid	(3,031)	(1,392)
	<b>36,352</b>	<b>152,568</b>
Foreign exchange differences	(2)	67
<b>Net movement in cash and cash equivalents</b>	<b>(2,033)</b>	<b>5,167</b>
Cash and bank balances as at 1st December	5,992	825
<b>Cash and bank balances as at 30th November</b>	<b>3,959</b>	<b>5,992</b>

The accompanying notes on pages 56 to 62 form an integral part of the Company financial statements



## Notes to the Company's financial statements

for the year ended 30 November 2013  
In thousands of Euros

### 1. General

The Company's principal activity is to act as a holding company for industrial investments. The activities of the operating subsidiaries and associates are set out in the Directors' report. The Company is a limited-liability company registered under UK Companies Act, 2006, with number 2582519, and is located at Avocet House, Archcliffe Road, Dover, Kent, CT17 9EN.

The Company has taken advantage of the exemption from presenting the Company income statement, available under Section 408 of the Companies Act 2006. The profit for the year was €7,833,000 (2012: €7,572,000).

### 2. Summary of significant accounting principles

The accounting principles applied are the same as those relating to the consolidated financial statements with the following additions:

The participations in group companies are carried in the parent company's accounts at cost price. No impairment related to these participations was recorded in 2013 (2012 and 2011: nil).

Amounts due to and from group entities are disclosed separately as receivable or payable, and are disclosed as current or non-current based on the repayment terms are treated as financial liabilities and financial assets respectively. Accounting policies for these are as disclosed in the Group accounting policies.

### 3. Participations in group companies

Movements in investments in group companies are as follows:

	€'000
<b>Balance at 30 November 2011</b>	<b>135,033</b>
<u>Additions due to businesses acquired</u>	
Seba and Relay Engineering Services	127,039
<b>Balance at 30 November 2012</b>	<b>262,072</b>
<u>Additions due to business restructuring</u>	
Megger International Finance Limited	110,010
<u>Disposals due to business restructuring</u>	
Megger Holding GmbH & Co KG return of partners contributions	(58,502)
<b>Balance at 30 November 2013</b>	<b>313,580</b>

Two new legal entities were formed during the year:

- Megger International Finance Limited was formed to provide financial support to other companies within the Group.
- Megger Holdings GmbH was formed to create a unified and separate sub group for the German manufacturing operations.

On 30 November 2013 Megger Holdings GmbH acquired 100% of the shares in Seba Dynatronic Meß- und Ortungs-Technik GmbH and in Hagenuk KMT Kabelmeßtechnik GmbH from Megger Holdings KG.

	2013 €'000	2012 €'000
<b>Dividends received by the Company:</b>		
From subsidiaries (note 11)	10,242	5,099
	<b>10,242</b>	<b>5,099</b>

# Megger Group Limited

Company's financial statements for the year ended 30 November 2013

## 3. Participations in group companies (continued)

List of (direct and indirect) participations recording more than €500,000 Revenues and/or more than €250,000 net assets at 30 November 2013:

	Nature of business	Domicile	% Economic Interest 2013	% Economic Interest 2012
Megger Limited	B	UK	100%	100%
Megger Instruments Limited	A	UK	100%	100%
AVO International Inc	A, B	USA	100%	100%
Megger Limited	B	Canada	100%	100%
Megger International Finance Limited	D	British Virgin Islands	100%	0%
Megger Holdings GmbH +	D	Germany	100%	0%
Megger PTY Limited*	B	Australia	100%	100%
Megger Sweden AB	A, B	Sweden	100%	100%
Megger GmbH +	B	Germany	100%	100%
Megger Schweiz AG*	B	Switzerland	100%	100%
Megger Hong Kong Limited*	B	Hong Kong	100%	100%
AVO Multi-amp Corp*	A	USA	100%	100%
James G. Biddle Inc*	A	USA	100%	100%
AVO Training Institute*	C	USA	100%	100%
Power DB, Inc*	B	USA	100%	100%
Megger India Private Limited *	B	Mumbai, India	100%	100%
Megger S.A.R.L.*	B	France	100%	100%
Megger Holding Verwaltungs GmbH	D	Germany	100%	100%
Seba Dynatronic Meß- und Ortungs-Technik GmbH +	A, B	Germany	100%	100%
Hagenuk KMT Kabelmeßtechnik GmbH +	A, B	Germany	100%	100%
Seba Polska z.o.o.*	B	Poland	100%	100%
Seba KMT Iberia SL*	B	Spain	100%	100%
SebaKMT UK Limited*	B	UK	100%	100%
Seba KMT Bulgaria EOOD*	B	Bulgaria	100%	100%
Seba Slovakia spol s.r.o.*	B	Slovakia	100%	100%
Seba Hungaria Merőműszerkereskedelmi és Szolgáltató Kft*	B	Hungary	100%	100%
SebaKMT Japan Co. Ltd*	B	Japan	100%	100%
HDW Electronics inc*	A, B	USA	100%	100%
SebaKMT International SARL*	B	France	100%	100%
SEBA- Dynatronic CZ s.r.o.*	B	Czech Republic	100%	100%
Seba KMT Comercio de Equipamentos Electronics da America Latina Ltda	B	Brazil	100%	100%
Seba Spektrum OOO*	A, B	Russia	95%	95%
Seba Energo OOO*	A, B	Russia	100%	100%
Relay Engineering Services Limited*	A, B	UK	100%	100%
Seba Nor A/S* (Associate)	A, B	Norway	34%	34%
Advanced Utility Solutions Pty Ltd* (Associate)	A, B	Australia	0%	20%
Seba Dynatronic Sverige AB* (Associate)	A, B	Sweden	33%	33%
Seba Service N.V.* (Associate)	A, B	Belgium	33%	33%

\* denotes investments owned through subsidiaries.

The Company also has a 100% interest in Megger Holding GmbH & Co KG, a partnership 90% owned directly by the Company and 10% owned indirectly through Megger Limited and a 100% interest in Megger Real Estate Germany GmbH, a company which is 95% owned directly by the Company and 5% owned indirectly through Megger Limited. Subsidiaries marked + are 100% owned through this partnership.

The letters allocated to the nature of business in the above table are as follows: A is manufacturer of electrical and electronic measuring instruments; B is distributor of test and measuring equipment; C is training and D is holding/finance company.

# Megger Group Limited

## Company's financial statements for the year ended 30 November 2013

### 3. Participations in group companies (continued)

The company has other wholly owned non-trading subsidiary undertakings.

In the opinion of the directors, the value of the company's interests in its subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

### 4. Property, plant and equipment

The expenditure on IT and other equipment totalled €43,000 in 2013 (2012: €4,000; 2011: €2,000), and the depreciation charged for the year was €3,000 (2012 and 2011: €1,000). The opening cost was €6,000 (2012: €2,000; 2011: nil) and the opening depreciation was €2,000 (2012: €1,000; 2011: nil).

### 5. Intangible assets

The expenditure on capitalised software totalled €685,000 in 2013 (2012 and 2011: €nil), and the amortisation charged for the year was €52,000 (2012 and 2011: €nil).

### 6. Cash and cash equivalents

	2013 €'000	2012 €'000
Cash at bank and in hand	3,959	5,992
	<b>3,959</b>	<b>5,992</b>

### 7. Non-current Liabilities

	2013 €'000	2012 €'000
Unsecured external bank loans	84,375	-
Unsecured related party debt	50,000	89,000
Deferred employee compensation	561	1,126
	<b>134,936</b>	<b>90,126</b>

The unsecured related party debt and unsecured external bank loans are detailed in note 19.a of the consolidated financial statements.

### 8. Contingencies and commitments

The Company has no contingencies or commitments.

### 9. Lease commitment

The Company entered into two operating leases on cars on 31 May 2011 and 26 November 2012 for a minimum planned period of 42 months. The operating lease expense charged to the statement of income in 2013 was €13,000 (2012: €13,000; 2011: €11,000). The operating lease commitments within one year are €13,000 and the operating lease commitments between two and five years are €10,000.

### 10. Financial instruments

The Company's financial instruments comprise bank loans, related party loans and cash for €118,951,000 (2012: €72,025,000; 2011: €4,003,000) disclosed as both loans and receivables and financial liabilities measured at amortised cost in note 27 of the consolidated financial statements. The Company has various other financial assets and liabilities such as current other receivables of €38,000 (2012: €80,000; 2011: €19,000) and trade and other payables of €1,892,000 (2012: €1,735,000; 2011: €366,000), which arise directly from its operations, respectively disclosed as loans and receivables and financial liabilities measured at amortised cost in note 27 of the consolidated financial statements.

#### Fair values

In view of their short-term nature, the fair values of financial instruments included in cash, trade receivables and payables, and short term liabilities approximate their carrying amounts. In view of the variable interest rates, the fair values of interest-bearing loans and borrowings approximate their carrying values. The carrying amounts of the financial assets and financial liabilities approximate their fair value.

# Megger Group Limited

Company's financial statements for the year ended 30 November 2013

## 11. Related party and subsidiary disclosures

The Company had no transactions with related parties in 2013 (2012: nil) other than transactions that have been entered into with subsidiaries for the relevant financial year, which are disclosed in the table below:

		Dividend	Interest	Services fees	Current	Non-current
		income	income	income	amounts	amounts
		€ '000	€ '000	€ '000	owed by/(to)	owed by/(to)
					subsidiaries	subsidiaries
					€ '000	€ '000
<b>Entities within the Group</b>						
Megger Limited (UK)	2013	2,587	977	285	66	22,708
Megger Limited (UK)	2012	-	357	259	160	31,188
Megger Instruments Limited	2013	4,189	-	335	193	409
Megger Instruments Limited	2012	4,733	-	353	79	291
Megger Limited (Canada)	2013	959	-	58	4	-
Megger Limited (Canada)	2012	366	-	51	(3)	-
Megger PTY Limited	2013	-	-	33	5	-
Megger PTY Limited	2012	-	-	32	(1)	-
Megger Sweden AB	2013	-	18	234	49	2,247
Megger Sweden AB	2012	-	-	233	(4)	-
Megger GmbH	2013	-	-	33	8	-
Megger GmbH	2012	-	-	29	3	-
Megger Schweiz AG	2013	-	-	11	1	-
Megger Schweiz AG	2012	-	-	9	-	-
AVO Multi-amp Corp	2013	2,507	-	677	94	-
AVO Multi-amp Corp	2012	-	-	749	(33)	-
Megger India Private Limited	2013	-	-	51	6	-
Megger India Private Limited	2012	-	-	58	(4)	-
Megger S.A.R.L.	2013	-	5	44	15	602
Megger S.A.R.L.	2012	-	-	45	(3)	2
Megger Holding Germany GmbH & Co KG	2013	-	-	633	213	-
Megger Holding Germany GmbH & Co KG	2012	-	-	124	125	-
Seba Dynatronic Meß- und Ortungs-Technik GmbH	2013	-	-	-	1	-
Seba Dynatronic Meß- und Ortungs-Technik GmbH	2012	-	-	-	-	-
Seba Polska z.o.o.	2013	-	-	16	2	-
Seba Polska z.o.o.	2012	-	-	5	5	-
Seba KMT Iberia SL	2013	-	-	15	2	-
Seba KMT Iberia SL	2012	-	-	3	3	-
SebaKMT UK Limited	2013	-	-	8	-	-
SebaKMT UK Limited	2012	-	-	5	5	-
Seba KMT Bulgaria EOOD	2013	-	-	5	1	-
Seba KMT Bulgaria EOOD	2012	-	-	1	1	-
Seba Slovakia spol s.r.o.	2013	-	-	6	1	-
Seba Slovakia spol s.r.o.	2012	-	-	1	1	-
Seba Hungaria Merőműszerkereskedelmi és Szolgáltató Kft	2013	-	-	4	1	-
Seba Hungaria Merőműszerkereskedelmi és Szolgáltató Kft	2012	-	-	1	1	-
SebaKMT Japan Co. Ltd	2013	-	-	4	1	-
SebaKMT Japan Co. Ltd	2012	-	-	1	1	-
HDW Electronics inc	2013	-	-	-	-	-
HDW Electronics inc	2012	-	-	3	-	-
SebaKMT International SARL	2013	-	-	26	1	-
SebaKMT International SARL	2012	-	-	5	5	-
SEBA- Dynatronic CZ s.r.o.	2013	-	-	13	4	-
SEBA- Dynatronic CZ s.r.o.	2012	-	-	3	3	-
Seba Spektrum OOO	2013	-	-	(7)	18	-
Seba Spektrum OOO	2012	-	-	24	24	-
Seba Energo OOO	2013	-	-	-	6	-
Seba Energo OOO	2012	-	-	5	6	-
<b>Total</b>	<b>2013</b>	<b>10,242</b>	<b>1,000</b>	<b>2,484</b>	<b>692</b>	<b>25,966</b>
<b>Total</b>	<b>2012</b>	<b>5,099</b>	<b>357</b>	<b>1,999</b>	<b>374</b>	<b>31,481</b>

All transactions with subsidiaries entered into in 2013 and 2012 are made at market conditions. In addition to the above transactions with subsidiaries, the Company owed an unsecured loan of €50,000,000 (2012: €89,000,000) to its parent company, TBG Limited, as detailed in note 7.

# Megger Group Limited

## Company's financial statements for the year ended 30 November 2013

### 11. Related party and subsidiary disclosures (continued)

The non-current unsecured loan of €22,708,000 (2012: €31,188,000) receivable from Megger Limited (UK) has an effective interest rate of Euribor + 2.5%. The non-current unsecured loan of €2,247,000 (2012: nil) receivable from Megger Sweden AB has an effective interest rate of Euribor + 1.75%. The non-current unsecured loan of €602,000 (2012: €2,000) receivable from Megger S.A.R.L has an effective interest rate of Euribor + 1.75%.

### Remuneration of Directors

The members of the Board of Directors received no fees (2012: nil) other than as detailed in note 24.1 of the consolidated financial statements.

### 12. Audit fees

Expenses for services provided by the Company's independent auditor, Grant Thornton, for 2013 and 2012 and their respective affiliated firms were as follows:

	2013 €'000	2012 €'000
Auditors' remuneration	72	51
Audit related fees:		
Other assurance services	74	-
	<b>146</b>	<b>51</b>

### 13. Rates of exchange

The principal rates of exchange used in the preparation of these financial statements were as follows (for €1.00)

	Balance sheet end rates		
	2013	2012	2011
USD	1.3617	1.3006	1.3463
GBP	0.8312	0.8115	0.8562
CAD	1.4416	1.2920	1.3687
SEK	8.8998	8.6600	9.0786

# Megger Group Limited

Company's financial statements for the year ended 30 November 2013

## 14. First-time adoption of IFRS

The date of transition to IFRS is 1 December 2011. The Company applied IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS) in preparing these first IFRS financial statements. The effects of the transition to IFRS on equity are presented in this section and are further explained in the note that accompanies the tables.

### Reconciliation of equity (2012)

	UK GAAP 2012 £'000	Translation (note 1) £'000	IFRS 2012 £'000	IFRS 2012 €'000
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Participations in group companies	187,045	25,614	212,659	262,072
Property, plant and equipment	3	-	3	4
Receivable from subsidiary	25,546	-	25,546	31,481
Deferred tax assets	211	-	211	260
<b>Total Non-current Assets</b>	<b>212,805</b>	<b>25,614</b>	<b>238,419</b>	<b>293,817</b>
<b>Current Assets</b>				
Other current assets	181	(1)	180	222
Receivable from subsidiary	359	-	359	442
Cash and cash equivalents	4,863	-	4,863	5,992
<b>Total Current Assets</b>	<b>5,403</b>	<b>(1)</b>	<b>5,402</b>	<b>6,656</b>
<b>TOTAL ASSETS</b>	<b>218,208</b>	<b>25,613</b>	<b>243,821</b>	<b>300,473</b>
<b>Equity</b>				
Issued share capital	74,785	-	74,785	92,158
Retained earnings	52,191	25,613	77,804	95,888
<b>Total equity</b>	<b>126,976</b>	<b>25,613</b>	<b>152,589</b>	<b>188,046</b>
<b>Non-current Liabilities</b>				
Non-current Liabilities	73,136	-	73,136	90,126
<b>Total Non-current Liabilities</b>	<b>73,136</b>	<b>-</b>	<b>73,136</b>	<b>90,126</b>
<b>Current Liabilities</b>				
Payables to third parties	16,828	-	16,828	20,737
Payables to subsidiaries	55	-	55	68
Accrued expenses	1,213	-	1,213	1,496
<b>Total Current Liabilities</b>	<b>18,096</b>	<b>-</b>	<b>18,096</b>	<b>22,301</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>218,208</b>	<b>25,613</b>	<b>243,821</b>	<b>300,473</b>

# Megger Group Limited

Company's financial statements for the year ended 30 November 2013

## 14. First-time adoption of IFRS (continued)

### Reconciliation of equity (2011)

	UK GAAP 2011 £'000	Translation (note 1) £'000	IFRS 2011 £'000	IFRS 2011 €'000
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Participations in group companies	87,805	27,777	115,582	135,033
Property, plant and equipment	1	-	1	1
Deferred tax assets	229	-	229	268
<b>Total Non-current Assets</b>	<b>88,035</b>	<b>27,777</b>	<b>115,812</b>	<b>135,302</b>
<b>Current Assets</b>				
Other current assets	50	-	50	59
Receivable from subsidiary	1,309	-	1,309	1,529
Cash and cash equivalents	707	-	707	825
<b>Total Current Assets</b>	<b>2,066</b>	<b>-</b>	<b>2,066</b>	<b>2,413</b>
<b>TOTAL ASSETS</b>	<b>90,101</b>	<b>27,777</b>	<b>117,878</b>	<b>137,715</b>
<b>Equity</b>				
Issued share capital	34,785	-	34,785	42,868
Retained earnings	49,735	27,768	77,503	88,316
<b>Total equity</b>	<b>84,520</b>	<b>27,768</b>	<b>112,288</b>	<b>131,184</b>
<b>Non-current Liabilities</b>				
Non-current Liabilities	913	-	913	1,067
<b>Total Non-current Liabilities</b>	<b>913</b>	<b>-</b>	<b>913</b>	<b>1,067</b>
<b>Current Liabilities</b>				
Payables to third parties	4,271	-	4,271	4,989
Payables to subsidiaries	26	-	26	30
Current income tax payables	196	9	205	239
Accrued expenses	175	-	175	206
<b>Total Current Liabilities</b>	<b>4,668</b>	<b>9</b>	<b>4,677</b>	<b>5,465</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>90,101</b>	<b>27,777</b>	<b>117,878</b>	<b>137,715</b>

### Note 1 Translation

In 2000, the Group undertook a reconstruction that decreased the carrying value of the investments in subsidiaries by £26 million, with the other side of the entry giving rise to a negative merger reserve in equity. Under IFRS, the reconstruction would not have changed the investment or equity recognised at the company level.