

Registered Number: 0190137

Megger Instruments Limited

Report and Financial Statements

30 November 2015

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COMPANIES HOUSE

Megger Instruments Limited

Registered No: 190137

Directors

C D Potts
G Heritage
R Titeca
A Munn
C Nicholls
B Phillips

Secretary

C D Potts

Auditor

Grant Thornton UK LLP
The Explorer Building
Fleming Way
Crawley
RH10 9GT

Registered office

Avocet House
Archcliffe Road
Dover
Kent
CT17 9EN

Directors' report

The directors present their report and accounts for the year ended 30 November 2015.

The strategic report on page 4 includes discussion on the following:

- Strategy of the company
- Performance and development of the company during the period
- Future development
- Risks and uncertainties facing the business

Principal activity

The company's principal activity continued to be the development and manufacture, marketing and distribution of electrical and electronic testing and measuring instruments.

Significant events

The Directors have adopted FRS 102 for financial reporting of the Company results for the year ended 30 November 2015. The impact of the adoption of this standard is discussed in note 26.

Impairment of Investment

The investment in Relay Engineering Services Limited was written down during the year by £20,000 due to impairment. Refer to note 9 for further details.

Going concern

A financial review of the results and financial position of Megger Group, which includes Megger Instruments Limited, occurs each month with the whole Board of Megger Instruments Limited and the board of Megger Group Limited. The group and the company 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.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. The directors have reviewed the forecasts for the company for the following year and the predictions for growth in revenue and gross profit are conservative.

Employees

The company gives full consideration to applications for employment of 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 company'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 company holds regular meetings with employee representatives to discuss the company's financial results, any significant operating issues, the future plans of the company and other matters of concern to its employees.

Their consultation is generally through informal channels, but is supplemented by an Information & Consultation Committee, whose members are elected by the employees.

Directors' report

Directors

The directors during the year and to the date of this report were as follows:

C D Potts
G Heritage
G Margery (to 27 March 2015)
R Titeca (from 27 March 2015)
S Drennan (to 31 January 2016)
A Munn
B Phillips
C Nicholls

Directors' qualifying third party indemnity provisions

The Company's parent undertaking has granted an indemnity to one or more of its directors 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.

Research and development activities

The company has a programme of research and development projects in order to develop new products in line with market demand and to respond to rapid change in new technology and a programme of current development projects which address on going enhancements to existing products.

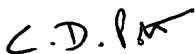
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with s485(4) of the Companies Act 2006 a resolution to appoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting.

On behalf of the board



C D Potts
Director
Date: 8 February 2016

Strategic Report

Strategy of the company

The strategy of Megger Instruments Limited reflects that of Megger Group Limited at 30 November 2015 being the design, manufacture and sale of test instrumentation for the electrical transmission and distribution applications and telecommunications networks.

Performance and development of the company during the period

The profit for the year after taxation amounted to £6,441,000 (2014 - £6,363,000). The directors declared and paid a dividend of £8,146,000 (2014 - £4,750,000).

The company's key financial and other performance indicators during the year were as follows

	2015	2014	Change
Turnover (£000)	28,092	27,803	1%
Total operating profit (£000)	8,376	8,353	-
Average monthly number of employees	248	246	1%

Turnover was flat in the year reflecting a number of depressed international markets, particularly in the Far East.

Operating profit was also flat but in the year included the write-off of £568,000 capitalised intellectual property and inventory largely pertaining to a small discontinued product line.

The company continued to invest heavily in Research and Development to drive future growth.

Future development

The major programmes for the future of Megger Instruments Limited aim to ensure that the Megger brand value is maintained. This includes increasing New Product Development effectiveness and improving New Product Development marketing outputs and processes. Investment in new product areas along with investment in Lean Manufacturing techniques and operations throughout the company continue to be the major projects in the company.

Principal risks and uncertainties

The principal risks and uncertainties facing Megger Instruments Limited are exchange rate, legislation and economic conditions, liquidity and cash flow.

Exchange rate risks

Megger Instruments Limited procures material internationally and over 50% of its purchases are US Dollar or Euro denominated. Generally the period of time between order receipt and payment is limited and currency gains and losses on individual transactions are not significant. However, over the year Megger Instruments Limited results can be significantly affected by fluctuations in exchange rates. This is partly mitigated by operating bank accounts in the major currencies used.

Legislation risk

The company is fully supportive of health and safety and environmental improvement, but is at a continual disadvantage compared with international competitors, and faces potential design and supply issues as regulations continue to change. The company aims to mitigate these risks by holding regular compliance meetings, adopting ISO standards and has introduced a business continuity project.

Strategic Report

Economic conditions risks

Many of the company's products are used in infrastructure development as well as maintenance and are therefore dependent on favourable economic conditions to fund such projects. The company's products are also used in the general construction industry. Uncertainties in the foreign exchange, debt markets, oil and commodity prices and the battle by many governments to reduce their national debt mean that the economic outlook for 2016 remains uncertain.

However, offsetting some of the issues created by the current economic position,

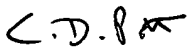
- Most of the company's product ranges have a limited life in use and require replacement so ensuring a substantial market.
- The company is introducing numerous new products which are expected to add market share, create new opportunities and trigger demands for upgrades.
- The company is continuing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

The economic outlook for 2016 generally continues to be uncertain but the company is expected to remain strongly profitable and cash positive.

Liquidity and cash flow risks

The company aims to mitigate liquidity risk by managing cash generation throughout its operations and by applying cash generation procedures. The company manages cash flow risk by careful negotiation of terms with fellow group companies, customers and suppliers and maintains available funds to enable it to meet its liabilities as they fall due.

On behalf of the board



C D Potts

Director

Date: 8 February 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, Strategic 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 of the company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper 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 taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditor's report

to the members of Megger Instruments Limited

We have audited the financial statements of Megger Instruments Limited for the year ended 30 November 2015 which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2015 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Eleanor Walsh FCCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Gatwick
8 February 2016

Income Statement

for the year ended 30 November 2015

		2015	2014
	Notes	£000	£000
Turnover	2	28,092	27,803
Cost of sales		<u>(13,427)</u>	<u>(12,472)</u>
Gross profit		14,665	15,331
Distribution costs		(1,091)	(1,015)
Administrative expenses		(1,627)	(1,747)
Research and development expenses		<u>(3,571)</u>	<u>(4,216)</u>
Operating profit	3	8,376	8,353
Interest receivable and similar income	4	564	653
Interest payable and similar charges	5	<u>(652)</u>	<u>(738)</u>
Profit on ordinary activities before taxation		8,288	8,268
Taxation	6	<u>(1,847)</u>	<u>(1,905)</u>
Profit for the financial year		<u>6,441</u>	<u>6,363</u>

All operations are continuing for the years ended 30 November 2015 and 2014.

Statement of comprehensive income

for the year ended 30 November 2015

		2015	2014
		£000	£000
Profit for the financial year		6,441	6,363
Actuarial (loss) in respect of defined benefit pension schemes	23	(410)	(750)
Tax credit in respect of defined benefit pension scheme		<u>82</u>	<u>150</u>
Total comprehensive income for the financial year		<u>6,113</u>	<u>5,763</u>
Total comprehensive income for the financial year attributable to:			
Shareholders of the parent		<u>6,113</u>	<u>5,763</u>

Balance sheet

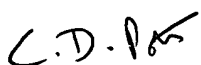
at 30 November 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Investment in Group Undertakings	9	31	51
Intangible assets	10	4,815	5,222
Tangible assets	11	<u>4,109</u>	<u>4,045</u>
		8,955	9,318
Current assets			
Stocks	12	3,363	3,414
Debtors	13	4,008	6,081
Cash at bank and in hand		<u>2,604</u>	<u>2,482</u>
		9,975	11,977
Creditors: amount falling due within one year	14	<u>(2,428)</u>	<u>(2,646)</u>
Net current assets		<u>7,547</u>	<u>9,331</u>
Total assets less current liabilities		16,502	18,649
Creditors: amount falling due over one year	15	(10)	(18)
Provisions for liabilities	17	(855)	(1,111)
Defined benefit pension liability	23	<u>(2,243)</u>	<u>(2,091)</u>
Net assets		<u>13,394</u>	<u>15,429</u>
Capital and reserves			
Called up share capital	18	6,000	6,000
Profit and loss account		<u>7,394</u>	<u>9,429</u>
Shareholder's funds		<u>13,394</u>	<u>15,429</u>

Statement of changes in equity

	Share Capital £000	Profit and loss account £000	Total shareholders' Funds £000
As at 1 December 2013	6,000	8,416	14,416
Profit for the year	-	6,363	6,363
Dividends paid	-	(4,750)	(4,750)
Actuarial loss in respect of defined pension schemes net of deferred tax allowance	-	(600)	(600)
At 30 November 2014	6,000	9,429	15,429
Profit for the year	-	6,441	6,441
Dividends paid	-	(8,148)	(8,148)
Actuarial loss in respect of defined pension schemes net of deferred tax	-	(328)	(328)
At 30 November 2015	<u>6,000</u>	<u>7,394</u>	<u>13,394</u>

The financial statements on pages 8 to 25 were approved by the board of directors on 8 February 2016 and were signed on its behalf by:



C D Potts
Director
8 February 2016

Registered Number: 0190137

Notes to the financial statements

at 30 November 2015

1. Accounting policies

Accounting convention

These financial statements have been prepared in accordance with applicable United Kingdom 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. FRS 102 will be effective from 1 January 2015, but has been adopted early by the Company. The financial statements have been prepared on the historical cost basis.

Statement of cash flows

The directors have taken advantage of the exemption in FRS 102 from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements which are publically available.

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:

- Impairment of intangible assets
- Deferred tax recoverability
- Defined benefit pension liability, note 23

Consolidation

The financial statements contain information about Megger Instruments Limited as an individual company and do not contain consolidated financial statements as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirements to prepare financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Megger Group Limited, a company registered in England and Wales.

Basis of preparation

The individual accounts of Megger Instruments Limited have also adopted the disclosure exemption in respect of 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.

Revenue recognition

Revenue from the sale of goods is recognised when ownership has passed to the buyer, which is typically on dispatch of goods, and is recognised net of VAT and discounts.

Investments in Group Undertakings

The cost of fixed asset investments is their purchase cost, together with any incidental expenses of acquisition. The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible assets

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

Demonstration stock is capitalised as tangible fixed assets when held for use in the business and is amortised over its estimated useful life. On disposal to third parties, the item is transferred to stock at the lower of its carrying cost or net realisable value, and the disposal recognised through revenue and cost of sale.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	25 years
Plant, equipment and motor vehicles	-	3 - 10 years

Capital works in progress are depreciated from the point at which the asset becomes in service.

Notes to the financial statements

at 30 November 2015

1. Accounting policies (continued)

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible Assets

Capitalised software is capitalised and amortised over its estimated useful life of between 3 and 5 years.

Licences are capitalised and amortised over the term of the license agreement (5 years).

Development expenditure is recognised on an individual project basis as an intangible asset where the Company 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
- The ability to measure reliably the expenditure during development

Amortisation is charged so as to allocate the cost of the intangibles over its estimated useful (1-5 years)

Amortisation is included in the Research and development expenses line in the Income statement

The carrying values of intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes transport to the company's facilities and handling costs; in the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

Provision is made, where necessary, for obsolete, slow moving and defective stock.

Taxation

The charge for taxation is based on the profit for the period as adjusted for disallowable items.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the income statement.

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 Company. 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

Notes to the financial statements

at 30 November 2015

1. Accounting policies (continued)

Leases (continued)

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 Company 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.

Pensions

The main pension fund is a contributory, defined benefit, externally funded scheme which is contracted out of the UK state scheme. The scheme was closed to new employees on 4 April 2000 and then, all future accrual of benefit under the scheme for existing members was suspended with effect from 31 December 2003. The fund will continue to be valued by professionally qualified independent actuaries, and contributions to the fund are charged to the income statement in accordance with the long-term funding rate as advised by the actuaries.

Following full consultation with its employees, the company closed the scheme with effect from 31 December 2003. For this closed scheme, as the age profile of the active membership rises, the current service cost will rise significantly as members approach retirement.

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

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

A UK defined contribution scheme, contracted into the UK state scheme was opened on 1 October 2000 to both existing and new employees. This has now been replaced by a Stakeholder Pension scheme.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. The directors have reviewed the forecasts for the company for the following year and the predictions for growth in revenue and gross profit are conservative.

Long-term bonus plans

A certain employee of the company participates in a long-term bonus plan set up by Megger Group Limited. Provisions are made for the estimated liability for this plan at each financial year-end, based upon current and estimated future business performance.

Notes to the financial statements

at 30 November 2015

2. Turnover

Turnover excludes value added tax but includes transactions with fellow subsidiaries of the ultimate parent company and represents the invoiced value of goods and services supplied.

The company operates in only one continuing class of business and all sales originate from the United Kingdom.

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

	2015	2014
	£000	£000
Sale of goods	27,475	27,295
Rendering of services	617	508
	<u>28,092</u>	<u>27,803</u>

3. Operating profit

This is stated after charging/ (crediting):

	2015	2014
	£000	£000
Depreciation of tangible fixed assets - owned assets	862	894
- leased assets	7	7
Hire of plant and equipment	34	17
Other operating leases	54	54
Auditors' remuneration - annual audit services	22	21
Foreign currency exchange differences	110	18
(Profit)/Loss on sales of fixed assets	(1)	3
Impairment of investments in group undertakings	20	143
Research and development costs	<u>3,571</u>	<u>4,216</u>

4. Interest receivable and similar income

	2015	2014
	£000	£000
Expected return on pension scheme assets	562	650
Other	3	3
	<u>564</u>	<u>653</u>

5. Interest payable and similar charges

	2015	2014
	£000	£000
Interest on pension scheme liabilities	650	737
Other	2	1
	<u>652</u>	<u>738</u>

6. Taxation

(a) Analysis of charge for the year

	2015	2014
	£000	£000
UK corporation tax - current year	1,728	1,878
- adjustments in respect of prior periods	66	65
	<u>1,794</u>	<u>1,943</u>
Deferred taxation:		
Origination and reversal of timing differences	51	(11)
Adjustment in respect of prior periods	2	(27)
	<u>1,847</u>	<u>1,905</u>

Notes to the financial statements

at 30 November 2015

6. Taxation (continued)

(b) Factors affecting current tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax 20.33% (2014 22%). The differences are explained below:

	2015	2014
	£000	£000
Profit on ordinary activities before tax	<u>8,288</u>	<u>8,268</u>
Profit on ordinary activities multiplied by standard rate of corporation tax of 20.33% (2014 – 21.66%)	<u>1,685</u>	<u>1,804</u>
Expenses not deductible for tax purposes	12	36
Adjustment to charge in respect of previous period – corporation tax	68	65
Other differences	<u>82</u>	<u>-</u>
	<u>1,847</u>	<u>1,905</u>

(c) Factors affecting future tax charge

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2014. These include reductions to the main rate to reduce the rate to 20% from 1 April 2015 and to 19% from 1 April 2016. Deferred taxes at 30 November 2015 have been measured using these enacted tax rates and reflected in these financial statements.

7. Directors' emoluments

	2015	2014
	£000	£000
Aggregate emoluments	<u>736</u>	<u>610</u>

Certain directors of the company as at the year-end are also directors or officers of a number of companies within the Megger group. The directors' services to the company do not occupy a significant amount of their time. As such, the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 30 November 2015 and 30 November 2014.

The aggregate amount paid to a pension scheme in respect of Directors was £7,000 (2014:£2,000)

	2015	2014
	No.	No.
Number of directors accruing benefits under defined benefit pension schemes	<u>1</u>	<u>2</u>

The emoluments, excluding contributions to the company's defined benefit pension scheme, of the highest paid director of the company are detailed below:

	2015	2014
	£000	£000
Aggregate emoluments	<u>230</u>	<u>141</u>

The Group has a long-term bonus plan for certain Directors. One Director received £114,000 from this plan (2014: £NIL)

Notes to the financial statements

at 30 November 2015

8. Staff costs

	2015	2014
	£000	£000
Wages and salaries	6,271	6,130
Social security costs	592	587
Other pension costs	60	41
	<u>6,923</u>	<u>6,758</u>

The average monthly number of employees during the year was as follows:

	2015	2014
	No.	No.
Production	184	183
Administration	13	13
Selling and distribution	7	7
Engineering	<u>44</u>	<u>43</u>
	<u>248</u>	<u>246</u>

9. Investments in group undertakings

	2015	2014
	£000	£000
Cost:		
At 1 December	51	194
Impairment charge during the year	<u>(20)</u>	<u>(143)</u>
As at 30 November	<u>31</u>	<u>51</u>

On 7 March 2012, the company acquired 100% of the share capital and voting rights of Relay Engineering Services Limited, a UK incorporated company that manufactured and distributed test and measurement equipment. This is the only investment in group companies.

During the year the value of the investment was reviewed and deemed to have decreased as operations of the entity have now ceased.

10. Intangible assets

	Development costs	Licences	Software	Total
	£000	£000	£000	£000
Cost:				
At 1 December 2014	9,671	520	1,476	11,667
Additions	1,133	-	9	1,142
Disposals	<u>(3,706)</u>	<u>(520)</u>	<u>-</u>	<u>(4,226)</u>
At 30 November 2015	<u>7,098</u>	<u>-</u>	<u>1,484</u>	<u>8,582</u>
Depreciation:				
At 1 December 2014	5,066	284	1,095	6,445
Charge for the year	1,189	-	123	1,312
Disposals	<u>(3,706)</u>	<u>(284)</u>	<u>-</u>	<u>(3,990)</u>
At 30 November 2015	<u>2,549</u>	<u>-</u>	<u>1,218</u>	<u>3,767</u>
Net book value:				
At 30 November 2015	<u>4,549</u>	<u>-</u>	<u>266</u>	<u>4,815</u>
At 1 December 2014	<u>4,605</u>	<u>236</u>	<u>381</u>	<u>5,222</u>

Notes to the financial statements

at 30 November 2015

11. Tangible fixed assets

	<i>Freehold land and buildings £000</i>	<i>Plant, equipment and motor vehicles £000</i>	<i>Capital Works in Progress £000</i>	<i>Total £000</i>
Cost:				
At 1 December 2014	5,245	12,156	211	17,612
Additions	126	561	250	937
Disposals	-	(258)	-	(258)
At 30 November 2015	<u>5,371</u>	<u>12,459</u>	<u>461</u>	<u>18,291</u>
Depreciation:				
At 1 December 2014	3,765	9,802	-	13,567
Charge for the year	159	710	-	869
Disposals	-	(254)	-	(254)
At 30 November 2015	<u>3,924</u>	<u>10,258</u>	<u>-</u>	<u>14,182</u>
Net book value:				
At 30 November 2015	<u>1,447</u>	<u>2,201</u>	<u>461</u>	<u>4,109</u>
At 1 December 2014	<u>1,480</u>	<u>2,354</u>	<u>211</u>	<u>4,045</u>

Included within plant, equipment and motor vehicles are assets with a net book value of £16,260 (2014 - £23,000) held under finance leases.

12. Stocks

	<i>2015 £000</i>	<i>2014 £000</i>
Raw materials and consumables	2,426	2,418
Work in progress	71	74
Finished goods and goods for resale	<u>866</u>	<u>922</u>
	<u>3,363</u>	<u>3,414</u>

Notes to the financial statements

at 30 November 2015

13. Debtors

	2015	2014
	£000	£000
Trade debtors	197	56
Amounts owed by group undertakings	3,320	5,453
Other debtors	256	204
Prepayments	235	268
Deferred taxation (note 16)	-	100
	<u>4,008</u>	<u>6,081</u>

14. Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Trade creditors	807	705
Amount owed to group undertakings	598	750
Other creditors	529	566
Corporation tax	73	265
Other taxes including VAT and social security costs	157	150
Accruals and deferred income	256	202
Obligations due under finance leases (note 20)	8	8
	<u>2,428</u>	<u>2,646</u>

15. Creditors: amounts falling due more than one year

	2015	2014
	£000	£000
Obligations due under finance leases (note 20)	<u>10</u>	<u>18</u>

16. Deferred Taxation

	2015	2014
	£000	£000
<i>Deferred taxation included in the balance sheet as follows</i>		
Included in debtors (note 13)	-	100
Included in provisions for liabilities (note 17)	(830)	(921)
Included in defined benefit pension liability (note 23)	<u>561</u>	<u>522</u>
	<u>(269)</u>	<u>(299)</u>
	2015	2014
	£000	£000
Accelerated depreciation/capital allowances	(865)	(874)
Other timing differences	35	53
Pension costs (note 23)	<u>561</u>	<u>522</u>
	<u>(269)</u>	<u>(299)</u>

Notes to the financial statements

at 30 November 2015

17. Provisions for Liabilities

	Deferred Tax	Deferred Employee Compensation	Total
	£000	£000	£000
At 30 November 2013	968	168	1,136
Charged to the income statement	(47)	22	(25)
At 30 November 2014	921	190	1,111
Charged to the income statement	(91)	(165)	(256)
At 30 November 2015	<u>830</u>	<u>25</u>	<u>855</u>

The provision for deferred employee compensation relates to a long term incentive plan designed to incentivise senior management. Provisions are made for the estimated liability for these plans at each financial year-end.

18. Share capital

	<i>Authorised, allotted, called up and fully paid</i>	
	2015	2014
	£000	£000
6,000,000 Ordinary shares of £1 each (2014: 6,000,000)	<u>6,000</u>	<u>6,000</u>

19. Finance lease commitments

	2015	2014
	£000	£000
Amounts payable:		
Within one year	8	8
Two to five years	<u>10</u>	<u>18</u>
	<u>18</u>	<u>26</u>

20. Operating lease commitments

	2015	2014
	£000	£000
Commitments for the next 12 months for operating leases which expire:		
Within one year	7	9
Between two and five years	<u>63</u>	<u>50</u>
	<u>70</u>	<u>59</u>

These leases are related to the company's fleet of motor cars and vending equipment.

21. Capital commitments

The company had capital commitments for building works and plant & machinery of £797,000 at 30 November 2015 (2014: £168,000)

22. Related party transactions

The company has taken advantage of exemption available under FRS 102 not to disclose related party transactions with members of the Megger Group Limited and TBG AG groups as the company's share capital is wholly owned. There are no other related party transactions.

Notes to the financial statements

at 30 November 2015

23. Pension arrangements

Megger Instruments Limited (formerly Megger Limited) used to provide a defined benefit pension scheme to employees, but all future accrual of benefit under the scheme was suspended with effect from 31 December 2003.

An independent actuarial valuation of the scheme was carried out as at 5 April 2015. The market value of the scheme investments at that date was £16,170,000 which was £775,000 below the actuarial value of benefits that had accrued to members at the valuation date. It was agreed that the level of funding should be decreased to the rate of £10,000 per month from September 2016.

Defined benefit scheme

The valuation used has been based on the most recent actuarial valuation at 5 April 2015 and updated by the scheme actuary in order to assess the liabilities of the scheme at 30 November 2015. Scheme assets are stated at their market values at the respective balance sheet dates.

	2015	2014
Discount rate	3.5%	3.6%
Inflation assumption	2.3%	2.4%
Rate of increase in salaries	n/a	n/a
Rate of increase to pensions - Pre retirement	2.1%	2.1%
- Post retirement (pre 4/97)	2.7%	2.7%
- Post retirement (post 4/97)	3.2%	3.3%

The assets and liabilities of the scheme and the expected return at 30 November are:

	2015	2014
	Value	Value
	£000	£000
Equities	9,890	10,239
Gilts	1,590	1,800
Bonds	3,396	3,795
Cash	184	89
Total market value of scheme assets	15,060	15,923
Present value of scheme liabilities	(17,864)	(18,536)
Deficit in the scheme	(2,804)	(2,613)
Deferred tax asset (note 16)	561	522
Net pension liability	<u>(2,243)</u>	<u>(2,091)</u>

Notes to the financial statements

at 30 November 2015

23. Pension arrangements (continued)

Analysis of the defined benefit cost for the year ended 30 November 2015 is as follows:

	2015	2014
	£000	£000
Expected return on pension scheme assets	562	650
Interest on pension scheme liabilities	(650)	(737)
Total other finance income/(expense)	<u>(88)</u>	<u>(87)</u>
Actual return less expected return on pension scheme assets	(788)	690
Experience gain arising on scheme liabilities	359	11
Gain/(Loss) arising from changes in assumptions underlying present value of scheme liabilities	<u>19</u>	<u>(1,451)</u>
Actuarial (loss) recognised in the statement of total recognised gains & losses	<u>(410)</u>	<u>(750)</u>

Reconciliation of scheme liabilities during the year:

	2015	2014
	£000	£000
Scheme liabilities at the beginning of the year	(18,536)	(17,150)
Total other finance expense	(650)	(737)
Benefits paid	944	791
Actuarial gain/(loss)	<u>378</u>	<u>(1,440)</u>
At 30 November	<u>(17,864)</u>	<u>(18,536)</u>

Reconciliation of scheme assets during the year:

	2015	2014
	£000	£000
Market value of assets at the beginning of the year	15,923	14,966
Interest income	562	650
Actuarial (losses)/gains	(788)	690
Employer contributions	378	480
Benefits paid	(944)	(791)
Administration costs	<u>(71)</u>	<u>(72)</u>
At 30 November	<u>15,060</u>	<u>15,923</u>

Notes to the financial statements

at 30 November 2015

23. Pension arrangements (continued)

History of experience gains and losses:

	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Total market value of assets	15,060	15,923	14,966	13,495	12,766
Present value of scheme liabilities	(17,864)	(18,536)	(17,150)	(18,228)	(15,437)
Deficit in the scheme	(2,804)	(2,613)	(2,184)	(4,733)	(2,671)
Difference between expected return and actual return on pension <i>scheme assets</i>					
- amount (£000)	(788)	690	1,003	376	(590)
- % of scheme assets	(4%)	4%	7%	3%	(5)%
Experience gains/(losses) arising on scheme Liabilities					
- amount (£000)	(359)	11	(39)	(440)	125
- % of defined benefit obligation	(2)%	0%	(0)%	(2)%	1%
Total actuarial gain/(loss) recognised in the statement of total recognised gains and losses					
- amount (£000)	(410)	(750)	(1,098)	(2,357)	(489)
- % of present value of scheme liabilities	2%	(4)%	(6)%	(13)%	(3)%

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is a loss of £9,125,000 (2014 a loss of £8,715,000).

24. Company information

Megger Instruments Limited is a limited liability company incorporated in the UK.

25. Ultimate parent company and controlling party

The directors consider that the company's ultimate parent undertaking and 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.

Megger Group Limited is the parent of the smallest group for which group financial statements are prepared. Copies of the accounts of Megger Group Limited can be obtained from Megger Group Limited, Archcliffe Road, Dover, Kent, CT17 9EN.

Notes to the financial statements

at 30 November 2015

26. Transition to FRS 102

The Company has adopted FRS 102 for the year ended 30 November 2015 and has restated the comparative prior year amounts. The date of the transition to FRS 102 is 1 December 2013.

Reconciliation of income statement for the year ended 30 November 2014

	note	As previously stated £'000	Effect of transition £'000	FRS 102 (as restated) £'000
Turnover		27,803	-	27,803
Cost of sales	(i)	(16,453)	3,981	(12,472)
Gross profit		11,350	3,981	15,331
Distribution expenses		(1,015)	-	(1,015)
Administrative expenses		(1,747)	-	(1,747)
Research & development expenses	(i)	-	(4,216)	(4,216)
Total expenses		(2,762)	(4,216)	(4,216)
Operating profit		8,588	(235)	8,353
Interest receivable and similar income		653	-	653
Interest payable and similar charges		(738)	-	(738)
Profit on ordinary activities before taxation		8,503	(235)	8,268
Tax on profit on ordinary activities	(i)	(1,952)	47	(1,905)
Profit for the financial year		6,551	(188)	6,363

Reconciliation of statement of comprehensive income for the year ended 30 November 2014

	note	As previously stated £'000	Effect of transition £'000	FRS 102 (as restated) £'000
Profit for the financial year attributable to:		6,551	(188)	6,363
OTHER COMPREHENSIVE INCOME:				
Actuarial gain on post-retirement benefits plans		(750)	-	(750)
Income tax effect		150	-	150
TOTAL COMPREHENSIVE INCOME		5,951	(188)	5,763
Of which				
Attributable to shareholders of the parent		5,951	(188)	5,763

Notes to the financial statements

at 30 November 2015

26. Transition to FRS 102 (continued)

Reconciliation of balance sheet as at 30 November 2014

	note	As previously stated £'000	Effect of transition £'000	FRS 102 (as restated) £'000
Fixed assets				
Intangible assets	(i)	617	4,605	5,222
Tangible assets		4,045	-	4,045
Investments in Group undertakings		51	-	51
		4,713	4,605	9,318
Current assets				
Stocks		3,414	-	3,414
Debtors:				
amounts falling due within one year		6,081	-	6,081
Cash at bank and in hand		2,482	-	2,482
		11,977	-	11,977
Creditors: amounts falling due within one year		(2,646)	-	(2,646)
Net current assets		9,331	-	9,331
Total assets less current liabilities		14,044	4,605	18,649
Creditors: amounts falling due after more than one year		(18)	-	(18)
Provisions for liabilities		(190)	(921)	(1,111)
Defined benefit pension liabilities	(ii)	(2,817)	726	(2,091)
Net assets		11,019	4,410	15,429
Capital and reserves				
Called up share capital		6,000	-	6,000
Profit and loss account		5,019	4,410	9,429
Shareholder's Funds		11,019	4,410	15,429

Notes to the financial statements

at 30 November 2015

26. Transition to FRS 102 (continued)

Reconciliation of balance sheet as at 1 December 2013

	note	As previously stated £'000	Effect of transition £'000	FRS 102 (as restated) £'000
Fixed assets				
Intangible assets	(i)	911	4,840	5,751
Tangible assets		4,078	-	4,078
Investments in Group undertakings		194	-	194
		5,183	4,840	10,023
Current assets				
Stocks		3,477	-	3,477
Debtors:				
amounts falling due within one year		6,833	-	6,833
Cash at bank and in hand		681	-	681
		10,991	-	10,991
Creditors: amounts falling due within one year		(3,703)	-	(3,703)
Net current assets		7,288	-	7,288
Total assets less current liabilities	(i)	12,471	4,840	17,311
Creditors: amounts falling due after more than one year		(11)	-	(11)
Provisions for liabilities		(168)	(968)	(1,136)
Defined benefit pension liabilities	(ii)	(2,474)	726	(1,748)
Net assets		9,818	4,598	14,416
Capital and reserves				
Called up share capital		6,000	-	6,000
Profit and loss account		3,818	4,598	8,416
Shareholder's Funds		9,818	4,598	14,416

Notes to the financial statements

at 30 November 2015

26. Transition to FRS 102 (continued)

Reconciliation of equity

	note	At 1 December 2013 £'000	At 30 November 2014 £'000
Capital and reserves (as previously stated)		9,818	11,019
Research and Development assets	(i)	3,872	3,684
Pension valuation re-statement	(ii)	726	726
Capital and reserves (as restated)		14,416	15,429

Note (i)

Under FRS102 development costs are capitalised to the extent that the expenditure meets the criteria described in Note 1. Development costs are then amortised over it's useful lives once placed into use. A deferred tax liability is recorded associated with the capitalised development costs. Previously development costs were expensed as incurred.

Note (ii)

FRS 102 prescribes that an interest expense or income is calculated on the net benefit liability/asset by applying the discount rate to the net defined liability/asset. This replaces the interest expense on the defined benefit obligation and the expected return on plan assets prescribed under FRS 17. In addition, FRS 102 recognises administration costs of the plan through profit or loss, whereas previously these were recognised through the defined liability on the balance sheet.