

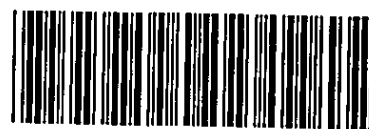
Registered Number 190137

# **Megger Instruments Limited**

## **Report and Financial Statements**

30 November 2011

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COMPANIES HOUSE

# Megger Instruments Limited

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Registered No 190137

## **Directors**

A R Hardie  
L J Dyer  
G Heritage  
G R Margery  
S Drennan  
A Munn  
S Martin  
A Holland

## **Secretary**

L J Dyer

## **Auditors**

Grant Thornton UK LLP  
The Explorer Building  
Fleming Way  
Manor Royal  
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 2011

### Results and dividends

The profit for the year after taxation amounted to £5,208,000 (2010 - £4,387,000 restated) The directors declared and paid a dividend of £6,000,000 (2010 - £6,000,000)

### Principal activity and business review

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

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

	2011	Restated 2010	change
Turnover (£000)	25,709	27,825	(7.6)%
Total operating profit (£000)	6,683	5,938	12.5%
Average monthly number of employees	259	267	(3.0)%

The level of business declined in the year with revenue levels down 7.6%, driven by the change in the group structure during the prior year. The change in the structure was effective from 4 May 2010. On this date Megger Limited (formerly AVO Limited) sold its 100% shareholding in Megger Instruments Limited to Megger Group Limited, accepted the resignation of Andrew Boughtwood as a Director and appointed Andrew Holland, Stewart Martin and Andrew Munn as Directors. Third party trade debtors, stock of third party product, demonstration stock used by sales engineers and fixed assets used by the sales organisation were transferred to Megger Limited.

The impact on the turnover from 4 May 2010 was that only sales to other Megger group companies were included in the above figures, resulting in a reduction of contribution. Sales and marketing costs were only incurred to 30 April 2010 again due to the group changes and therefore were greatly reduced being only Product Management costs. Research & Development fell by 4% mainly due to the reallocation of marketing costs during 2011. With the change in the company structure during 2010, the operating profit increased by 12.5% in the year. Working capital increased during the year due to a deliberate increase in stock held.

Employment levels decreased by 3% during the year, which was related mainly to sales and marketing staff transferring to Megger Limited as part of the group restructure during 2010.

### Future developments

The major programmes for the future of Megger Instruments Limited are 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 and expansion in the Communications Business unit along with investment in Lean Manufacturing techniques and operations throughout the company continued to be 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.

## Directors' report

### 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 and investment values can be significantly affected by fluctuations in exchange rates. This is 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.

### 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 Group's products are also used in the general construction industry. Uncertainties in the foreign exchange, debt markets and the battle by many governments to reduce their national debt mean that the economic outlook for 2012 remains uncertain.

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

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

The economic outlook for 2012 generally continues to be uncertain but the Group 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.

### 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 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.

## **Directors' report**

### **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**

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

A R Hardie  
L J Dyer  
G Heritage  
G R Margery  
S Drennan  
A Munn  
S Martin  
A Holland  
B Phillips (appointed 1/12/2011)

### **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.

### **Policy on payment of creditors**

It is the policy of the company to agree terms of settlement with its suppliers, which are appropriate for the markets in which they operate, and to abide by those terms where suppliers have also met their obligations. Trade creditors at the year end represented 72 days (2010 - 42 days) of average annual purchases.

## Directors' report

### 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

Grant Thornton UK LLP were appointed on 23 September 2011 to fill a casual vacancy in accordance with section 485(3) of the Companies Act 2006. 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



L J Dyer

Director

Date 1st March 2012

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 UK 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 auditors' report**

## **to the members of Megger Instruments Limited**

We have audited the financial statements of Megger Instruments Limited for the year ended 30 November 2011 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet 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).

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 auditors' 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 auditors**

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). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on the 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 2011 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



# **Independent auditors' report**

**to the members of Megger Instruments Limited**

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

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

- adequate accounting records have not been kept by the company, or
- the 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

*Grant Thornton UK LLP*

Eleanor Walsh

Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP,

Statutory Auditor, Chartered Accountants

Gatwick

Date *1 March 2012*

## Profit and loss account

for the year ended 30 November 2011

		2011	Restated 2010
	Notes	£000	£000
<b>Turnover</b>	2	25,709	27,825
Cost of sales		<u>(16,539)</u>	<u>(17,992)</u>
<b>Gross profit</b>		9,170	9,833
Distribution costs		(871)	(2,376)
Administrative expenses		<u>(1,616)</u>	<u>(1,519)</u>
<b>Operating profit</b>	3	6,683	5,938
Interest receivable and similar income	4	2	61
Interest payable and similar charges	5	(34)	(21)
Net finance income/(charges) in respect of defined benefit pension scheme	23	<u>53</u>	<u>(32)</u>
<b>Profit on ordinary activities before taxation</b>		6,704	5,946
Taxation	6	<u>(1,496)</u>	<u>(1,559)</u>
<b>Profit for the financial year</b>		<u><u>5,208</u></u>	<u><u>4,387</u></u>

All operations are continuing for the years ended 30 November 2011 and 2010

## Statement of total recognised gains and losses

for the year ended 30 November 2011

		2011	Restated 2010
		£000	£000
Profit for the financial year		5,208	4,387
Actuarial gain in respect of defined benefit pension schemes	23	(489)	364
Tax charge in respect of defined benefit pension scheme		<u>127</u>	<u>(102)</u>
<b>Total recognised gains relating to the year</b>		4,846	<u>4,649</u>
Prior year adjustment (as explained in Note 1)		<u>(807)</u>	
<b>Total gains recognised since last annual report</b>		<u><u>4,039</u></u>	

## Balance sheet

at 30 November 2011

		2011	Restated 2010
	Notes	£000	£000
<i>Intangible assets</i>	9	703	536
<i>Fixed assets</i>			
Tangible assets	10	3,847	3,779
<i>Current assets</i>			
Stocks	11	4,021	2,838
Debtors	12	6,057	5,401
Cash at bank and in hand		<u>401</u>	<u>3,304</u>
		10,479	11,543
<i>Creditors, amount falling due within one year</i>	13	<u>(4,099)</u>	<u>(4,116)</u>
<i>Net current assets</i>		<u>6,380</u>	<u>7,427</u>
<i>Total assets less current liabilities</i>		10,930	11,742
<i>Creditors, amount falling due over one year</i>	14	(30)	(156)
<i>Provisions for liabilities</i>	16	<u>(342)</u>	<u>-</u>
<i>Net assets excluding pension liabilities</i>		10,558	11,586
<i>Defined benefit pension liability</i>	23	<u>(2,003)</u>	<u>(1,877)</u>
<i>Net assets including pension liabilities</i>		<u>8,555</u>	<u>9,709</u>
<i>Capital and reserves</i>			
Called up share capital	17	6,000	6,000
Profit and loss account	18	<u>2,555</u>	<u>3,709</u>
<i>Shareholder's funds</i>	18	<u>8,555</u>	<u>9,709</u>



L J Dyer  
Director

Date

1st March 2012

## Notes to the financial statements

at 30 November 2011

### 1. Accounting policies

#### *Accounting convention*

The accounts are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards

#### *Prior year adjustment*

The accounting policies remain the same as for the year ended 30 November 2010 except that the directors have amended the policy for the UK defined benefit pension scheme. Previously, the future costs of administering the scheme were excluded from the calculation of the defined benefit pension liability and charged to the profit and loss account as a current service cost as incurred. The directors consider that under FRS17 "Retirement benefits" those administrative costs, excluding those costs related to the management of the scheme assets, are more appropriately reflected within the valuation of the year end scheme liabilities.

Accordingly the comparative financial statements have been restated to reflect this change. The effect of the prior year adjustment on retained profits and the defined benefit pension liability at 1 December 2009 and 30 November 2010 was to reduce retained profit and increase the defined benefit pension liability by £620,000 and £807,000 respectively. Profit for the year ended 30 November 2010 increased by £24,000 and net actuarial gains recognised directly to equity reduced by £211,000.

#### *Statement of cash flows*

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) 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.

#### *Revenue recognition*

Revenue from the sale of goods is recognised when ownership has passed to the buyer, usually on dispatch of goods.

#### *Fixed assets*

All fixed assets are initially recorded at cost.

Demonstration stock is capitalised as tangible fixed assets when held for use in the business and is amortised over its estimated useful life up to a maximum of 5 years. On disposal to third parties, the item is transferred to stock at the lower of its carrying cost or net realisable value.

#### *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

Freehold land is not depreciated.

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

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.

## Notes to the financial statements

at 30 November 2011

### 1. Accounting policies (continued)

#### *Stocks and work in progress*

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis and includes transport 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.

#### *Deferred 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, using the incremental approach. 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. Deferred tax is measured on a non-discounted basis.

#### *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 profit and loss account.

#### *Development expenditure*

Development expenditure is written off as incurred.

#### *Leasing commitments*

Assets held under finance leases are treated as tangible fixed assets and depreciated over the shorter of the lease term and the asset's useful lives. The deemed capital element of future rentals is treated as a liability and deemed interest calculated at a rate based on the capital value outstanding and is charged over the lease period against operating profit.

Costs in respect of operating leases are charged on a straight-line basis in arriving at the operating profit.

#### *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 profit and loss account 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

# Notes to the financial statements

at 30 November 2011

## 1. Accounting policies (continued)

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 total gains and losses.

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*

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.

## 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. The restructuring of the company has changed the breakdown of the geographical market with 3<sup>rd</sup> party trade revenues that were previously sold into Europe, the Americas & rest of the world now being transacted in the United Kingdom through Megger Limited.

An analysis of turnover by geographical market is given below:

	2011	2010
	£000	£000
United Kingdom	13,974	11,540
Europe (excluding UK)	1,938	3,493
The Americas	7,564	6,440
Rest of the World	<u>2,233</u>	<u>6,352</u>
	<u>25,709</u>	<u>27,825</u>

## Notes to the financial statements

at 30 November 2011

### 3. Operating profit

This is stated after charging/(crediting)

	2011	2010
	£000	£000
Depreciation of tangible fixed assets - owned assets	682	805
- leased assets	79	76
Hire of plant and equipment	70	13
Other operating leases	65	93
Auditors' remuneration - annual audit services	29	31
Foreign currency exchange differences	(72)	35
(Profit)/loss on sales of fixed assets	38	(13)
Research and development costs	<u>3,466</u>	<u>3,619</u>

Following the group restructure as noted in the director's report certain operating lease costs were transferred to Megger Group Limited and Megger Limited

### 4. Interest receivable and similar income

	2011	2010
	£000	£000
Amounts receivable from group undertakings	-	41
Other	<u>2</u>	<u>20</u>
	<u>2</u>	<u>61</u>

### 5. Interest payable and similar charges

	2011	2010
	£000	£000
Other	<u>(34)</u>	<u>(21)</u>

### 6. Taxation

(a) Analysis of charge for the year

	2011	Restated 2010
	£000	£000
UK corporation tax - current year	1,851	1,710
- adjustments in respect of prior periods	<u>(311)</u>	<u>(199)</u>
	1,540	1,511
Deferred taxation		
Origination and reversal of timing differences	(107)	4
Deferred tax on defined benefit pension liability	34	25
Adjustment in respect of prior periods	<u>29</u>	<u>19</u>
	<u>1,496</u>	<u>1,559</u>

## Notes to the financial statements

at 30 November 2011

### 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 26.66% (2010 28%). The differences are explained below

	2011	Restated 2010
	£000	£000
Profit on ordinary activities before tax	6,704	5,946
Profit on ordinary activities multiplied by standard rate of corporation tax of 26.66% (2010 - 28%)	1,787	1,664
Expenses not deductible for tax purposes	(39)	4
Capital allowances for period in excess of depreciation	56	38
Other timing differences	47	10
Movement in respect of revaluations or assets becoming non-qualifying	-	-
Adjustment to charge in respect of previous period – corporation tax	(311)	(199)
Other differences	-	(6)
	<u>1,540</u>	<u>1,511</u>

#### (c) Factors affecting future tax charge

In his budget of 22 June 2010, the Chancellor of the Exchequer announced Budget tax changes, which, if enacted in the proposed manner, will have a significant effect on the Company's future tax position. The budget proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year, from April 2011, which will be enacted annually. This rate change will also impact the amount of the future cash tax payment to be made by the Company.

As at 30 November 2011 the decrease in the rate of UK corporation tax to 25% is deemed to be 'substantially enacted' and has therefore been reflected within the financial statements for the year ended 30 November 2011. The effect on these financial statements is a decrease in the unrecognised deferred tax asset of £24k.

As at 30 November 2011, the remaining tax changes announced in the Budget are not yet regarded as 'substantively enacted' and as such, in accordance with accounting standards, the changes have not been reflected in these financial statements. The effect on the Company of these proposed changes to the UK tax system will be reflected in the financial statements in future years, as appropriate, once the proposals have been substantively enacted.

### 7. Directors' emoluments

	2011	2010
	£000	£000
Aggregate emoluments (excluding payments to the company's defined benefit pension scheme)	<u>592</u>	<u>506</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 2011 and 30 November 2010.

	2011	2010
	No	No
Number of directors accruing benefits under defined benefit pension schemes	<u>3</u>	<u>3</u>



## Notes to the financial statements

at 30 November 2011

### 7. Directors' emoluments (continued)

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

	2011	2010
	£000	£000
Aggregate emoluments (excluding payments to the company's defined benefit pension scheme)	128	117
Accrued pension	-	-

### 8. Staff costs

	2011	2010
	£000	£000
Wages and salaries	6,317	6,659
Social security costs	580	561
Other pension costs	4	1
	<u>6,901</u>	<u>7,221</u>

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

	2011	2010
	No	No
Production	203	185
Administration	13	14
Selling and distribution	2	20
Engineering	41	48
	<u>259</u>	<u>267</u>

### 9. Intangible assets

	Licences £000	Software £000	Total £000
Cost			
At 1 December 2010	-	804	804
Additions	199	141	340
Disposals	-	-	-
At 30 November 2011	<u>199</u>	<u>945</u>	<u>1,144</u>
Depreciation			
At 1 December 2010	-	268	268
Charge for the year	20	153	173
Disposals	-	-	-
At 30 November 2011	<u>20</u>	<u>421</u>	<u>441</u>
Net book value			
At 30 November 2011	<u>179</u>	<u>524</u>	<u>703</u>
At 1 December 2010	<u>-</u>	<u>536</u>	<u>536</u>

Other intangibles consist of capitalised software costs and licences. Prior year balances have been restated as set out in note 10.

## Notes to the financial statements

at 30 November 2011

### 10. 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 2010	4,793	10,008	259	15,060
Transfer	-	259	(259)	-
Additions	9	567	296	872
Disposals	-	(313)	-	(313)
At 30 November 2011	<u>4,802</u>	<u>10,521</u>	<u>296</u>	<u>15,619</u>
Depreciation				
At 1 December 2010	3,199	8,082	-	11,281
Charge for the year	166	595	-	761
Disposals	-	(270)	-	(270)
At 30 November 2011	<u>3,365</u>	<u>8,407</u>	<u>-</u>	<u>11,772</u>
Net book value				
At 30 November 2011	<u>1,437</u>	<u>2,114</u>	<u>296</u>	<u>3,847</u>
At 1 December 2010	<u>1,594</u>	<u>1,926</u>	<u>259</u>	<u>3,779</u>

Included within plant, equipment and motor vehicles are assets with a net book value of £156 000 (2010 - £244,000) held under finance leases

#### Restatement of prior year balances

In the balance sheet at 30 November 2010, capitalised software with cost, accumulated depreciation and net book value of £804,000, £268,000 and £536,000 respectively was classified as a tangible fixed asset

The directors have reclassified these assets as intangible fixed assets and restated the balance sheet at 30 November 2010 accordingly. There was no effect on profit and loss from this restatement

### 11. Stocks

	<i>2011 £000</i>	<i>2010 £000</i>
Raw materials and consumables	2,924	2,081
Work in progress	90	89
Finished goods and goods for resale	<u>1,007</u>	<u>668</u>
	<u>4,021</u>	<u>2,838</u>

### 12. Debtors

	<i>2011 £000</i>	<i>2010 £000</i>
Trade debtors	167	114
Amounts owed by group undertakings	5,391	4,794
Other debtors	254	233
Prepayments	198	320
Deferred taxation (note 15)	<u>47</u>	<u>(60)</u>
	<u>6,057</u>	<u>5,401</u>

## Notes to the financial statements

at 30 November 2011

### 13. Creditors amounts falling due within one year

	2011	2010
	£000	£000
Trade creditors	1,929	1,766
Amount owed to group undertakings	654	484
Other creditors	479	620
Corporation tax	449	809
Other taxes including VAT and social security costs	253	141
Accruals and deferred income	229	191
Obligations due under finance leases within one year (note 19)	106	105
	<u>4,099</u>	<u>4,116</u>

### 14. Creditors amounts falling due more than one year

	2011	2010
	£000	£000
Obligations due under finance leases in more than one year (note 18)	30	112
Deferred employee compensation	-	44
	<u>30</u>	<u>156</u>

### 15. Deferred Taxation

	2011	2010
	£000	£000
<i>Deferred taxation included in the balance sheet as follows</i>		
Included in debtors	47	(60)
Included in defined benefit pension liability	668	694
	<u>715</u>	<u>634</u>

	2011	2010
	£000	£000
Accelerated capital allowances	(82)	(138)
Other timing differences	129	78
Pension costs	668	694
	<u>715</u>	<u>634</u>

### 16. Provisions for Liabilities

	<i>Deferred Employee Compensation</i>
	£000
At 30 November 2009	-
Charged to the profit and loss account	-
At 30 November 2010	-
Transfer from Creditors	44
Transfer to Debtors	-
Charged to the profit and loss account	298
At 30 November 2011	<u>342</u>

The provision for deferred employee compensation relates to a long term incentive plan designed to incentivise senior management. The plan is due to mature in the year ended 30 November 2014.

# Notes to the financial statements

at 30 November 2011

## 17. Share capital

<i>Authorised, allotted, called up and fully paid</i>	
2011	2010
£000	£000
Ordinary shares of £1 each	
<u>6,000</u>	<u>6,000</u>

## 18. Reconciliation of shareholder's funds and movements on reserves

	<i>Share Capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 December 2009 as previously stated	6,000	5,680	11,680
Prior Year adjustment (note 1)	-	(620)	(620)
As at 1 December 2009 restated	6,000	5,060	11,060
Profit for the year	-	4,387	4,387
Dividends paid	-	(6,000)	(6,000)
Actuarial gain in respect of defined pension schemes net of deferred tax allowance	-	262	262
At 30 November 2010	6,000	3,709	9,709
Profit for the year	-	5,208	5,208
Dividends paid	-	(6,000)	(6,000)
Actuarial gain in respect of defined pension schemes net of deferred tax allowance	-	(362)	(362)
At 30 November 2011	<u>6,000</u>	<u>2,555</u>	<u>8,555</u>

## 19. Finance lease commitments

	2011	2010
	£000	£000
Amounts payable		
within one year	106	105
two to five years	30	112
	<u>136</u>	<u>217</u>

## 20. Operating lease commitments

	2011	2010
	£000	£000
Commitments for the next 12 months for operating leases which expire		
Within one year	2	16
Between two and five years	55	49
	<u>57</u>	<u>65</u>

These leases are related to the company's fleet of motor cars

## Notes to the financial statements

at 30 November 2011

### 21. Contingent Liabilities and financial commitments

A revolving credit line amounting to US\$40 million (2010 – US\$25 million) is available to Megger Group Limited (the parent company) and companies within the Megger Group Limited group. The parent company, together with other Megger Group Limited companies, has guaranteed repayment of the overall borrowings under the facility which, at 30 November 2011 amounted to £7,098,000 (2010 £9,990,000). As security for the facility, the parent company has entered into a Memorandum of Deposit whereby it has granted a first equitable charge over its shares in Megger Limited (UK), Megger Sweden AB, Megger Limited (Canada) and AVO International Inc.

In addition, Megger Limited and other wholly owned subsidiaries of Megger Group Limited have all guaranteed the obligations under the facility including the repayment of borrowings together with accrued interest thereon and the parent company has entered into a Memorandum of Deposit whereby it has granted to the bank a first equitable charge over its shares in Megger Instruments Limited (formerly Megger Limited), AVO International Inc, Megger Limited (Canada) and Megger Sweden AB.

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

### 22. Related party transactions

The company has taken advantage of exemption available under Financial Reporting Standard No. 8 not to disclose related party transactions with members of the Megger Group Limited and TBG Limited groups as the company's share capital is wholly owned. There are no other related party transactions.

### 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 2009. This coincided with the low point of the financial markets resulting from the global economic crisis, and the market value of the scheme investments at that date had fallen to £9,600,000 which was £5,200,000 below the actuarial value of benefits that had accrued to members at the valuation date. Because of the significant change in underlying financial conditions that had occurred by the time the valuation was formalised and the contribution rates were being discussed the valuation was updated as at 5th April 2010. At this date the market value of assets had increased to £12,600,000 and the shortfall reduced to £2,400,000. It was agreed that the level of funding should continue at the rate of £336,000 per annum.

Defined benefit scheme - valuation under FRS17

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 6 April 2009 and updated by the scheme actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 November 2011 and 30 November 2010. Scheme assets are stated at their market values at the respective balance sheet dates.

	2011	2010
Discount rate	5.00%	5.40%
Inflation assumption	2.35%	2.25%
Rate of increase in salaries	n/a	n/a
Rate of increase to pensions - Pre retirement	1.35%	2.25%
- Post retirement (pre 4/97)	2.70%	2.70%
- Post retirement (post 4/97)	3.10%	3.50%

## Notes to the financial statements

at 30 November 2011

### 23. Pension arrangements (continued)

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

	2011		2010		2009	
	<i>Expected long term rate of return %</i>	<i>Value £000</i>	<i>Expected long term rate of return %</i>	<i>Value £000</i>	<i>Expected long term rate of return %</i>	<i>Value £000</i>
Equities	6.50	7,953	7.80	8,399	7.60	7,767
Gilts	3.20	1,626	4.50	1,271	4.30	1,180
Bonds	5.00	3,083	5.40	2,982	5.50	3,248
Cash	0.50	104	0.50	108	0.50	173
Total market value of scheme assets		12,766		12,760		12,368
Present value of scheme liabilities		(15,437)		(15,331)		(15,607)
(Deficit) in the scheme		(2,671)		(2,571)		(3,239)
Deferred tax asset		668		694		907
Net pension liability		(2,003)		(1,877)		(2,332)

Analysis of the defined benefit cost for the year ended 30 November 2011 is as follows

	2011	Restated 2010
	£000	£000
Current service cost	0	0
Expected return on pension scheme assets	865	805
Interest on pension scheme liabilities	(812)	(837)
Total other finance income/(expense)	53	(32)
Actual return less expected return on pension scheme assets	(590)	57
Experience gains arising on scheme liabilities	125	403
Gain arising from changes in assumptions underlying present value of scheme liabilities	(24)	(96)
Actuarial (loss)/gain recognised in the statement of total recognised gains & losses	(489)	364

Reconciliation of scheme liabilities during the year

	2011	Restated 2010
	£000	£000
Scheme liabilities at the beginning of the year	(15,331)	(15,607)
Total other finance income/(expense)	(812)	(837)
Benefits paid	605	806
Actuarial (gains)/losses	101	307
At 30 November	(15,437)	(15,331)

## Notes to the financial statements

at 30 November 2011

### 23. Pension arrangements (continued)

Reconciliation of scheme assets during the year

	2011	Restated 2010
	£000	£000
Market value of assets at the beginning of the year	12,760	12,368
Expected return on scheme assets	865	805
Actuarial gains/(losses)	(590)	57
Employer contributions	336	336
Benefits paid	(605)	(806)
At 30 November	<u>12,766</u>	<u>12,760</u>
History of experience gains and losses		

	2011	2010	2009	2008	2007
Total market value of assets (£000)	12,766	12,760	12,368	9,875	13,536
Present value of scheme liabilities	(15,437)	(15,331)	(15,607)	(14,107)	(13,842)
(Deficit) in the scheme	(2,671)	(2,571)	(3,239)	(4,232)	(306)
Difference between expected return and actual return on pension <i>scheme assets</i>					
- amount (£000)	(590)	57	2,063	(4,323)	403
- % of scheme assets	(5)%	0%	17%	(44)%	3%
Experience gains/(losses) arising on scheme Liabilities					
- amount (£000)	125	403	(307)	12	(114)
- % of defined benefit obligation	1%	3%	(2)%	0%	(1)%
Total actuarial gain/(loss) recognised in the statement of total recognised gains and losses					
- amount (£000)	(489)	364	792	(4,340)	873
- % of present value of scheme liabilities	(3)%	2%	7%	(29)%	6%

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is a loss of £4,510,000 (2010 a loss of £4,021,000 restated)

### 23. Ultimate parent company and controlling party

The directors consider that the company's ultimate parent undertaking and controlling party is TBG Limited, Bay Street Complex, St Georges Bay, St Julian's, STJ 02, Malta. TBG Limited 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.