

Megger Group Limited

Registered Number: 02582519

Report and Financial Statements 30 November 2017

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

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Annual Report 2017

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Megger Group Limited

DIRECTORS' REPORT

For the year ended 30 November 2017

Megger Group Limited

Directors' Report for the year ended 30 November 2017

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 2017 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 2017, the Company did not pay a dividend to the shareholder (2016:€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

There are no significant events to report in 2017.

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.

Future developments

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

Directors

The Directors in office during the year ended 30 November 2017 were:

R. T. Aylwin
A. J. Boughtwood
A. C. Dodds
J. B. Fairbairn (appointed 1 November 2017)
P. H. Frank (resigned 30 April 2017)

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 2017 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 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 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 auditors are aware of that information.

The Directors' report was approved by the Board of Directors on 2 February 2018 and was signed on its behalf by:



R T Aylwin
Director

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

Megger Group Limited

STRATEGIC REPORT

For the year ended 30 November 2017

Megger Group Limited

Strategic Report for the year ended 30 November 2017

The Directors present their Strategic Report for the year ended 30 November 2017.

Review of the business

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

The Group performance improved from 2016 with trading conditions recovering in most markets, and as a result consolidated revenues of the Group increased 3% from €225m in 2016 to €231m in 2017 on the back of generally improving global economies during the year. Margin percentage levels have marginally improved and the Group has continued to invest for the future with an increased investment into sales and marketing resource and into its product offering through research and development, the weakening of the UK Pound has improved competitiveness of exports from the UK business. As a result the Group EBITDA has increased from €43m in 2016 to €47m in 2017, a record year in Megger's history.

The Group once again reported strong operating cash flows before tax in the year at €44m (2016: €45m) which, together with the flexibility given by the banking facilities, provide the Group with a strong platform for further development of the business. As a post balance sheet event these bank facilities which had been held between 3 banks was reduced to 2 banks and extended from 2020 to 2022. No dividend was paid in 2017 (2016: €nil), but a further €5m of shareholder loan with TBG AG was repaid in the year, clearing the balance, in addition to servicing the banking facilities. The shareholder loan dates from 2012, at the time of the purchase of a number of subsidiaries from SebaKMT Holdings GmbH ("Seba Group"). Net debt reduced to €59m from €77m in 2016.

The Group's balance sheet remains strong resulting in equity attributable to the shareholder of €77m (2016: €68m).

Key Performance Indicators	2017 €'000	2016 €'000	Change %
Revenues	230,722	224,745	3%
Gross Profit	53%	51%	
Net Finance Expense	(2,083)	(2,777)	25%
Net Income before impairment	12,344	8,398	47%
Impairment of investments in associates	(205)	-	-
Net Income after impairment	12,139	8,398	-
EBITDA	46,534	43,495	7%
Equity Attributable to Shareholders of the Parent	76,602	67,603	13%
	Heads	Heads	
Average number of persons employed during the year	1,279	1,252	2%

Outlook for the financial year ending 30 November 2018

The markets in which the Group operates saw some recovery in 2017 as global commodity prices, particularly oil stabilised and global recovery took hold, and justified the directors decision to continue to invest in product and sales channel. Megger Group is now benefiting strongly from this continued focus, and whilst revenue was up 3% on the prior year the order book increased 11% in 2017 much of which will come through as revenue in 2018. The Directors therefore remain positive for 2018 and beyond with a strong product range in place addressing our target markets. Megger continues to launch new and upgraded products from each of the factories and these are being received well by the market and are proving competitive, with further launches to come in 2018. Whilst politically there is volatility, not least in the UK due to the Brexit negotiations, economically the world's major economies appear to have become more favourable. The Directors remain confident for the future with (i) 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 2018, 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 election of the new US President 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 2017 has generated global growth and appears to be on a positive trajectory, the unprecedented extent of quantitative easing and changes in those policies could result in a reversal and the economic outlook for 2018 therefore remains somewhat uncertain. The Group is expected to remain strongly

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 2 February 2018 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

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

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 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity and notes to the financial statements. 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 2017 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.

Who we are reporting to

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.

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 Directors' and Strategic Reports set out on pages 1 to 7. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our Report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the Strategic 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 Directors' Report or the Strategic 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.

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.

Eleanor Walsh FCCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Gatwick
2 February 2018

Megger Group Limited

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 November 2017

Consolidated income statement

For the year ended 30 November 2017

	note	2017 €'000	2016 €'000
Turnover	5	230,722	224,745
Cost of sales		(108,794)	(110,264)
Gross profit		121,928	114,481
Selling and marketing expenses		(48,998)	(46,277)
Administrative expenses:			
Administrative expenses excluding the item specified below		(18,082)	(15,310)
Amortisation of goodwill		(8,135)	(8,947)
Impairment of investments in associates	13	(205)	-
		(26,422)	(24,257)
Research & development expenses	6	(20,923)	(20,709)
Other operating income		758	830
Other operating expenses		(4,913)	(6,673)
Total expenses		(100,498)	(97,086)
Operating profit		21,430	17,395
Interest receivable and similar income	7	683	810
Interest payable and similar charges	8	(2,766)	(3,587)
Profit on ordinary activities before taxation	6	19,347	14,618
Tax on profit on ordinary activities	10	(7,208)	(6,220)
Profit for the financial year		12,139	8,398
Profit for the financial year attributable to:			
Owners of the parent		12,143	8,399
Non-controlling interests		(4)	(1)
		12,139	8,398

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 2017

	note	2017 €'000	2016 €'000
Profit for the financial year:		12,139	8,398
OTHER COMPREHENSIVE INCOME:			
Currency translation		(4,616)	(5,377)
Currency translations, net of tax		(4,616)	(5,377)
Actuarial gain on post-retirement benefits plans		1,774	559
Income tax effect		(302)	(439)
Actuarial results, net of tax	20	1,472	120
Other comprehensive income for the year, net of tax		(3,144)	(5,257)
TOTAL COMPREHENSIVE INCOME		8,995	3,141
Of which			
Attributable to non-controlling interests		(4)	18
Attributable to shareholders of the parent		8,999	3,123

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

Consolidated balance sheet

As at 30 November 2017

	note	2017 €'000	2016 €'000
Fixed assets			
Intangible assets	11	76,062	90,021
Tangible assets	12	24,427	26,182
Investments - Participating Interests	13	358	563
		100,847	116,766
Current assets			
Stocks	14	34,804	34,549
Debtors:	15		
amounts falling due within one year		48,238	43,995
amounts falling due after one year		1,059	1,430
Cash at bank and in hand		18,914	19,005
		103,015	98,979
Creditors: amounts falling due within one year	16	(42,891)	(40,726)
Net current assets		59,065	56,823
Total assets less current liabilities		160,971	175,019
Creditors: amounts falling due after more than one year	17, 27	(62,912)	(83,725)
Provisions for liabilities	19	(21,398)	(23,628)
Net assets		76,661	67,666
Capital and reserves			
Called-up share capital	21	92,158	92,158
Foreign exchange translation reserve	21	5,538	10,154
Merger reserve account	21	30,364	30,364
Profit and loss account	21	(51,458)	(65,073)
Amount attributable to owners of the parent		76,602	67,603
Non-controlling interests		59	63
Total equity		76,661	67,666

The financial statements, including the accounting policies and notes on pages 17 to 35, were approved by the Board of Directors on 2 February 2018.

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 2017

	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 2016	92,158	10,154	30,364	(65,073)	67,603	63	67,666
Profit for the financial year	-	-	-	12,143	12,143	(4)	12,139
Other comprehensive income / (loss)	-	(4,616)	-	1,472	(3,144)	-	(3,144)
Total comprehensive income / (loss)	-	(4,616)	-	13,615	8,999	(4)	8,995
Dividends paid	-	-	-	-	-	-	-
Balance at 30 November 2017	92,158	5,538	30,364	(51,458)	76,602	59	76,661

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 2017

	note	2017 €'000	2016 €'000
Cash flows from operating activities			
Profit for the financial year		12,139	8,398
Adjustments for:			
Amortisation of intangible assets	11	20,122	21,495
Impairment of investments in associates	13	205	-
Depreciation of tangible assets	12	4,812	4,661
Profit on disposal of tangible assets	6	(35)	(56)
Interest payable and similar charges	8	2,766	3,587
Interest receivable and similar income	7	(683)	(810)
Tax on profit on ordinary activities	10	7,208	6,220
Pension contributions paid	20	(221)	(127)
(Increase) / decrease in trade and other debtors		(3,404)	48
(Increase) / decrease in stocks		(255)	5,368
Increase / (decrease) in trade and other creditors		230	(3,367)
Increase / (decrease) in provisions and pensions		924	(37)
Cash from operations		43,808	45,380
Income taxes paid		(9,425)	(7,050)
Net cash generated from operating activities		34,383	38,330
Cash flows from investing activities:			
Proceeds from sale of tangible assets		1,282	572
Purchase of tangible assets	12	(5,290)	(6,508)
Purchase of intangible assets	11	(1,744)	(155)
Development capitalisation	11	(5,692)	(6,680)
Interest received		152	168
Net cash used in investing activities		(11,292)	(12,603)
Cash flows from financing activities:			
Proceeds from borrowings		15,427	35,613
Repayments of borrowings		(36,841)	(64,201)
Interest paid		(1,573)	(2,110)
Net cash used in financing activities		(22,987)	(30,698)
Net decrease in cash and cash equivalents		104	(4,971)
Foreign exchange translation adjustment		(2,838)	(3,117)
Cash and cash equivalents at beginning of year		19,005	27,093
Cash and cash equivalents at end of period		16,271	19,005
Cash and cash equivalents comprise the following:			
Cash at bank and in hand		18,914	19,005
Bank overdrafts		(2,643)	-
Cash and cash equivalents		16,271	19,005

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 2017

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 €1,286,000 (2016: €2,631,000 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.

Megger Group Limited

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3. Significant judgements

Preparation of the financial statements requires management to make significant judgements. The items in the financial statements where these judgements 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.

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.

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.

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5. Turnover

	2017	2016
	€'000	€'000
Turnover, analysed by category, was as follows:		
Sale of goods	211,722	206,310
Rendering of services	19,000	18,435
	230,722	224,745

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

	2017	2016
	€'000	€'000
The profit on ordinary activities before taxation is stated after:		
Stocks recognised as an expense in the period	58,913	61,397
Research and development expenses less amounts capitalised and amortisation	20,923	20,709
Amortisation and impairment of intangible assets excluding development costs	12,944	14,963
Depreciation of tangible assets	4,812	4,661
(Profit) on sale of tangible assets	(35)	(56)
Lease payments recognised as an operating expense	4,047	4,017
	€'000	€'000
Auditors' remuneration - statutory audit of parent company accounts	71	77
Auditors' remuneration - audit of subsidiary accounts	53	58
Fees to associates of the auditor - subsidiaries	267	205
Auditors' remuneration total	391	410

7. Interest receivable and similar income

	2017	2016
	€'000	€'000
Interest income	152	168
Pension interest	531	642
	683	810

8. Interest payable and similar charges

	2017	2016
	€'000	€'000
Interest expense	(598)	(892)
Interest expense related parties	(114)	(367)
Bank facility commitment fees amortisation	(464)	(713)
Bank charges	(859)	(848)
Financial charges on finance leases	(2)	(3)
Pension interest	(729)	(764)
	(2,766)	(3,587)

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9. Directors and employees

	2017	2016
	€'000	€'000
Staff costs during the year were as follows:		
Wages and salaries	67,943	67,056
Social Security costs	13,157	10,956
Pension and other expenses	1,635	1,706
Employee benefit expense total	82,735	79,718

	2017	2016
The average number of persons employed during the year was:		
Production and operating employees	596	593
Administrative employees	683	659
	1,279	1,252

	2017	2016
	€'000	€'000
The remuneration of the Board of Directors was:		
Wages and salaries	781	962
Short-term bonus plan	444	190
Long-term bonus plan	38	68
	1,263	1,220

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 €122,000 (2016: €167,000) were made on behalf of 4 directors (2016: 4). No contributions were made on behalf of the highest paid director (2016: €130,000).

Total emoluments of the highest paid director are €408,000 (2016: €575,000).

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10. Tax on profit on ordinary activities

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

	2017 €'000	2016 €'000
Current tax		
Charge for the year	(8,099)	(6,884)
Adjustments in respect of current tax of previous periods	124	72
Utilisation of previously unrecognised tax losses	4	(325)
Expenditure not allowed for income tax purposes	59	199
Withholding tax expense	(386)	(412)
	(8,298)	(7,350)
Deferred tax		
Temporary differences	(93)	(598)
Deferred tax related to changes of tax rates	-	391
Adjustments in respect of deferred income tax of previous periods	1,289	1,374
Other movements	(13)	9
	1,183	1,176
Total income tax	(7,115)	(6,174)
Other tax expense	(93)	(46)
Tax on profit on ordinary activities	(7,208)	(6,220)

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom at 19.0% (2016: 20.0%). The differences are explained as follows:

	2017 €'000	2016 €'000
Profit on ordinary activities before taxation	19,347	14,618
At statutory income tax rates of 19.0% (2016: 20.0%) (average)	(3,676)	(2,924)
Difference in income tax rates of other countries	(2,458)	(1,562)
Utilisation of previously unrecognised tax losses	4	(325)
Unrecognised tax losses arising current year	-	-
Adjustments in respect of current income tax of previous periods	124	72
Adjustments in respect of deferred income tax of previous periods	1,289	(23)
Impact of income not subject to tax	243	861
Impact of expenditure not allowed for income tax purposes	(2,175)	(1,547)
Withholding tax suffered	(386)	(592)
Tax rate changes	-	388
Other	(80)	(522)
Total income tax	(7,115)	(6,174)
Other tax expense	(93)	(46)
Tax on profit on ordinary activities	(7,208)	(6,220)

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is €302,000 (2016: €439,000).

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11. Intangible fixed assets

	Goodwill	Development costs	Customer lists	Other	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 December 2016	137,229	59,304	57,447	28,477	282,457
Additions - internal development	-	5,692	-	1,744	7,436
Disposals	-	(3,097)	-	(92)	(3,189)
Exchange adjustments	-	(2,995)	-	(134)	(3,129)
At 30 November 2017	137,229	58,904	57,447	29,995	283,575
Amortisation and impairment					
At 1 December 2016	110,705	29,729	25,630	26,372	192,436
Amortisation	8,135	7,178	2,893	1,916	20,122
Disposals	-	(3,097)	-	(94)	(3,191)
Exchange adjustments	-	(1,724)	-	(130)	(1,854)
At 30 November 2017	118,840	32,086	28,523	28,064	207,513
Net book value:					
At 30 November 2017	18,389	26,818	28,924	1,931	76,062
At 30 November 2016	26,524	29,575	31,817	2,105	90,021

Goodwill

The goodwill of €18,389,000 (2016: €26,524,000) arises from the acquisition of the Seba Group in 2012.

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 balance of €28,924,000 (2016: €31,817,000) was recognised with acquisition of the Seba Group 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 comprises technology for €nil (2016: €959,000) and software for €1,931,000 (2016: €1,146,000). Amortisation of other intangible fixed assets is included in other operating expenses.

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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 2018 to 2020 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 9.5% 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 (2016: nil).

12. Tangible fixed assets

	Land and buildings	Plant and machinery	Other operating fixed assets	Construction in progress	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 December 2016	24,275	30,105	16,664	819	71,863
Additions	250	393	4,050	597	5,290
Disposals	(136)	(1,708)	(3,714)	(693)	(6,251)
Exchange adjustments	(774)	(1,438)	(1,246)	(26)	(3,484)
At 30 November 2017	23,615	27,352	15,754	697	67,418
Depreciation and impairment					
At 1 December 2016	10,283	21,520	13,858	20	45,681
Charge for the year	1,032	915	2,865	-	4,812
Disposals	(123)	(1,510)	(3,349)	(20)	(5,002)
Exchange adjustments	(504)	(1,013)	(983)	-	(2,500)
At 30 November 2017	10,688	19,912	12,391	-	42,991
Net book value:					
At 30 November 2017	12,927	7,440	3,363	697	24,427
At 30 November 2016	13,992	8,585	2,806	799	26,182

The carrying value of plant and equipment held under finance lease contracts at 30 November 2017 was €14,000 (2016: €57,000). During the year, there were no additions of plant and equipment under finance lease contracts (2016: €16,000).

13. Investments - Participating Interests

The amount of €358,000 (2016: €563,000) relates to minority shareholdings in 3 (2016: 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 €205,000 (2016: €nil) 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

	2017 €'000	2016 €'000
Raw and auxiliary materials	19,967	20,456
Work in progress	3,548	3,691
Finished products and trading goods	11,289	10,402
	34,804	34,549

Total stocks are reported net of provisions for obsolete or slow-moving goods and other stock reserves of €5,010,000 (2016: €5,045,000). The value of stocks included as an expense in the income statement is disclosed in note 6.

15. Debtors

	2017 €'000	2016 €'000
Trade debtors	43,798	40,076
Prepayments to suppliers	979	897
Prepaid expenses	2,261	2,095
VAT receivable	199	98
Deferred tax assets	952	988
Deferred facility costs	107	442
Other debtors	1,001	829
	49,297	45,425

The carrying amounts of the debtors approximate their fair value. As at 30 November 2017 trade debtors of €2,287,000 (2016: €2,134,000) are impaired and fully provided for.

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

	2017 €'000	2016 €'000
Deferred tax assets	952	988
Deferred facility costs	107	442
	1,059	1,430

The Group has tax losses of €988,000 (2016: €526,000) that are available for offset against future taxable profits of the companies in which the losses arose.

In addition, there is €780,000 (2016: €768,000) 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 main element of the carrying balance relates to deferred tax on long-term bonus plans. It is judged that the operational performance of the Group will be achieved, resulting in a pay out of the long-term bonus plans.

16. Creditors: amounts falling due within one year

	2017 €'000	2016 €'000
Bank overdrafts	2,643	-
Bank loans	12,000	12,613
Finance lease obligations	5	10
Trade creditors	10,875	11,486
Amounts owed to parent company	-	338
Deferred revenues	1,440	1,136
Other taxes and social security payables	1,516	1,122
Customer payments on account	1,613	763
Corporation tax	487	1,459
Accruals and other creditors	12,312	11,799
	42,891	40,726

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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	2017 €'000	2016 €'000
Unsecured external bank term loan	Euribor + 0.95%	12,000	12,000
		12,000	12,000

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

	Effective interest	Maturity	2017 €'000	2016 €'000
Unsecured external bank term loan	Euribor + 0.95%	Sept 2020	36,000	48,000
Unsecured external bank RCF loans	Euribor + 0.95%	Sept 2020	26,903	30,704
Bank loans			62,903	78,704
Unsecured sub-ordinated loan payable to parent company			-	5,000
Finance lease obligations			9	21
			62,912	83,725

At 30 November 2017, the Group had available €35,948,000 (2016: €30,286,000) 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.

Amounts owed to parent company are repayable as follows:

Conditions of loans	Effective interest rate	2017 €'000	2016 €'000
Unsecured sub-ordinated loan	Euribor + 2.50%	-	5,000

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 (2016: €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 2017 amounted to €74,903,000 (2016: €91,318,000). At the balance sheet date €52,500,000 (2016: €82,500,000) of the drawings from the facilities had been made by the Company, with the balancing €22,403,000 (2016: €8,818,000) 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.

During the year the European Commission (EC) announced an investigation 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 €2.3m (excluding interest) to a liability of the same amount.

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2017

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 2016	16,597	4,030	1,776	1,182	43	23,628
Additions	-	884	149	1,212	95	2,340
Utilised	(1,007)	(2,601)	(216)	(132)	(36)	(3,992)
Exchange adjustments	(275)	(201)	(34)	(68)	-	(578)
Balance At 30 November 2017	15,315	2,112	1,675	2,194	102	21,398

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

	2017 €'000	2016 €'000
Accelerated capital allowance	763	624
Provided for tax exposure on intangible assets	7,379	9,129
Other timing differences	7,173	6,844
	15,315	16,597

The amount of the net reversal of deferred tax expected to occur next year is €229,000 (2016: €187,000), 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. Continuing additions and utilisation is expected during the year ending 30 November 2017.

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. €429,000 is provided for plans where payment is due in 2018 (2016: €134,000) and €1,765,000 for plans where payment is due in 2019 and 2020 (2016: €1,047,000). 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 2017

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 2015 and updated to 30 November 2017 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 Dynatronic Meß- und Ortungs-Technik GmbH. The net valued liabilities of these schemes of €1,183,000 (2016: €973,000) are included in employee benefit liabilities and adjusted through the profit or loss as the amounts involved are not significant.

	2017	2016
	€'000	€'000
Pension liabilities	2,112	4,030

Employer contributions to the schemes by the group in the year ended 30 November 2017 amounted to €221,000 (2016: €127,000). There were no outstanding contributions to the schemes at the year end (2016: nil).

The best estimate of the contributions expected to be paid into defined benefit schemes is €240,000 per annum for the following two years (2016: €141,000).

Net benefit expense recognised in the income statement

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

	2017	2016
	€'000	€'000
Interest expense on the net benefit liability/asset	198	122
Current service cost	87	102
Net benefit expense	285	224

The Group expects the employee net benefit expense recognised in the income statement in 2018 to approximate the expenses incurred in 2017.

The cumulative amount of actuarial gains and losses recognised in other comprehensive income is a loss of €9,199,000 (2016: €10,973,000 loss).

Net benefit expense recognised in other comprehensive income:

	2017	2016
	€'000	€'000
Actuarial (gains) and losses	(1,774)	(559)
Deferred income taxes	302	439
Actuarial result through comprehensive income	(1,472)	(120)
Net benefit (gain) / expense recognised in other comprehensive income	(1,472)	(120)

Megger Group Limited
Consolidated financial statements for the year ended 30 November 2017

20. Defined benefit pension liability (continued)

Defined benefit obligation

	2017 €'000	2016 €'000
Defined benefit obligations	22,840	23,928
Fair value of plan assets	(20,728)	(19,898)
Defined benefit obligation	2,112	4,030

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

	2017 €'000	2016 €'000
At 1 December	23,928	26,577
Interest costs on benefit obligations	729	764
Current service cost	87	102
Pensions paid	(1,144)	(958)
Actuarial losses	68	2,072
Exchange differences	(828)	(4,629)
At 30 November	22,840	23,928

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

	2017 €'000	2016 €'000
At 1 December	19,898	21,468
Expected return on plan assets	531	642
Contributions by employers	221	127
Pensions paid	(1,144)	(958)
Actuarial gains	1,849	2,527
Exchange differences	(627)	(3,908)
At 30 November	20,728	19,898

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

	2017	2016
Equities	68.0%	67.0%
Government bonds	22.0%	22.0%
Corporate bonds	10.0%	10.0%
Other	0.0%	1.0%
At 30 November	100.0%	100.0%

Megger Group Limited
Consolidated financial statements for the year ended 30 November 2017

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:

		2017	2016
Discount rate		2.6%	2.8%
Future pension increases	Post 88 GMPs	2.1%	2.2%
	Pre 1997 benefits (non GMP)	2.7%	2.8%
	Post 1997 benefits	3.3%	3.4%
Revaluation deferred pensions (non GMP)		2.4%	2.5%
Inflation assumption (CPI)		2.4%	2.5%
Mortality tables used (applicable to 2017 and 2016)			
Before retirement	Males	As post retirement	
	Females	As post retirement	
After retirement	Males	110% of S2PXA	
	Females	110% of S2PXA	
	Improvement	CMI Model 2016 (1.0%)	

The actual return on plan assets was:

	2017	2016
	€'000	€'000
Expected return on plan assets	531	642
Actuarial gain	1,849	2,527
Actual return on scheme assets	2,380	3,169

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2017

21. Called up share capital and other reserves

Authorised, allotted and fully paid:	2017	2016
	€'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 (2016: 74,785,350). The issued share capital is 74,785,350 Ordinary shares of a value of GBP 1.00 each (2016: 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.

No dividend was paid to the ultimate parent company, TBG AG, during the year (2016: €nil).

Merger reserve

The merger reserve of €30,364,000 (2016: €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 no capital commitments for plant and machinery (2016: €717,000).

23. Leasing commitments

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

	2017	2016
	€'000	€'000
Within one year	2,609	1,692
Between one and five years	7,443	5,204
More than five years	1,873	2,116
	11,925	9,012

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

	2017	2016
	€'000	€'000
Within one year	5	10
Between one and five years	9	23
	14	33

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2017

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 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 2 February 2018, and confirm that the only issue requiring disclosure is the Amendment and Restatement agreement for the banking facilities referred to in Note 17.

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:

	2017	2016
	€'000	€'000
Financial assets measured at amortised cost:		
Debtors: amounts falling due within one year	45,778	41,900
Cash at bank and in hand	18,914	19,005
	64,692	60,905

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

	2017	2016
	€'000	€'000
Financial liabilities measured at amortised cost		
Creditors: amounts falling due within one year	25,830	37,372
Creditors: amounts falling due after more than one year	62,912	83,725
	88,742	121,097

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

Megger Group Limited

Registered Number: 02582519

Company Financial Statements

For the year ended 30 November 2017

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

Company balance sheet

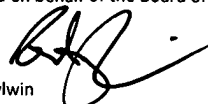
As at 30 November 2017

	note	2017 €'000	2016 €'000
Fixed assets			
Intangible assets	3	470	571
Tangible assets	4	20	33
Investments	5	238,017	241,692
		238,507	242,296
Current assets			
Debtors:	6		
amounts falling due within one year		2,110	2,371
amounts falling due after one year		225	9,572
Cash at bank and in hand		2,516	2,902
		4,851	14,845
Creditors: amounts falling due within one year	7	(13,776)	(13,752)
Net current liabilities		(9,150)	(8,479)
Total assets less current liabilities		229,582	243,389
Creditors: amounts falling due after more than one year	8	(40,500)	(75,500)
Provisions for liabilities	9	(1,013)	(452)
Net assets		188,069	167,437
Capital and reserves			
Called up share capital		92,158	92,158
Profit and loss account		95,911	75,279
Total equity		188,069	167,437

The Company's result for the year was a loss of €1,286,000 (2016: €2,631,000 loss).

The financial statements, including the accounting policies and notes on pages 39 to 43, were approved by the Board of Directors on 2 February 2018.

Signed on behalf of the Board of Directors:


R T Aylwin
Director

Company registration no: 02582519

Company statement of changes in equity

As at 30 November 2017

	Called-up share capital €'000	Profit and loss account €'000	Total €'000
Balance at 1 December 2016	92,158	75,279	167,437
Loss for the year	-	(1,286)	(1,286)
Total comprehensive income	-	(1,286)	(1,286)
Dividends received	-	21,918	21,918
Dividends paid	-	-	-
Balance at 30 November 2017	92,158	95,911	188,069

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 2017

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 18 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 2016	1,344
Additions	361
At 30 November 2017	1,705
Amortisation	
At 1 December 2016	773
Charge for the year	462
At 30 November 2017	1,235
Net book value:	
At 30 November 2017	470
At 30 November 2016	571

Megger Group Limited
Company's financial statements for the year ended 30 November 2017

4. Tangible fixed assets

	IT and other equipment €'000
Cost	
At 1 December 2016	58
Additions	1
At 30 November 2017	59
Depreciation	
At 1 December 2016	25
Charge for the year	14
At 30 November 2017	39
Net book value:	
At 30 November 2017	20
At 30 November 2016	33

5. Investments in subsidiaries

Movements in investments in group companies are as follows:

	€'000
At 1 December 2016	241,692
Capital reductions	(3,675)
Balance at 30 November 2017	238,017

Megger Group Limited

Company's financial statements for the year ended 30 November 2017

5. Investments in subsidiaries (continued)

List of non-dormant direct and indirect participations:

	Type of shares held	Nature of business	Domicile	% Economic Interest 201700%	% Economic Interest 201600%
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	Spain	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 2017

6. Debtors

	2017	2016
	€'000	€'000
Amounts owed by subsidiary undertakings	1,884	11,166
Other debtors	144	149
Deferred tax assets	163	72
Deferred facility costs	144	556
	2,335	11,943

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

	2017	2016
	€'000	€'000
Amounts owed by subsidiary undertakings	-	9,104
Deferred tax assets	163	72
Deferred facility costs	62	396
	225	9,572

7. Creditors: amounts falling due within one year

	2017	2016
	€'000	€'000
Bank loans	12,000	12,000
Trade creditors	13	-
Amounts owed to subsidiary undertakings	142	26
Amounts owed to parent company	-	338
Accruals and other creditors	1,621	1,388
	13,776	13,752

Included in bank loans are the following loans:

	Effective	2017	2016
Conditions of loans	interest rate	€'000	€'000
Unsecured external bank term loan	Euribor + 0.95%	12,000	12,000
		12,000	12,000

Megger Group Limited

Company's financial statements for the year ended 30 November 2017

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

	2017	2016
	€'000	€'000
Bank loans	40,500	70,500
Amounts owed to parent company	-	5,000
	40,500	75,500

Bank loans are repayable as follows:

	Effective		2017	2016
Conditions of loans	interest rate	Maturity	€'000	€'000
Unsecured external bank term loan	Euribor + 0.95%	Sept 2020	36,000	48,000
Unsecured external bank RCF loan	Euribor + 0.95%	Sept 2020	4,500	22,500
			40,500	70,500

9. Provisions for liabilities

	2017	2016
	€'000	€'000
Long-term bonus plans	1,013	452

€157,000 is provided for plans where payment is due in 2018 (2016: €50,000) and €856,000 for plans where payment is due in 2019 and 2020 (2016: €402,000).

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 26 November 2012 and 26 November 2014 for a minimum planned period of 42 months. The operating lease expense charged to the statement of income in 2017 was €18,500 (2016: €13,000). There are no operating lease commitments within one year (2016: €8,000) and no commitments between two and five years (2016: €4,000).

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.