

Megger Group Limited

Registered Number: 02582519

Report and Financial Statements 30 November 2018



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

Annual Report 2018

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Megger Group Limited

Directors' Report for the year ended 30 November 2018

The Directors present their annual report and the audited consolidated financial statements for Megger Group Limited and its subsidiary undertakings ("the Group") for the year ended 30 November 2018 on pages 11 to 35. Company financial statements for Megger Group Limited ("the Company") are on pages 36 to 43.

Results and dividends

The Group's consolidated statement of income and consolidated statement of comprehensive income are set out on pages 12 and 13. During the year ended 30 November 2018, the Company paid a dividend to the shareholder of €5,000,000 (2017: €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 in the Strategic Report on page 4.

Significant events

Megger acquired the assets and trade of the Baker Instrument business in August 2018 from SKF USA Inc which, whilst not being material to Megger financially, provides a new platform for future growth.

Employees

It is the policy of the Group 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 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.

Going concern

A review of the results and financial position of the Group occurs regularly with the Board of Directors 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 satisfied the covenants and met its requirements to make quarterly payments of interest and quarterly repayments of principal of the finance facility that is detailed in notes 16 to 18 of the consolidated financial statements.

The Directors have a reasonable expectation that the Group 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 and 7.

Megger Group Limited

Directors' Report for the year ended 30 November 2018

Future developments

Future developments are discussed in the Strategic Report on page 5.

Directors

The Directors in office during the year ended 30 November 2018 were:

R. T. Aylwin
A. J. Boughtwood
A. C. Dodds
J. B. Fairbairn

Directors' qualifying third party indemnity provisions

The Company 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 2018 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.

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 United Kingdom Generally Accepted Accounting Practice, United Kingdom Accounting Standards and applicable law, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'). 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 UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The 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 auditor is aware of that information.

The Directors' Report was approved by the Board of Directors on 5 February 2019 and was signed on its behalf by:



R T Aylwin
Director

Registered office: Avocet House, Archcliffe Road, Dover, Kent, CT17 9EN.

The Directors present their Strategic Report for the year ended 30 November 2018.

Review of the business

The Group's core business is the design, manufacture and sale of test instrumentation for electrical transmission, distribution, industrial, transportation applications, rotating machines, and low voltage electrical installations. In addition it supplies terminal blocks and connectors, delivers specialist testing, safety and training services, and provides a range of water leak detection and monitoring systems. It now has eight manufacturing facilities in Europe and the USA supported by world wide sales and marketing facilities.

Megger acquired the assets and trade of the Baker Instrument business in August 2018 from SKF USA Inc which, whilst not being material to Megger financially, provides a new platform for future growth. Baker is a lead brand in the motor test instrument market. Based in Denver, Colorado, they design, engineer, manufacture, distribute and service motor test products.

The Group performance has continued to improve and supported by stable trading conditions in most markets. The consolidated revenues of the Group increased 7% from €231m in 2017 to €246m in 2018 on the back of a good order book coming into the year and reasonable global economies during the year. Margin percentage levels are similar to last year and the Group has continued to invest for the future with the recruitment of sales and marketing resource and investment into its product offering through research and development. As a result the Group EBITDA has increased 4% to €48m in 2018.

The reduction in corporate tax rate in the US from December 2018 has benefited the Group, which along with the associated deferred tax reduced the Groups effective tax rate from 37% in 2017 to 27% in 2018. Along with operational performance and reduced taxation, the reduction in financing costs have contributed to the 45% improvement in profit for the financial year. The Group has increased working capital needs in the year, due to the growth in the business but still reported strong operating cash flows before tax in the year at €36m (2017: €44m) which, together with the flexibility given by the banking facilities, provide the Group with a strong platform for further development of the business including through acquisition. A €5m dividend was paid in 2018 (2017: €nil), in addition to servicing the banking facilities. Net debt reduced further to €53m from €59m in 2017.

The Group's balance sheet remains strong resulting in equity attributable to the shareholder of €89m (2017: €77m).

Key Performance Indicators	2018 €'000	2017 €'000	Change %
Revenues	246,405	230,722	7%
Gross Profit	53%	53%	
Net Finance Expense	(1,674)	(2,083)	20%
Profit for the financial year	17,611	12,139	45%
EBITDA	48,453	46,534	4%
Equity Attributable to Shareholders of the Parent	89,455	76,602	17%
Average number of persons employed during the year	1,328	1,279	4%

Outlook for the financial year ending 30 November 2019

The Directors see opportunities for continued growth in the markets in which the Group operates, despite some well published softening in economic sentiment across the globe, and this supports the Directors' decision to continue to invest in product and sales channel. Megger Group is now benefiting strongly from this continued focus as can be seen in the revenue numbers up 7% in 2018. The Directors undertook a strategic review in the year and this led to a confirmation of the areas of focus for the coming years, and in particular to invest further in Meggers' exceptionally talented employees. The Directors therefore remain positive for 2019 and beyond with a strong product range in place addressing our target markets. Megger continues to invest into its facilities, launch new and upgraded products from each of the factories and these are being well received by the market and are proving competitive, with further launches to come in 2019. Politically there is significant volatility, not least in the UK due to the Brexit negotiations, and trade tensions between the US and China. Whilst the outcome of Brexit negotiations remains very uncertain, Megger has reviewed likely risk areas and taken mitigating action to reduce the risk of the potential disruption arising. Overall the Directors remain confident for the future with (i) continued expansion of the 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. To this end further investment has taken place to extend our technical support, sales expertise and marketing capabilities to take advantage of these trends.

The Group is heavily committed to investing in its sustained research and development programmes across all its sites; this provides multiple growth opportunities. Each manufacturing location has a portfolio of possible engineering developments which are strategically aligned to the Group's business plan. These include sustaining activities to enhance existing products and new product developments. During 2019, a number of new developments will be released which address substation, transformer, cable and protection test, expanding the product portfolio to enable increased market share going forward.

Principal risks and uncertainties

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

Financial risk management objectives and policies

The Group's principal financial instruments comprise bank and other 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.

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.

Exchange rate risks

The Group operates internationally with a high proportion of revenues and costs denominated in currencies other than Euros. Generally the period of time between order receipt and payments is limited and currency gains and losses on individual transactions are generally not significant, although lead times in parts of the cable test businesses 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, with the individual business considering the exchange rate risk on any significant contract values.

Over the year as a whole the Group results, investment values and borrowings can be significantly affected by fluctuations in exchange rates. Such fluctuations are managed by matching payments and receipts in the same currency whenever possible, as well as converting currencies at favourable spot rates of exchange to service the forecasted demand of different currencies.

Liquidity risks

The Group monitors its risk to a shortage of funds using detailed forecasts for future periods. The Group updates its detailed forecasts 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 support the repayment of the loans as they fall due.

Legislation risk

The Group is exposed to on-going changes to legal, fiscal 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.

Political and 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. The UK decision to leave the EU and the US President's current agenda have resulted in some further medium term challenges to predict the resulting performance of world economies, and the impact that any potential policy changes, including tax and tariff regimes, may have. Although these and other uncertainties in many of the world's economies mean that, whilst 2018 has generated global growth the trajectory of current sentiment is towards lower growth, and therefore the economic outlook for 2019 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:

- The Group is very global in nature and has a good geographic spread of business. It has sales to all the major economies and most countries in the world and is thus well placed to benefit from where growth occurs. In addition, the Group's facilities are located in numerous territories which reduce the risk arising from operating in a single territory.
- Most of the Group's product ranges have a limited life in use and require replacement after a few years so ensuring a substantial replacement 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.
- Ageing 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. Where applicable patents are sought on new technology developed and patents, trademarks and other intellectual property assets are rigorously defended against infringement. 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 5 February 2019 and was signed on its behalf by:



R T Aylwin
Director

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

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

Opinion

We have audited the financial statements of Megger Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2018, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statements of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 November 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

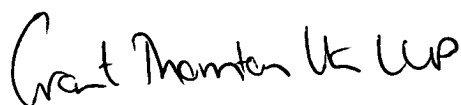
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jonathan Maile BSc (Hons) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley
6 February 2019

Megger Group Limited

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 November 2018

Megger Group Limited
Consolidated financial statements for the year ended 30 November 2018

Consolidated income statement

For the year ended 30 November 2018

	note	2018 €'000	2017 €'000
Turnover	5	246,405	230,722
Cost of sales		(115,850)	(108,794)
Gross profit		130,555	121,928
Selling and marketing expenses		(51,774)	(48,998)
Administrative expenses:			
Administrative expenses excluding the item specified below		(19,922)	(18,082)
Amortisation of goodwill		(7,293)	(8,135)
Impairment of investments in associates	13	-	(205)
		(27,215)	(26,422)
Research & development expenses	6	(23,054)	(20,923)
Other operating income		98	758
Other operating expenses		(2,926)	(4,913)
Total expenses		(104,871)	(100,498)
Operating profit		25,684	21,430
Interest receivable and similar income	7	692	683
Interest payable and similar charges	8	(2,366)	(2,766)
Profit on ordinary activities before taxation	6	24,010	19,347
Tax on profit on ordinary activities	10	(6,399)	(7,208)
Profit for the financial year		17,611	12,139
Profit for the financial year attributable to:			
Owners of the parent		17,611	12,143
Non-controlling interests		-	(4)
		17,611	12,139

All operations are classified as continuing.

The accounting policies and notes on pages 17 to 35 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 30 November 2018

	note	2018 €'000	2017 €'000
Profit for the financial year:		17,611	12,139
OTHER COMPREHENSIVE INCOME:			
Currency translation		630	(4,616)
Currency translations, net of tax		630	(4,616)
Actuarial (losses) and gains on post-retirement benefits plans		(483)	1,774
Income tax effect		95	(302)
Actuarial results, net of tax	20	(388)	1,472
Other comprehensive income for the year, net of tax		242	(3,144)
TOTAL COMPREHENSIVE INCOME		17,853	8,995
Of which			
Attributable to non-controlling interests		-	(4)
Attributable to shareholders of the parent		17,853	8,999

The accounting policies and notes on pages 17 to 35 form part of these financial statements.

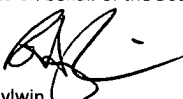
Consolidated balance sheet

As at 30 November 2018

	note	2018 €'000	2017 €'000
Fixed assets			
Intangible assets	11	66,056	76,062
Tangible assets	12	26,258	24,427
Investments - Participating Interests	13	358	358
		92,672	100,847
Current assets			
Stocks	14	40,270	34,804
Debtors:	15		
amounts falling due within one year		59,235	48,238
amounts falling due after one year		2,142	1,059
Cash at bank and in hand		19,444	18,914
		121,091	103,015
Creditors: amounts falling due within one year	16	(42,808)	(42,891)
Net current assets		76,141	59,065
Total assets less current liabilities		170,955	160,971
Creditors: amounts falling due after more than one year	17, 27	(60,677)	(62,912)
Provisions for liabilities	19	(20,764)	(21,398)
Net assets		89,514	76,661
Capital and reserves			
Called-up share capital	21	92,158	92,158
Foreign exchange translation reserve	21	6,168	5,538
Merger reserve account	21	30,364	30,364
Profit and loss account	21	(39,235)	(51,458)
Amount attributable to owners of the parent		89,455	76,602
Non-controlling interests		59	59
Total equity		89,514	76,661

The financial statements, including the accounting policies and notes on pages 17 to 35, were approved by the Board of Directors on 5 February 2019.

Signed on behalf of the Board of Directors:


R T Aylwin
Director

Company registration no: 02582519

Consolidated statement of changes in equity

For the year ended 30 November 2018

	Called-up share capital	Foreign exchange translation reserve	Merger reserve account	Profit and loss account	Amount attributable to owners of the parent	Non- controlling interests	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 December 2017	92,158	5,538	30,364	(51,458)	76,602	59	76,661
Profit for the financial year	-	-	-	17,611	17,611	-	17,611
Other comprehensive income / (loss)	-	630	-	(388)	242	-	242
Total comprehensive income / (loss)	-	630	-	17,223	17,853	-	17,853
Dividends paid	-	-	-	(5,000)	(5,000)	-	(5,000)
Balance at 30 November 2018	92,158	6,168	30,364	(39,235)	89,455	59	89,514

The issued share capital and other items are detailed in note 21 of the consolidated financial statements.

The accounting policies and notes on pages 17 to 35 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 November 2018

	note	2018 €'000	2017 €'000
Cash flows from operating activities			
Profit for the financial year		17,611	12,139
Adjustments for:			
Amortisation of intangible assets	11	18,008	20,122
Impairment of investments in associates	13	-	205
Depreciation of tangible assets	12	4,861	4,812
Profit on disposal of tangible assets	6	(100)	(35)
Interest payable and similar charges	8	2,366	2,766
Interest receivable and similar income	7	(692)	(683)
Tax on profit on ordinary activities	10	6,399	7,208
Pension contributions paid	20	(206)	(221)
Increase in trade and other debtors		(11,376)	(3,404)
Increase in stocks		(3,867)	(255)
Increase in trade and other creditors		1,277	230
Increase in provisions and pensions		2,068	924
Cash from operations		36,349	43,808
Income taxes paid		(8,372)	(9,425)
Net cash generated from operating activities		27,977	34,383
Cash flows from investing activities:			
Proceeds from sale of tangible assets		887	1,282
Purchase of tangible assets	12	(6,682)	(5,290)
Purchase of intangible assets	11	(786)	(1,744)
Development capitalisation	11	(5,041)	(5,692)
Business combinations net of cash acquired	28	(4,061)	-
Interest received		164	152
Net cash used in investing activities		(15,519)	(11,292)
Cash flows from financing activities:			
Proceeds from borrowings		11,744	15,427
Repayments of borrowings		(15,142)	(36,841)
Interest paid	8	(1,518)	(1,573)
Dividends paid	21	(5,000)	-
Net cash used in financing activities		(9,916)	(22,987)
Net decrease in cash and cash equivalents		2,542	104
Foreign exchange translation adjustment		77	(2,838)
Cash and cash equivalents at beginning of year		16,271	19,005
Cash and cash equivalents at end of period		18,890	16,271
Cash and cash equivalents comprise the following:			
Cash at bank and in hand		19,444	18,914
Bank overdrafts		(554)	(2,643)
Cash and cash equivalents		18,890	16,271

The accounting policies and notes on pages 17 to 35 form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 30 November 2018

In thousands of Euro

1. Company information

Megger Group Limited ("the Company") is a limited-liability company incorporated in the UK with number 02582519. The registered office is 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 its 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.

2. Basis of preparation

2.1 - Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Euros (€) and all values are rounded to the nearest thousand (€'000) except when otherwise indicated.

The Group financial statements consolidate the financial statements of Megger Group Limited and all its subsidiary undertakings drawn up to 30 November each year.

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The Company's loss for the year was €1,517,000 (2017: €1,286,000 loss).

The individual financial statements of Megger Group Limited have also adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes;
- Financial instrument disclosures, including:
 - Categories of financial instruments;
 - Items of income, expenses, gains or losses relating to financial instruments; and
 - Exposure to and management of financial risks.

2.2 - Going concern

After reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. During the year, the Company satisfied the covenants and met its requirements to make quarterly payments of interest and quarterly repayments of principal of the finance facilities that are detailed in notes 16 to 18 of the consolidated financial statements. The Directors consider that these facilities will continue to be available to the Company going forward.

3. Significant judgements

Preparation of the financial statements requires management to make significant judgements. The items in the financial statements where these judgments have been made include:

- Assessment of useful economic lives of non-current assets detailed in notes 4.4 and 4.5
- Impairment of intangible assets and goodwill, judgements and outcomes detailed in note 11.
- Deferred tax asset recoverability detailed in note 15.
- Contingent liabilities detailed in note 18
- Defined benefit pension liability, judgements and outcomes detailed in note 20.

4. Principal accounting policies

4.1 - Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised separately on the face of the consolidated balance sheet immediately below intangible assets.

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 income statement, consolidated statement of comprehensive income and separately from shareholders' equity in the consolidated balance sheet. For each business combination, the Group measures the non-controlling interest in the acquiree at the total of the appropriate share of the acquiree's identifiable net assets at the date of acquisition and the change in equity since the date of acquisition. 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.

4.2 - Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the Company's financial statements.

4.3 - Investment in associates

Investments in associates are recognised initially in the consolidated balance sheet at the transaction price and subsequently adjusted to reflect any impairment. An impairment loss is recognised immediately in profit or loss.

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2018

4. Principal accounting policies (continued)

4.4 - Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Research expenditure is charged to the income statement 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.

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 initially valued at fair value. Customer relationships acquired separately are measured at cost.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- | | |
|------------------------------|-------------|
| • Goodwill | 10-15 years |
| • Development costs | 1-5 years |
| • Customer lists | 13 years |
| • Trademarks and trade names | 15 years |
| • Technology | 1-5 years |

If there is an indication that there has been a significant change in estimated useful life or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

4.5 - Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Demonstration stock is capitalised as tangible assets and depreciated over its estimated useful life up to a maximum of 5 years.

Assets under construction are carried at the costs incurred up to the balance sheet date.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- | | |
|--|------------|
| • Buildings | 30 years |
| • Plant and machinery | 3-10 years |
| • Vehicles (other operating fixed assets) | 4 years |
| • Demonstration stock (other operating fixed assets) | 1-5 years |

4.6 - Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. Intangible assets with indefinite useful lives, including assets not yet available for use or sale, are subject to an annual impairment test.

4.7 - Stocks

Stocks are stated at the lower of cost, using the first in first out method, and selling price less costs to complete and sell.

4. Principal accounting policies (continued)

4.8 - Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

4.9 - Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

4.10 - Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

4.11 - Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

4.12 - Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

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Consolidated financial statements for the year ended 30 November 2018

4. Principal accounting policies (continued)

4.12 - Taxation (continued)

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- The Group is able to control the reversal of the timing difference; and
- It is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

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

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- The Group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.13 - Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from third parties from the sale of goods and from the rendering of services. Services provided by the Group include maintenance contracts and training.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Turnover 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.

4.14 - Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred; that is, when the employees render services.

The Group has a defined contribution pension plan in the US. Contributions payable for the year are recognised in the income statement.

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. Net interest is charged on the net defined benefit liability and is included in interest payable and similar charges. Actuarial gains and losses are reported within other comprehensive income. 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 deficit is presented within defined benefit pension liability.

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.

4. Principal accounting policies (continued)

4.15 - Foreign currency translation

(a) Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Euros (€).

(b) Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

(c) Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated from their functional currency to Euro (€) using the closing exchange rate. Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of Group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

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.

4.16 - Financial instruments

The Group enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade debtors and creditors and bank loans.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured at cost, which is assessed at the end of each reporting period for objective evidence of impairment. If evidence is found, an impairment loss is recognised in the Statement of Comprehensive Income.

Debt instruments that are payable in excess of one year, typically bank loans, are also measured at cost.

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Consolidated financial statements for the year ended 30 November 2018

5. Turnover

	2018	2017
	€'000	€'000
Turnover, analysed by category, was as follows:		
Sale of goods	227,170	211,722
Rendering of services	19,235	19,000
	246,405	230,722

Geographical analysis of turnover would be seriously prejudicial to the interest of the Group in the opinion of the Directors and as such has not been disclosed.

6. Profit on ordinary activities before taxation

	2018	2017
	€'000	€'000
The profit on ordinary activities before taxation is stated after:		
Stocks recognised as an expense in the period	64,941	58,913
Research and development expenses less amounts capitalised and amortisation	23,054	20,923
Amortisation and impairment of intangible assets excluding development costs	11,225	12,944
Depreciation of tangible assets	4,861	4,812
(Profit) on sale of tangible assets	(100)	(35)
Lease payments recognised as an operating expense	4,221	4,047
	€'000	€'000
Auditors' remuneration - statutory audit of parent company accounts	84	71
Auditors' remuneration - audit of subsidiary accounts	54	53
Fees to associates of the auditor - subsidiaries	242	267
Auditors' remuneration total	380	391

7. Interest receivable and similar income

	2018	2017
	€'000	€'000
Interest income	164	152
Pension interest	528	531
	692	683

8. Interest payable and similar charges

	2018	2017
	€'000	€'000
Interest expense	(502)	(598)
Interest expense related parties	-	(114)
Bank facility commitment fees amortisation	(288)	(464)
Bank charges	(1,016)	(859)
Financial charges on finance leases	-	(2)
Pension interest	(560)	(729)
	(2,366)	(2,766)

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2018

9. Directors and employees

	2018	2017
	€'000	€'000
Staff costs during the year were as follows:		
Wages and salaries	69,688	67,943
Social Security costs	13,396	13,157
Pension and other expenses	2,034	1,635
Employee benefit expense total	85,118	82,735

	2018	2017
The average number of persons employed during the year was:		
Production and operating employees	620	596
Administrative employees	708	683
	1,328	1,279

	2018	2017
	€'000	€'000
The remuneration of the Board of Directors was:		
Wages and salaries	924	781
Short-term bonus plan	535	444
Long-term bonus plan	138	38
	1,597	1,263

The key management personnel of the Group are considered to be the Board of Directors. The Group has both short-term and long-term bonus plans for certain Directors. These bonus plans are based on the operational performance of the Group.

During the year, pension scheme contributions of €78,000 (2017: €122,000) were made on behalf of 4 directors (2017: 4). Contributions made on behalf of the highest paid director were €10,000 (2017: €nil).

Total emoluments of the highest paid director are €720,000 (2017: €408,000).

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10. Tax on profit on ordinary activities

The tax charge is based on the profit for the year and represents:

	2018	2017
	€'000	€'000
Current tax		
UK corporation tax	(2,471)	(2,532)
Non-UK corporation tax	(5,228)	(5,567)
Charge for the year	(7,699)	(8,099)
Adjustments in respect of current tax of previous periods	71	124
Utilisation of previously unrecognised tax losses	131	4
Expenditure not allowed for income tax purposes	(418)	59
Withholding tax expense	(185)	(386)
	(8,100)	(8,298)
Deferred tax		
Temporary differences	224	(93)
Adjustments in respect of deferred income tax of previous periods	1,760	1,289
Other movements	(283)	(13)
	1,701	1,183
Total income tax	(6,399)	(7,115)
Other tax expense	-	(93)
Tax on profit on ordinary activities	(6,399)	(7,208)

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom at 19.0% (2017: 19.0%). The differences are explained as follows:

	2018	2017
	€'000	€'000
Profit on ordinary activities before taxation	24,010	19,347
At statutory income tax rates of 19.0% (2017: 19.0%) (average)	(4,562)	(3,676)
Difference in income tax rates of other countries	(1,767)	(2,458)
Utilisation of previously unrecognised tax losses	131	4
Adjustments in respect of current income tax of previous periods	71	124
Adjustments in respect of deferred income tax of previous periods	1,760	1,289
Impact of income not subject to tax	515	243
Impact of expenditure not allowed for income tax purposes	(2,167)	(2,175)
Withholding tax suffered	(185)	(386)
Other	(59)	(80)
Total income tax	(6,263)	(7,115)
Other tax expense	(136)	(93)
Tax on profit on ordinary activities	(6,399)	(7,208)

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is €95,000 (2017: €302,000).

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11. Intangible fixed assets

	Goodwill	Development costs	Customer lists	Other	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 December 2017	137,229	58,904	57,447	29,995	283,575
Additions	-	5,041	-	786	5,827
Business combinations	272	-	1,282	504	2,058
Disposals	-	(234)	-	-	(234)
Exchange adjustments	-	455	33	(9)	479
At 30 November 2018	137,501	64,166	58,762	31,276	291,705
Amortisation and impairment					
At 1 December 2017	118,840	32,086	28,523	28,064	207,513
Amortisation	7,293	6,783	2,988	944	18,008
Disposals	-	(232)	-	-	(232)
Exchange adjustments	-	394	(1)	(33)	360
At 30 November 2018	126,133	39,031	31,510	28,975	225,649
Net book value:					
At 30 November 2018	11,368	25,135	27,252	2,301	66,056
At 30 November 2017	18,389	26,818	28,924	1,931	76,062

Goodwill

Goodwill of €11,100,000 (2017: €18,389,000) arises from the acquisition of the Seba Group in 2012 and €268,000 from the acquisition of the Baker Instrument business in 2018.

Development costs

In accordance with FRS 102, 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 fixed asset. Amortisation of development costs is included in research & development expenses.

Customer lists

The customer list recognised with acquisition of the Seba Group is being amortised over its estimated useful life of 13 years and has a carrying value of €26,000,000. The customer list acquired with Baker Instruments (see note 28) is being amortised over its estimated useful life of 15 years and has a carrying value of €1,252,000.

Amortisation of the customer lists is included in other operating expenses.

Other intangible assets

Net book value of other intangible assets comprises software for €1,869,000 (2017: €1,931,000) and trademarks for €432,000 acquired with Baker Instruments. Amortisation of other intangible fixed assets is included in other operating expenses.

11. Intangible fixed assets (continued)

Impairment

Cash Generating Units (CGU's) have been identified based on the Group's manufacturing and sales channel structures and the initial value of goodwill is allocated to those CGU's based on anticipated future contribution from the acquired assets. The recoverable amounts of the CGU's have been assessed on "value-in-use" calculations using consistent assumptions. To calculate "value-in-use", cash flow projections have been derived from 5 year business plan data approved by the Board of Directors. The Board adopted a 5 year business plan as it believes this can be forecast with reasonable accuracy and that industry and Company trends will continue during 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.
- b) Revenue Growth, which varies geographically, is between 4% and 6% annually in the period 2019 to 2021 as given by the Board of Director's 5 year business plan.
- c) Cash generation beyond the 3 year horizon was extrapolated using an estimated 3% per annum growth rate, in perpetuity.
- d) Applying a discount rate of 9.3% pre taxation which was calculated based on the participant investor principal using independent market data.

The recoverable amounts for each CGU, determined by the "value-in-use" calculations, were in excess of the carrying values of the intangible assets, including goodwill, so no impairment charge has been recognised in the year (2017: nil).

12. Tangible fixed assets

	Land and buildings €'000	Plant and machinery €'000	Other operating fixed assets €'000	Construction in progress €'000	Total €'000
Cost					
At 1 December 2017	23,615	27,352	15,754	697	67,418
Additions	525	2,906	3,251	-	6,682
Business combinations	-	491	-	-	491
Disposals	(2)	(1,064)	(1,086)	(129)	(2,281)
Exchange adjustments	120	260	378	3	761
At 30 November 2018	24,258	29,945	18,297	571	73,071
Depreciation and impairment					
At 1 December 2017	10,688	19,912	12,391	-	42,991
Charge for the year	810	2,203	1,848	-	4,861
Disposals	-	(809)	(687)	-	(1,496)
Exchange adjustments	94	168	195	-	457
At 30 November 2018	11,592	21,474	13,747	-	46,813
Net book value:					
At 30 November 2018	12,666	8,471	4,550	571	26,258
At 30 November 2017	12,927	7,440	3,363	697	24,427

The carrying value of plant and equipment held under finance lease contracts at 30 November 2018 was €14,000 (2017: €14,000). During the year, there were no additions of plant and equipment under finance lease contracts (2017: €nil).

13. Investments - Participating Interests

The amount of €358,000 (2017: €358,000) relates to minority shareholdings in 3 (2017: 3) associates and these have been grouped together as they are not material. The valuation of the investments has been impaired in the year by €nil (2017: €205,000) to bring them into line with the estimated recoverable value.

The Group's share of the associates' revenue, profit, assets and liabilities is not material.

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14. Stocks

	2018 €'000	2017 €'000
Raw and auxiliary materials	25,715	19,967
Work in progress	3,849	3,548
Finished products and trading goods	10,706	11,289
	40,270	34,804

Total stocks are reported net of provisions for obsolete or slow-moving goods and other stock reserves of €5,556,000 (2017: €5,010,000). The value of stocks included as an expense in the income statement is disclosed in note 6.

15. Debtors

	2018 €'000	2017 €'000
Trade debtors	54,448	43,798
Prepayments to suppliers	1,546	979
Prepaid expenses	1,989	2,261
VAT receivable	-	199
Deferred tax assets	1,785	952
Deferred facility costs	357	107
Other debtors	1,252	1,001
	61,377	49,297

The carrying amounts of the debtors approximate their fair value. As at 30 November 2018 trade debtors of €675,000 (2017: €2,287,000) are impaired and fully provided for.

Amounts falling due after more than one year included above are:

	2018 €'000	2017 €'000
Deferred tax assets	1,785	952
Deferred facility costs	357	107
	2,142	1,059

The Group has tax losses of €843,000 (2017: €988,000) that are available for offset against future taxable profits of the companies in which the losses arose.

In addition, there is €775,000 (2017: €780,000) of tax losses whose utilisation against future profits remains currently uncertain. Deferred tax assets have not been recognised in respect of these losses as they do not meet the criteria for recognition.

The full amount of deferred tax asset is judged to be recoverable. The carrying balance relates to unused tax losses of €181,000 (2017: €221,000) and to timing differences of €1,604,000 (2017: €731,000), of which €841,000 (2017: €646,000) arises on long term bonus plans.

16. Creditors: amounts falling due within one year

	2018 €'000	2017 €'000
Bank overdrafts	554	2,643
Bank loans	10,818	12,000
Finance lease obligations	4	5
Trade creditors	11,310	10,875
Amounts owed to parent company	150	-
Deferred revenues	1,843	1,440
Other taxes and social security payables	1,430	1,516
Customer payments on account	1,299	1,613
Corporation tax	1,497	487
Accruals and other creditors	13,903	12,312
	42,808	42,891

Megger Group Limited

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16. Creditors: amounts falling due within one year (continued)

Included in bank loans are the following loans:

Conditions of loans	Effective interest	2018 €'000	2017 €'000
Unsecured external bank term loan	Euribor + 0.95%	10,000	12,000
Unsecured external bank loan	9.15%	198	-
Unsecured external bank loan	9.75%	620	-
		10,818	12,000

17. Creditors: amounts falling due after more than one year

	Effective interest	Maturity	2018 €'000	2017 €'000
Unsecured external bank term loan	Euribor + 0.95%	Dec 2023	28,000	36,000
Unsecured external bank RCF loans	Euribor + 0.95%	Dec 2023	32,648	26,903
Bank loans			60,648	62,903
Finance lease obligations			29	9
			60,677	62,912

At 30 November 2018, the Group had available €31,526,000 (2017: €35,948,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

On 8th December 2017, the Group entered into an Amendment and Restatement agreement for the banking facilities. This set the term facility at €48,000,000 and the RCF facility at €65,000,000 and extended the existing arrangements for 5 years on terms similar to the previous arrangement.

18. Commitments and contingencies

Contingent liabilities

Under the terms of the financing facilities which were agreed during the year, a revolving credit line amounting to €65,000,000 (2017: €65,000,000) 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 the facilities which, at 30 November 2018 amounted to €71,474,000 (2017: €74,903,000). At the balance sheet date €43,000,000 (2017: €52,500,000) of the drawings from the facilities had been made by the Company, with the balancing €28,474,000 (2017: €22,403,000) drawings from the facility being made by subsidiaries of the Company.

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

There is an on-going investigation by the European Commission (EC) into the UK's Controlled Foreign Companies (CFC) tax regime, concerned that it amounts to a form of illegal state aid. Megger Group Limited (the Company) pays UK tax and benefits under the current regime and would be assessed at a higher tax rate on the profits both in the current year, and since 2013/14.

The Directors are of the opinion that if the EC rule that the UK Tax Regime does amount to illegal state aid that this could legally require the UK Tax Authority (HMRC) to enforce the ruling and collect back taxes whether or not the UK chose to appeal the decision. In this instance the risk would change from a contingent liability of €2.7m (excluding interest) (2017: €2.3m) to a liability of the same amount.

Megger Group Limited

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19. Provisions for liabilities

The movements in the provisions were as follows:

	Deferred tax €'000	Defined benefit pension liability €'000	Warranties, licence and guarantee costs €'000	Long-term bonus plans €'000	Redundancy and other €'000	Total €'000
At 1 December 2017	15,315	2,112	1,675	2,194	102	21,398
Additions	95	604	437	819	116	2,071
Utilised	(2,181)	(141)	(228)	(111)	27	(2,634)
Exchange adjustments	14	(124)	6	35	(2)	(71)
Balance at 30 November 2018	13,243	2,451	1,890	2,937	243	20,764

Deferred taxation provided for in the financial statements is set out below:

	2018 €'000	2017 €'000
Accelerated capital allowance	576	763
Provided for tax exposure on intangible assets	5,318	7,379
Other timing differences	7,349	7,173
	13,243	15,315

The movements in the Deferred tax assets and liabilities were as follows:

	Deferred tax asset	Deferred tax liability	Net liability
At 1 December 2017	952	(15,315)	(14,363)
Transfer from current tax liabilities	1,105	-	1,105
Recognised in income statement (note 10)	(385)	2,086	1,701
Recognised in statement of comprehensive income (note 20)	95	-	95
Exchange adjustments	18	(14)	4
Balance at 30 November 2018	1,785	(13,243)	(11,458)

The amount of the net reversal of deferred tax expected to occur next year is €138,000 (2017: €229,000), relating to the reversal of existing timing differences on tangible fixed assets and the origination of new timing differences on tangible fixed assets.

Defined benefit pension liability

The defined benefit pension liability is detailed in note 20 of the consolidated financial statements.

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.

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. €1,040,000 is provided for plans where payment is due in 2019 (2017: €429,000) and €1,897,000 for plans where payment is due in 2020 and 2021 (2017: €1,765,000). These payments are estimates based on budgeted performance of the Group over future years and are not guaranteed. The provisions have been discounted to reflect their payment date.

Redundancy and other

Redundancy and other provisions relate to confirmed litigation liabilities.

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2018

20. Defined benefit pension liability

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 2018 and updated to 30 November 2018 by qualified independent actuaries. From this the fair value of plan assets is deducted. Past services costs are recognised immediately in the income statement. The assets of the schemes are administered in funds independent from those of the Group.

Additional schemes exist in Megger SARL and Seba Dynatronik Meß- und Ortungs-Technik GmbH. The net valued liabilities of these schemes of €1,069,000 (2017: €1,183,000) are included in employee benefit liabilities and adjusted through the profit or loss as the amounts involved are not significant.

	2018 €'000	2017 €'000
Pension liabilities	2,451	2,112

Employer contributions to the schemes by the group in the year ended 30 November 2018 amounted to €206,000 (2017: €221,000). There were no outstanding contributions to the schemes at the year end (2017: nil).

The best estimate of the contributions expected to be paid into defined benefit schemes is €82,000 per annum for the following two years (2017: €240,000).

Net benefit expense recognised in the income statement

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

	2018 €'000	2017 €'000
Interest expense on the net benefit liability/asset	32	198
Current service cost	88	87
Net benefit expense	120	285

The Group expects the employee net benefit expense recognised in the income statement in 2019 to approximate the expenses incurred in 2018.

The cumulative amount of actuarial gains and losses recognised in other comprehensive income is a loss of €9,682,000 (2017: €9,199,000 loss).

Net benefit expense recognised in other comprehensive income:

	2018 €'000	2017 €'000
Actuarial (gains) and losses	483	(1,774)
Deferred income taxes	(95)	302
Actuarial result through comprehensive income	388	(1,472)
Net benefit (gain) / expense recognised in other comprehensive income	388	(1,472)

Megger Group Limited
Consolidated financial statements for the year ended 30 November 2018

20. Defined benefit pension liability (continued)

Defined benefit obligation

	2018	2017
	€'000	€'000
Defined benefit obligations	22,722	22,840
Fair value of plan assets	(20,271)	(20,728)
Defined benefit obligation	2,451	2,112

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

	2018	2017
	€'000	€'000
At 1 December	22,840	23,928
Interest costs on benefit obligations	560	729
Current service cost	88	87
Pensions paid	(1,172)	(1,144)
Actuarial (gains) and losses	(44)	68
Exchange differences	450	(828)
At 30 November	22,722	22,840

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

	2018	2017
	€'000	€'000
At 1 December	20,728	19,898
Expected return on plan assets	528	531
Contributions by employers	206	221
Pensions paid	(1,172)	(1,144)
Actuarial (losses) and gains	(593)	1,849
Exchange differences	574	(627)
At 30 November	20,271	20,728

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

	2018	2017
Equities	67.0%	68.0%
Government bonds	22.0%	22.0%
Corporate bonds	10.0%	10.0%
Other	1.0%	0.0%
At 30 November	100.0%	100.0%

20. Defined benefit pension liability (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:

	2018	2017
Discount rate	2.8%	2.6%
Future pension increases		
Post 88 GMPs	2.2%	2.1%
Pre 1997 benefits (non GMP)	2.8%	2.7%
Post 1997 benefits	3.4%	3.3%
Revaluation deferred pensions (non GMP)	2.5%	2.4%
Inflation assumption (CPI)	2.5%	2.4%
Mortality tables used (applicable to 2018 and 2017)		
Before retirement	Males	As post retirement
	Females	As post retirement
After retirement	Males	110% of S2PXA
	Females	110% of S2PXA
Improvement	CMI Model 2017 (1.25%)	

The actual return on plan assets was:

	2018	2017
	€'000	€'000
Expected return on plan assets	528	531
Actuarial (losses) and gains	(593)	1,849
Actual return on scheme assets	(65)	2,380

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2018

21. Called up share capital and other reserves

Authorised, allotted and fully paid:

	2018	2017
	€'000	€'000
Ordinary shares of GBP 1.00 each	92,158	92,158

Called-up share capital

The authorised share capital is 74,785,350 Ordinary shares of a nominal value of GBP 1.00 each (2017: 74,785,350). The issued share capital is 74,785,350 Ordinary shares of a value of GBP 1.00 each (2017: 74,785,350). 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.

Profit and loss account

Profit and loss account represents the cumulative profits attributable to the shareholders of the parent company.

A dividend of €5,000,000 was paid to the ultimate parent company, TBG AG, during the year (2017: €nil).

Merger reserve

The merger reserve of €30,364,000 (2017: €30,364,000) arose as a result of the Group reconstruction that took place in 2000.

Foreign exchange translation reserve

The foreign exchange 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.

22. Capital commitments

The Group had capital commitments for plant and machinery of €470,000 (2017: €597,000).

23. Leasing commitments

The Group's future minimum operating lease payments are as follows:

	2018	2017
	€'000	€'000
Not later than one year	2,901	2,609
Later than one year and not later than five years	8,342	7,443
Later than five years	679	1,873
	11,922	11,925

The Group's future minimum finance lease payments are as follows:

	2018	2017
	€'000	€'000
Not later than one year	11	5
Later than one year and not later than five years	19	9
	30	14

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2018

24. Related Party disclosures

The Group has taken advantage of the wholly owned subsidiary exemption available under FRS 102 not to disclose related party transactions with any other wholly owned members of the TBG AG group.

25. Parent company and ultimate controlling party

The directors consider that the Company's parent and ultimate controlling party is TBG AG, based at Claridenstrasse 26, 8002 Zurich, Switzerland. TBG AG is the smallest and the largest undertaking of which the Company is a member.

26. Events after the end of the Reporting Period

The Board of Directors have evaluated events after the end of the reporting period up to the date that the financial statements were approved by the Board of Directors on 5 February 2019, and confirm that no issues require disclosure or amendment.

27. Financial assets and liabilities

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 balance sheet relate to the following measurement categories as defined in FRS 102:

	2018	2017
	€'000	€'000
Financial assets measured at amortised cost:		
Debtors: amounts falling due within one year	55,700	44,799
Cash at bank and in hand	19,444	18,914
	75,144	63,713

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

The carrying amounts of financial liabilities presented in the balance sheet relate to the following measurement categories as defined in FRS 102:

	2018	2017
	€'000	€'000
Financial liabilities measured at amortised cost		
Creditors: amounts falling due within one year	25,917	25,830
Creditors: amounts falling due after more than one year	60,677	62,912
	86,594	88,742

There are no financial liabilities measured at fair value through the income statement.

28. Business Combinations

In August 2018 AVO Multi-Amp Corporation in the US acquired the assets and trade of the Baker Instrument business from SKF USA Inc. The cost of acquisition was €4.1m, which was paid in cash, and the items acquired were Intangible Assets €1.8m, Tangible Assets €0.5m, Inventories €1.6m, Receivables €0.8m, Liabilities €0.9m and Goodwill of €0.3m.

The 2018 Income Statement includes €2.8m of Revenues and €0.2m profit from the acquired business.

Megger Group Limited

Registered Number: 02582519

Company Financial Statements

For the year ended 30 November 2018

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

Company balance sheet


As at 30 November 2018

	note	2018 €'000	2017 €'000
Fixed assets			
Intangible assets	3	220	470
Tangible assets	4	27	20
Investments	5	235,748	238,017
		235,995	238,507
Current assets			
Debtors:	6		
amounts falling due within one year		7,816	2,110
amounts falling due after one year		538	225
Cash at bank and in hand		935	2,516
		9,289	4,851
Creditors: amounts falling due within one year	7	(12,260)	(13,776)
Net current liabilities		(3,509)	(9,150)
Total assets less current liabilities		233,024	229,582
Creditors: amounts falling due after more than one year	8	(33,000)	(40,500)
Provisions for liabilities	9	(1,951)	(1,013)
Net assets		198,073	188,069
Capital and reserves			
Called up share capital		92,158	92,158
Profit and loss account		105,915	95,911
Total equity		198,073	188,069

The Company's result for the year was a loss of €1,517,000 (2017: €1,286,000 loss).

The financial statements, including the accounting policies and notes on pages 39 to 43, were approved by the Board of Directors on 5 February 2019.

Signed on behalf of the Board of Directors:


R T Aylwin
Director

Company registration no: 02582519

Megger Group Limited

Company's financial statements for the year ended 30 November 2018

Company statement of changes in equity

As at 30 November 2018

	Called-up share capital €'000	Profit and loss account €'000	Total €'000
Balance at 1 December 2017	92,158	95,911	188,069
Loss for the year	-	(1,517)	(1,517)
Total comprehensive income	-	(1,517)	(1,517)
Dividends received	-	16,521	16,521
Dividends paid	-	(5,000)	(5,000)
Balance at 30 November 2018	92,158	105,915	198,073

Share capital

The share capital is detailed in note 21 of the consolidated financial statements.

Profit and loss account

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.

The accounting policies and notes on pages 39 to 43 form part of these financial statements.

Notes to the Company's financial statements

For the year ended 30 November 2018
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 02582519, and is located at Avocet House, Archcliffe Road, Dover, Kent, CT17 9EN. The Company's functional currency is the Euro.

2. Summary of significant accounting policies

The accounting policies applied are the same as those relating to the consolidated financial statements as presented on pages 17 to 22 with the following additions:

- The participations in group companies are carried in the parent company's accounts at cost (less any impairment where applicable).
- 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 as presented on pages 18 to 22.

3. Intangible fixed assets

	Capitalised Software €'000
Cost	
At 1 December 2017	1,705
Additions	47
At 30 November 2018	1,752
Amortisation	
At 1 December 2017	1,235
Charge for the year	297
At 30 November 2018	1,532
Net book value:	
At 30 November 2018	220
At 30 November 2017	470

Megger Group Limited
Company's financial statements for the year ended 30 November 2018

4. Tangible fixed assets

	IT and other equipment €'000
Cost	
At 1 December 2017	59
Additions	22
At 30 November 2018	81
Depreciation	
At 1 December 2017	39
Charge for the year	15
At 30 November 2018	54
Net book value:	
At 30 November 2018	27
At 30 November 2017	20

5. Investments in subsidiaries and associates

Movements in investments in group companies are as follows:

	€'000
At 1 December 2017	238,017
Capital reductions	(2,269)
Balance at 30 November 2018	235,748

Megger-Group Limited
Company's financial statements for the year ended 30 November 2018

5. Investments in subsidiaries and associates (continued)

List of non-dormant direct and indirect participations:

	Type of shares held	Nature of business	Domicile	% Economic Interest 2018	% Economic Interest 2017
Megger Limited	Ordinary	B	UK	100%	100%
Megger Instruments Limited	Ordinary	A	UK	100%	100%
AVO International Inc	Ordinary	D	USA	100%	100%
Megger Limited	Ordinary	B	Canada	100%	100%
Megger International Finance Limited	Ordinary	D	British Virgin Islands	100%	100%
Megger Holdings GmbH +	Ordinary	D	Germany	100%	100%
Megger PTY Limited*	Ordinary	B	Australia	100%	100%
Megger Sweden AB	Ordinary	A, B	Sweden	100%	100%
Megger GmbH +	Ordinary	B	Germany	100%	100%
Megger Schweiz AG*	Ordinary	B	Switzerland	100%	100%
Megger Hong Kong Limited*	Ordinary	E	Hong Kong	100%	100%
AVO Multi-amp Corp*	Ordinary	A	USA	100%	100%
James G. Biddle Inc*	Ordinary	A	USA	100%	100%
AVO Training Institute*	Ordinary	C	USA	100%	100%
Power DB, Inc*	Ordinary	A	USA	100%	100%
Megger India Private Limited *	Ordinary	B	India	100%	100%
Megger S.A.R.L.*	Ordinary	B	France	100%	100%
Megger Holding Verwaltungs GmbH	Ordinary	D	Germany	100%	100%
Seba Dynatronic Meß- und Ortungs-Technik GmbH +	Ordinary	A, B	Germany	100%	100%
Hagenuk KMT Kabelmeßtechnik GmbH +	Ordinary	A	Germany	100%	100%
Megger Sp. Z.o.o. *	Ordinary	B	Poland	100%	100%
Megger Instruments S.L *	Ordinary	B	Payroll18	100%	100%
Megger Bulgaria EOOD *	Ordinary	B	Bulgaria	100%	100%
Megger s.r.o. *	Ordinary	B	Slovakia	100%	100%
Megger Hungaria Kft *	Ordinary	B	Hungary	100%	100%
Megger CZ s.r.o. *	Ordinary	B	Czech Republic	100%	100%
Seba KMT Comercio de Equipamentos Electronics da America Latina Ltda*	Ordinary	E	Brazil	100%	100%
Megger Limited Liability Company *	Ordinary	A, B	Russia	95%	95%
Seba Energo OOO*	Ordinary	A	Russia	100%	100%
Megger A/S* (Associate)	Ordinary	B	Norway	34%	34%
Seba Dynatronic Sverige AB* (Associate)	Ordinary	B	Sweden	40%	40%
Seba Service N.V.* (Associate)	Ordinary	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 the 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; D is holding/finance company and E is marketing support.

The shares owned by the company are all Ordinary shares

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.

Megger Group Limited
Company's financial statements for the year ended 30 November 2018

6. Debtors

	2018	2017
	€'000	€'000
Amounts owed by subsidiary undertakings	7,494	1,884
Other debtors	186	144
Deferred tax assets	266	163
Deferred facility costs	408	144
	8,354	2,335

Amounts falling due after more than one year included above are:

	2018	2017
	€'000	€'000
Amounts owed by subsidiary undertakings	-	-
Deferred tax assets	266	163
Deferred facility costs	272	62
	538	225

7. Creditors: amounts falling due within one year

	2018	2017
	€'000	€'000
Bank loans	10,000	12,000
Trade creditors	34	13
Amounts owed to subsidiary undertakings	29	142
Amounts owed to parent company	-	-
Accruals and other creditors	2,197	1,621
	12,260	13,776

Included in bank loans are the following loans:

	Effective	2018	2017
Conditions of loans	interest rate	€'000	€'000
Unsecured external bank term loan	Euribor + 0.95%	10,000	12,000
		10,000	12,000

Megger Group Limited

Company's financial statements for the year ended 30 November 2018

8. Creditors: amounts falling due after more than one year

	2018 €'000	2017 €'000
Bank loans	33,000	40,500
	33,000	40,500

Bank loans are repayable as follows:

Conditions of loans	Effective interest rate	Maturity	2018 €'000	2017 €'000
Unsecured external bank term loan	Euribor + 0.95%	Dec 2023	28,500	36,000
Unsecured external bank RCF loan	Euribor + 0.95%	Dec 2023	4,500	4,500
			33,000	40,500

9. Provisions for liabilities

	2018 €'000	2017 €'000
Long-term bonus plans	1,951	1,013

€437,000 is provided for plans where payment is due in 2019 (2017: €157,000) and €1,514,000 for plans where payment is due in 2020 and 2021 (2017: €856,000).

10. Contingencies and commitments

The Company has guaranteed payment of the overall borrowings from the bank loan facility and awaits the EC ruling on the UK's Tax Regime amounting to illegal state aid, as detailed in note 18 of the consolidated financial statements.

11. Lease commitment

The Company entered into two operating leases on cars on 3 July 2017 and 14 May 2018, both for a minimum planned period of 42 months. The operating lease expense charged to the statement of income in 2018 was €15,000 (2017: €18,500). The operating lease commitments within one year are €15,000 (2017: €nil) and €37,000 between two and five years (2017: €nil).

12. Related Party disclosures

The Company has taken advantage of the wholly owned subsidiary exemption available under FRS 102 not to disclose related party transactions with any other wholly owned members of the TBG AG group.

Note 9 of the consolidated financial statements sets out Directors' remuneration. Other than that, there are no other related party transactions.