

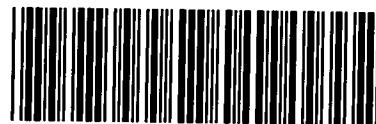
# Megger Instruments Limited

Registered Number: 00190137

## Report and Financial Statements 30 November 2022

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

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**Annual Report 2022**

<b>Contents</b>	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Directors' Report</b>	<b>5</b>
<b>Independent auditor's report to the members of Megger Instruments Limited</b>	<b>9</b>
<b>Financial Statements of Megger Instruments Limited for the year ended 30 November 2022</b>	<b>13</b>
<b>Income statement</b>	<b>14</b>
<b>Statement of comprehensive income</b>	<b>15</b>
<b>Statement of financial position</b>	<b>16</b>
<b>Statement of changes in equity</b>	<b>17</b>
<b>Notes to the financial statements:</b>	<b>18</b>
1. Reporting entity	18
2. Basis of preparation	18
3. Accounting policies	19
4. Functional and presentation currency	26
5. Accounting estimates and judgements	26
6. Revenue	27
7. Operating Profit	27
8. Auditors' remuneration	27
9. Finance income and expense	27
10. Directors and employees	28
11. Tax expense	29
12. Intangible fixed assets	31
13. Tangible fixed assets	32
14. Inventories	33
15. Trade and other receivables	34
16. Trade and other payables	34
17. Loans and Borrowings	34
18. Provisions for liabilities	35
19. Leases	35
20. Defined benefit pension liability	36
21. Called up share capital and other reserves	38
22. Reserves	38
23. Capital commitments	38
24. Related party disclosures	38
25. Parent company and ultimate controlling party	38

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

<b>Directors</b>	Nina Frances Cooke Andrew Colin Dodds Angela Mary Jordan Damon Richard Mount Clive Peter Nicholls (resigned 28th February 2023) Jeremy John Cobbett Simpson Stephan Dominik Sommer Ronny Rudy Cornelius Titeca
<b>Company secretary</b>	Angela Mary Jordan
<b>Registered number</b>	00190137
<b>Registered office</b>	Avocet House Archcliffe Road Dover Kent CT17 9EN
<b>Independent Auditors</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 2nd Floor St John's House Haslett Avenue West Crawley RH10 1HS

# **Megger Instruments Limited**

## **STRATEGIC REPORT**

**For the year ended 30 November 2022**

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**Strategy of the Company**

The strategy of Megger Instruments Limited (the "Company") reflects that of Megger Group Limited at 30 November 2022 being the design, manufacture and sale of test instrumentation and services for the electrical industry.

**Strategy of the Company**

	2022	2021	change
Turnover (£'000)	43,845	36,523	20%
Total operating profit (£'000)	12,657	11,047	15%
Average monthly number of employees	255	233	9%

The profit for the year after taxation amounted to £10,329,000 (2021 £8,983,000) The Directors declared and paid a dividend of £2,000,000 (2021: nil).

Turnover increased by 20.0% in the year although supply chain issues in terms of material availability continued to impact sales at different times throughout the year.

Operating profit rose 15%, reflecting the growth in revenues and benefit of efficiency improvements and control of overheads, offset by increased material costs.

Efficiency improvements were continued through a Lean manufacturing programme and investment in new manufacturing plant. Additional product lines supported the increase in sales.

The Company continued to invest heavily in Research and Development and in the ongoing engagement, training, support and career growth of its people.

**Future of the Company**

The major programmes for Megger Instruments Limited include further expansion and investment in New Product Development, complimentary acquisitions prompting growth and increased share of key target markets, further improvements in manufacturing excellence and operational efficiency and further improvements in the effectiveness of material sourcing.

**Principal risks and uncertainties**

The principal risks and uncertainties facing Megger Instruments Limited are legislation, economic conditions, global supply chain disruptions, liquidity and cash flow risks.

**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. Fluctuations in exchange rates are partially mitigated by the cash pooling facility that is operated between the UK entities.

**Legislation risk**

The company is subject to and carefully monitors legislation in respect of health and safety and environmental matters, together with potential design and supply issues as regulations.

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**Economic conditions risks**

Organic growth in the electrical test and measurement industry continues at a slow but steady rate, influenced by world wide electrical demand, expansion of the construction industry in developing countries, tighter controls and stricter enforcement of electrical regulations and the adoption of higher efficiency loads. Increasing demand for alternative technology such as cleaner transportation solutions, electric vehicles and on line monitoring, in turn provides opportunities for the Company through demand for innovative new electrical test solutions.

Although the COVID19 epidemic has eased, the Company still saw some after-effects disrupting its markets, most notably in China, which faced ongoing lockdowns during the year. This in turn had a knock-on impact on supply of components and although the business saw some easing towards the end of the year, management do not expect to see "business as usual" supply return in the immediate future. Management were nevertheless pleased with the robustness demonstrated by the company in withstanding the challenges faced and the success of mitigating actions taken to reduce the unfavourable impact to the business.

Whilst the economic conditions for 2023 there remain uncertain the structure and commercial diversity of Megger Instruments business continues to offset some of the risks created:

- The Company's products form a balanced portfolio with differing but limited lifetimes, so replacements are needed periodically creating a significant ongoing demand for products.
- The gradual refocus of the electrical markets is providing new opportunities for the Company.
- Legislation changes not only continue but are increasing, providing an opportunity for the Company as product demand in many key markets is directly linked to ongoing product compliance.
- The Company continues to expand its market share focusing on Voice of the Customer and introducing a variety of new products, addressing new opportunities and demands for upgrades.
- Ageing infrastructure maintenance will continue regardless of economic conditions.
- The Company continues its strategy of long-term investment and focus on efficiency improvements.

The company has an exciting growth trajectory, underpinned by recent organisation changes that bring further focus. Despite an uncertain economic environment, the company heads into FY23 in excellent shape and confident about the future.

**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.

This report was approved by the board and signed on its behalf.

DocuSigned by:  
  
63483A54015F4C8...  
Stephan Dominik Sommer  
Director  
Date: 29 March 2023

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

# **Megger Instruments Limited**

## **DIRECTORS' REPORT**

**For the year ended 30 November 2022**

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

The Directors present their report and the financial statements for the year ended 30 November 2022.

**Results and dividends**

The profit for the year, after taxation, amounted to £10,329,000 (2021 - £8,983,000). The directors declared a dividend of £2,000,000 (2021: nil).

**Matters covered in the strategic report**

The Directors have chosen to include the following information in this strategic report:

- Strategy of the Company
- Performance and development of the Company during the year including dividends paid during the financial year
- Future developments
- Risks and uncertainties facing the business

**Principal activities and review of the business**

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

**Going Concern**

A financial review of the results and financial position of Megger Instruments Limited occurs each month with the Board of its parent Megger Group Limited. This has included a review of the forecasts of the business for at least one year after the date of approval of these financial statements.

A regular review is conducted of the results and financial position of Megger Group Limited of which the Company is part. This includes a review of the forecasts of the business for the 18-month period to May 2024, being over one year after the date of approval of these financial statements. The review included consideration of range of commercially sensitive downside scenarios, together with mitigating actions within Megger Group's control, such as payment of dividends and certain discretionary expenditure. The Company relies on the wider group and a letter of support has been obtained from the ultimate parent Company this, together with mitigating actions within the Group's control, such as payment of dividends and certain discretionary expenditure.

The Group has considerable financial resources together with established long-term relationships with a number of customers and suppliers. As a consequence, the Directors believe that the Company is well placed to manage its business risks and liquidity successfully. During the year, the Group satisfied the covenants and expects to remain compliant in the Going Concern assessment period, even in downside scenarios.

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. Megger Group has provided a letter of support to the Directors of Megger Instruments Limited, which allows the Directors in turn to form the same conclusions as regards Going Concern.

**Engagement with Employees**

Megger's Shared Purpose and Values guide our behaviour and our actions. Megger considers all employees and applicants for roles equally; we are committed to incorporating diversity in all our processes and operate as an inclusive organisation. In particular, candidates are selected on adequately meeting the requirements of the job and disabilities, race, age etc. are not considered. Opportunities are available to everyone, for training, career development and promotion.

Where employees become unable to fulfil their roles due to capability, whether this be physical or mental, 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 Employee Communication Forum whose members are elected by the employees.

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**Modern slavery**

Megger Group is committed to operating all aspects of its supply chain to ethical, environmental, social and safe business best practice. As such Megger requires all vendors supplying the Company to operate to the same high standards, noting that vendors shall operate within the rules, laws and regulations applicable to the country of origin. The supply chain code of conduct used and operated by Megger Group has been developed to detail the expectations from all vendors. This is our minimum standard of practice expected, which includes appropriate due diligence to address the Modern Slavery Act 2015, implementing effective systems and controls to prevent and detect modern slavery. All vendors must be capable of demonstrating their procedures for compliance upon request and during vendor audits, which are regularly implemented in high risk countries.

Megger reviews its supply chains and operations on an ongoing basis to check compliance with the policy, and to ensure the policy is implemented effectively.

**Directors**

The Directors in office during the year ended 30 November 2022 were:

Nina Frances Cooke  
Andrew Colin Dodds  
Angela Mary Jordan  
Damon Richard Mount  
Clive Peter Nicholls (resigned 28th February 2023)  
Jeremy John Cobbett Simpson  
Stephan Dominik Sommer  
Ronny Rudy Cornelius Titeca

**Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 "Reduced Disclosure Framework").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Directors' qualifying third party indemnity provision**

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.

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**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 auditors**

The Director's confirm that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

The Directors' Report was approved by the Board and signed on its behalf.

**Section 172(1) stakeholder compliance statement**

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. They must make decisions in good faith that they believe will most likely promote the success of the Company for the benefit of its members as a whole. In making these decisions the Directors must consider, amongst other things:

- Likely long-term impact of their decisions,
- Interests of employees and the needs to act fairly between members of the Company,
- The effect on the community and environment in which the Company operates.

**Key stakeholders and how we engage**

Shareholders	Megger Instruments has regular interaction with Megger Group Limited, including monthly operating reports and quarterly meetings, of which one is a detailed strategic five year planning review.
Employees	Megger Instruments directors hold monthly "town hall" broadcast for all staff at the Dover site. These briefing sessions with employees cover the performance of the company as well as the strategic plan for the future. These are currently held virtually.
Customers	Our direct customers are all internal, with the wider end user customers being the heart of our business as we provide the equipment that maintains and supports critical infrastructure. We regularly seek feedback on our performance and take account of this in developing our products accordingly.
Suppliers	We have personal relationships across our supply chain and maintain contact through regular meetings and phone calls. These contacts have proven particularly important as we advance our continuous improvement programme and lean supply chain opportunities.

DocuSigned by:

*Stephan Sommer*

63483A54015F4C8...

Stephan Dominik Sommer  
Director

Date: 29 March 2023

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

# **Megger Instruments Limited**

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

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

### Opinion

We have audited the financial statements of Megger Instruments Limited (the "Company") for the year ended 30 November 2022, which comprise the Statement of Profit or Loss, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

### In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30th November 2022 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.

### Basis for opinion

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

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit, Covid-19 and high interest rates and inflation, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

### Other information

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

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

We have nothing to report in this regard.

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

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

- adequate accounting records have not been kept, 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.

### **Responsibilities of directors for the financial statements**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

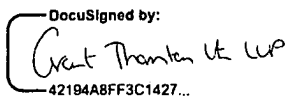
Irregularities, including fraud, are instances of non compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to FRS 101, the Companies Act 2006 and the relevant tax compliance regulations in the UK.
- We understood how the Company is complying with relevant legal and regulatory frameworks by making inquiries of management and those charged with governance. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from different parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the processes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those processes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Our audit procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; substantive testing of revenue transactions both within and after the year end to ascertain the appropriate recognition of revenue within the year and enquiries of management. In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the industry in which the Company operates
  - understanding of the legal and regulatory requirements specific to the Company.

### Use of our report

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

DocuSigned by:  
  
 42194A8FF3C1427...

Jonathan Maile BSc (Hons) FCA  
 Senior Statutory Auditor  
 for and on behalf of Grant Thornton UK LLP  
 Statutory Auditor, Chartered Accountants  
 Crawley  
 29 March 2023

# **Megger Instruments Limited**

## **FINANCIAL STATEMENTS**

**For the year ended 30 November 2022**

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**Income statement**  
For the year ended 30 November 2022

	note	2022 £'000	2021 £'000
Revenue	6	43,845	36,523
Cost of sales		(21,360)	(16,520)
<b>Gross profit</b>		<b>22,485</b>	<b>20,003</b>
Administrative expenses		(7,539)	(6,934)
Distribution expenses		(2,289)	(2,022)
<b>Total expenses</b>		<b>(9,828)</b>	<b>(8,956)</b>
<b>Operating Profit</b>		<b>12,657</b>	<b>11,047</b>
Interest receivable and similar income	9	311	237
Interest payable and similar charges	9	(342)	(274)
Income from sale of fixed assets		107	55
<b>Profit on ordinary activities before taxation</b>		<b>12,733</b>	<b>11,065</b>
Tax on profit on ordinary activities	11	(2,404)	(2,082)
<b>Profit for the financial year</b>		<b>10,329</b>	<b>8,983</b>
<b>DISCONTINUED OPERATIONS</b>			
Net result for the period from discontinued operations		-	-
<b>Profit for the financial year</b>		<b>10,329</b>	<b>8,983</b>
<b>Profit for the financial year attributable to:</b>			
Owners of the parent		10,329	8,983
Non-controlling interests		-	-
		<b>10,329</b>	<b>8,983</b>

The notes on pages 18 to 38 for part of these financial statement.

Profit for the financial year attributable to the owners of the parent was £10,329,000 (2021 - 8,983,000)

Research and development expenditure in the financial year £3,793,000 (2021 - £3,877,000)

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**Statement of comprehensive income**  
For the year ended 30 November 2022

	note	2022 £'000	2021 £'000
<b>Profit for the financial year:</b>		<b>10,329</b>	<b>8,983</b>
<b>Items which will not subsequently be reclassified to the income statement</b>			
Remeasurements of defined benefit pension schemes	20	2,322	(3)
Tax relating to items that may be reclassified	11	(589)	104
<b>Other comprehensive income for the year, net of tax</b>		<b>1,733</b>	<b>101</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>12,062</b>	<b>9,084</b>

The notes on pages 18 to 38 form part of these financial statements.

Total comprehensive income for the financial year attributable to the owners of the parent was £12,063,000 (2021 - £9,084,000)

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

## Statement of Financial Position

As at 30 November 2022

	note	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Intangible assets	12	7,398	6,987
Tangible assets	13	13,598	10,449
Pension Assets	15	642	-
Deferred tax assets	11	-	531
		<b>21,638</b>	<b>17,967</b>
<b>Current assets</b>			
Inventories	14	11,063	7,152
Receivables	15	29,044	17,554
Cash at bank and in hand		2	-
		<b>40,109</b>	<b>24,706</b>
<b>Total assets</b>		<b>61,747</b>	<b>42,673</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Trade and other liabilities	16	870	2,340
Loans and borrowings	17	57	76
Deferred tax liability	11	2,362	1,818
		<b>3,289</b>	<b>4,234</b>
<b>Current Liabilities</b>			
Bank overdraft		-	5
Trade and other liabilities	16	14,285	4,251
Loans and borrowings	17	59	131
		<b>14,344</b>	<b>4,387</b>
<b>Total liabilities</b>		<b>17,633</b>	<b>8,621</b>
<b>Net assets</b>		<b>44,114</b>	<b>34,052</b>
<b>Issued capital and reserves</b>			
Share Capital	21	6,000	6,000
Retained earnings	21	38,114	28,052
<b>Amount attributable to owners of the parent</b>		<b>44,114</b>	<b>34,052</b>
Non-controlling interests		-	-
<b>Total equity</b>		<b>44,114</b>	<b>34,052</b>

The financial statements, including the accounting policies and notes on pages 18 to 38, were approved by the Board of Directors on 17 March 2023.

Signed on behalf of the Board of Directors 29 March 2023:

DocuSigned by:  
  
 Stephan Dominik Sommer

Director

Company registration no: 02582519

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**Statement of changes in equity**  
For the year ended 30 November 2022

	Called-up share capital	Profit and loss account	Amount attributable to owners of the parent
	£'000	£'000	£'000
<b>Balance at 30 November 2020</b>	<b>6,000</b>	<b>18,968</b>	<b>24,968</b>
Profit for the financial year	-	8,983	8,983
Other comprehensive income / (loss)	-	101	101
<b>Total comprehensive income</b>	<b>-</b>	<b>9,084</b>	<b>9,084</b>
Dividends paid	-	-	-
<b>Balance at 30 November 2021</b>	<b>6,000</b>	<b>28,052</b>	<b>34,052</b>
<b>At 1 December 2021</b>	<b>6,000</b>	<b>28,052</b>	<b>34,052</b>
Profit for the financial year	-	10,329	10,329
Other comprehensive income	-	1,733	1,733
<b>Total comprehensive income</b>	<b>-</b>	<b>12,062</b>	<b>12,062</b>
Dividends paid	-	(2,000)	(2,000)
<b>Balance at 30 November 2022</b>	<b>6,000</b>	<b>38,114</b>	<b>44,114</b>

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

## Notes to the consolidated financial statements

For the year ended 30 November 2022

In thousands of GBP

### 1. Reporting entity

Megger Instruments Limited (the 'Company') is a private limited company incorporated in UK. The Company's registered office is at Avocet House, Archcliffe Road, Dover, Kent, CT17 9EN. The Company's principal activity continued to be the development and manufacture, marketing and distribution of electrical and electronic testing and measuring instruments.

### 2. Basis of preparation

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

Details of the Company's accounting policies, including changes during the year, are included in note 3.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

#### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 November 2022 that have a material impact on the Company's financial statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d), 134(f) and 135(c), 135(e) of IAS 36 Impairment of Assets.

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**3. Accounting policies**

**3.1 Basis of 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.

**3.2 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. This has included a review of the forecasts of the business for at least one year after the date of approval of these financial statements.

A regular review is conducted of the results and financial position of Megger Group Limited of which the Company is part. This includes a review of the forecasts of the business for the 18-month period to May 2024, being over one year after the date of approval of these financial statements. The review included consideration of range of commercially sensitive downside scenarios, together with mitigating actions within Megger Group's control, such as payment of dividends and certain discretionary expenditure. The Company relies on the wider group and a letter of support has been obtained from the ultimate parent Company this, together with mitigating actions within the Group's control, such as payment of dividends and certain discretionary expenditure.

The Group has considerable financial resources together with established long-term relationships with a number of customers and suppliers. As a consequence, the Directors believe that the Company is well placed to manage its business risks and liquidity successfully. During the year, the Group satisfied the covenants and expects to remain compliant in the Going Concern assessment period, even in downside scenarios.

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. Megger Group has provided a letter of support to the Directors of Megger Instruments Limited, which allows the Directors in turn to form the same conclusions as regards Going Concern.

**3.3 Revenue**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue at a point in time when it transfers control over a product or service to a customer.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

**Sale of goods**

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on dispatch of the goods. This is usually when the goods leave the manufacturing plant or warehouse of the Company, but will ultimately be determined by the shipping terms and transfer of risk and reward of ownership to the customer. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated and if so, the appropriate period of recognition. In determining the transaction price, the company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer, if any.

### 3. Accounting policies (continued)

#### 3.4 Leasing

##### The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in the 'Loans and borrowings' line in the Statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Property, Plant and Equipment' in the Statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 3.9.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**3. Accounting policies (continued)****3.5 Foreign currency**

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

Exchange differences are recognised in profit or loss in the period in which they arise.

**3.6 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**3.7 Employee benefits****Contributions from employees to third parties to defined benefit plans**

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 Statement of Financial Position. 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.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost by attributing contributions to the employees' periods of service in accordance with IAS 19 paragraph 70.

### 3. Accounting policies (continued)

#### 3.7 Employee benefits (continued)

##### *Defined Benefit Scheme*

Defined benefit scheme surpluses and deficits are measured at:

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- unrecognised past service costs; less
- the effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- actuarial gains and losses
- return on plan assets (Interest exclusive)
- any asset ceiling effects (interest exclusive)

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

##### *Defined Contribution Scheme*

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

#### 3.8 Taxation

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

##### **Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### 3.9 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

Freehold property	25 Years
Plant and machinery	3-10 Years
Fixtures and fittings	3-10 Years
Other property, plant and equipment	3-10 Years
Assets under construction	are depreciated from the point at which the asset becomes in service

### 3. Accounting policies (continued)

#### 3.10 Intangible assets

##### (i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Development expenditure	5 Years
Computer software	3 Years

#### 3.10 Intangible assets (continued)

##### (ii) Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Capitalised software is capitalised and amortised on a straight-line basis over its estimated useful life of between 3 and 5 years. Amortisation of other intangibles is charged so as to allocate the cost of the intangibles over its estimated useful life (1-5 years) on a straight-line basis.

Amortisation is included in the 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.

The basis for impairment is the review of future cash flows from sales of products subject to research and development products on a simple payback calculation to assess if an impairment event is identified. Should that be found then a full impairment review including discounted cash flows will be undertaken.

**3. Accounting policies (continued)****3.11 Impairment of tangible and intangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**3.12 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**3.13 Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**3. Accounting policies (continued)****3.14 Classification and measurement of financial liabilities****Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial assets are recognised in the Company's Statement of financial position when the Company becomes party to the contractual provisions of the instrument.

**Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets of the Company are measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income, except for impairment of trade receivables which is presented within administrative expenses.

**Subsequent measurement of financial assets**

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as financial assets at fair value through profit or loss):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding
- After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

**Impairment of financial assets**

The Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate them expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due.

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**3. Accounting policies (continued)****3.14 Classification and measurement of financial liabilities (continued)****Classification and measurement of financial liabilities**

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**3.15 Other long-term service benefits**

An 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.

**3.16 Dividends**

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Dividends on preference shares, which are classified as a financial liability, are treated as finance costs and are recognised on an accruals basis when an obligation exists at the reporting date.

**4 Functional and presentation currency**

The Company's functional and presentational currency is Pound Sterling. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

**5 Accounting estimates and judgements****5.1 Judgement**

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make certain estimates and assumption about the carrying amount of assets and liabilities that are not readily apparent from other sources. The items in the financial statements where these judgements have been made include:

The Directors have assessed the recognition of the surplus in respect of the defined benefit pension plan, by reference to the terms of the associated pension scheme rules and have concluded that they have an unconditional right to any surplus assuming either the wind-up of the plan or a gradual settlement of the pension liabilities over time.

The Directors consider that there are no other significant judgements affecting the accounts.

**5.2 Estimates and assumptions**

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make certain estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions recognised in the period in which the estimate is revised if the revision affects only that period, or if the period of the revision and future periods if the revision effects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at a reporting date, that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

- Inventory provisioning, detailed in accounting policy note 3.12
- Intangible asset impairment, detailed in accounting policy note 3.11
- Leases, detailed in accounting policy note 3.4
- Defined Benefit Pension Scheme, detailed in accounting policy notes 3.15 and 3.16

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**6. Revenue**

	2022	2021
	£'000	£'000
Revenue, analysed by category, was as follows:		
Sale of goods	42,881	36,184
Rendering of services	964	339
	<b>43,845</b>	<b>36,523</b>

Revenue, analysed by geographical region, is as follows:

	2022	2021
	£'000	£'000
UK	12,076	10,700
Rest of the world	31,769	25,823
	<b>43,845</b>	<b>36,523</b>

**7. Operating Profit**

	2022	2021
	£'000	£'000
The profit on ordinary activities before taxation is stated after:		
Impairment of Intangible asset	-	129
Research and development expenses less amounts capitalised and amortisation	3,793	3,877
Amortisation and impairment of intangible assets excluding development costs	1,027	1,130
Depreciation of tangible assets	1,383	1,206
Profit on sale of tangible assets	(107)	(55)
Foreign currency exchange differences	-	4
Lease payments recognised as an operating expense	23	21

**8. Auditors' remuneration**

	2022	2021
	£'000	£'000
During the year, the Company obtained the following services from the Company's auditors:		
Audit of financial statements	33	30

**9. Finance income and expense**

	2022	2021
	£'000	£'000
Other interest receivable - Pension	20	311
<b>Total finance income</b>	<b>311</b>	<b>237</b>
Interest on lease liabilities	19	5
Other interest payable - Pension	20	337
<b>Total finance expense</b>	<b>342</b>	<b>274</b>
<b>Net finance expense recognised in profit of loss</b>	<b>(31)</b>	<b>(37)</b>

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**10. Directors and employees**

	2022	2021
	£'000	£'000
<b>Staff costs during the year were as follows:</b>		
Wages and salaries	8,026	7,753
Social Security costs	823	694
Pension and other expenses	266	248
<b>Employee benefit expense total</b>	<b>9,115</b>	<b>8,695</b>

	2022	2021
<b>The average number of persons employed during the year was:</b>		
Production	192	169
Admin and engineering	44	46
Sales	19	18
	<b>255</b>	<b>233</b>

	£'000	£'000
<b>The remuneration of the Board of Directors was:</b>		
Directors' Emoluments	568	456
Company contributions to pension schemes	159	144
	<b>727</b>	<b>600</b>

Megger Group has a long-term bonus plan for certain Directors. No Directors received from the plan in 2022 (2021: nil)

The highest paid director's emoluments were as follows:

	£'000	£'000
Total emoluments and amounts payable under long-term incentive schemes	193	151
Company contributions to pension schemes	32	30
	<b>225</b>	<b>181</b>

The key management personal of the Company are considered to be the Board of Directors, numbering 7 during the year (2021: 7). During the year, pension scheme contributions of £159,000 (2021: £144,000) were made on behalf of 5 directors (2021: 5). Contributions made on behalf of the highest paid director were £32,000 (2021: £30,000).

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**11. Tax expense****11.1 Income tax recognised in profit of loss**

	2022	2021
	£'000	£'000
<b>Current tax</b>		
Current tax on profits for the year	2,022	1,389
Adjustments in respect of prior years	(104)	(22)
<b>Charge for the year</b>	<b>1,918</b>	<b>1,367</b>
<b>Deferred tax expense</b>		
Origination and reversal of timing differences	208	314
Effect of change in tax rates	66	406
Adjustments in respect of prior years	212	(5)
	<b>486</b>	<b>715</b>
<b>Total tax expense</b>		
<b>Tax on profit on ordinary activities</b>	<b>2,404</b>	<b>2,082</b>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2022	2021
	£'000	£'000
Profit for the year	10,329	8,983
Income tax expense	2,404	2,082
<b>Profit on ordinary activities before taxation</b>	<b>12,733</b>	<b>11,065</b>
<u>At statutory income tax rates of 19.0% (2020: 19.0%) (average)</u>		
<u>Tax using the Company's domestic tax rate of 19% (2021:19%)</u>	2,419	2,102
Expenses not deductible for tax purposes other than goodwill, amortisation and impairment	99	144
Non-taxable income less expenses not deductible for tax purposes other than goodwill, amortisation and impairment	(29)	(12)
Adjustments in respect of current income tax of previous periods	109	(27)
Patent box deduction	(233)	(464)
Effect of changes in tax rate	66	406
Other differences leading to a decrease in the tax charge	(27)	(67)
<b>Total tax expense</b>	<b>2,404</b>	<b>2,082</b>

In March 2021, the government announced an increase in corporation tax from 19% to 25% with effect from 1 April 2023. This increase was enacted in June 2021.

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**11. Tax expense (continued)****11.2 Income tax recognised in other comprehensive income**

	2022 £'000	2021 £'000
<b>Deferred tax</b>		
Prior year	9	-
Defined benefit obligations	580	(104)
<b>Total tax expense</b>	<b>589</b>	<b>(104)</b>

**11.3 Deferred tax balances**

The following is the analysis of deferred tax assets / (liabilities) presented in the statement of financial position:

	2022 £'000	2021 £'000
Deferred tax assets	-	531
Deferred tax liabilities	(2,362)	(1,818)
<b>Total income tax</b>	<b>(2,362)</b>	<b>(1,287)</b>

**11.4 Deferred tax balances**

	Opening balance £'000	Recognised in profit or loss £'000	Recognised in other comprehensive income £'000	Closing Balance £'000
<b>2022</b>				
<b>Deferred tax liabilities/(assets) in relation to :</b>				
Property, plant and equipment	1,818	526	-	2,344
Defined benefit obligations	(531)	(40)	589	18
	<b>1,287</b>	<b>486</b>	<b>589</b>	<b>2,362</b>

**2021**

<b>Deferred tax liabilities/(assets) in relation to :</b>				
Property, plant and equipment	1,015	803	-	1,818
Defined benefit obligations	(339)	(88)	(104)	(531)
	<b>676</b>	<b>715</b>	<b>(104)</b>	<b>1,287</b>

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**12. Intangible fixed assets**

	Development costs £'000	Computer Software £'000	Total £'000
<b>Cost</b>			
At 1 December 2020	10,318	1,891	12,209
Additions	2,231	620	2,851
Disposals	(3,018)	-	(3,018)
Impairments	(129)	-	(129)
<b>At 30 November 2021</b>	<b>9,402</b>	<b>2,511</b>	<b>11,913</b>
Additions	1,391	47	1,438
Disposals	-	-	-
Impairments	-	-	-
<b>At 30 November 2022</b>	<b>10,793</b>	<b>2,558</b>	<b>13,351</b>
<b>Amortisation and impairment</b>			
At 1 December 2020	4,977	1,837	6,814
Amortisation	996	134	1,130
Disposals	(3,018)	-	(3,018)
<b>At 30 November 2021</b>	<b>2,955</b>	<b>1,971</b>	<b>4,926</b>
Amortisation	809	218	1,027
Disposals	-	-	-
Exchange adjustments	-	-	-
<b>At 30 November 2022</b>	<b>3,764</b>	<b>2,189</b>	<b>5,953</b>
<b>Net book value:</b>			
At 30 November 2020	5,341	54	5,395
<b>At 30 November 2021</b>	<b>6,447</b>	<b>540</b>	<b>6,987</b>
<b>At 30 November 2022</b>	<b>7,029</b>	<b>369</b>	<b>7,398</b>

The software intangible assets include the company's inventory management system, which was created by an external development firm for the company's specific requirements.

Intangible assets amortisation is recorded in administrative expenses in the income statement.

When performing impairment analysis of capitalised development projects, the cash flow projections used in the calculations were assessed using the following key assumptions:

- a) Revenue Growth is based on predicted price uplifts of 3% per year.
- b) Applying a discount rate of 12% pre taxation which was calculated based on the participant investor principal using independent market data

The recoverable amounts determined by the value in use calculation, were in excess of the carrying values of the intangible assets.

**Sensitivity to changes in key assumptions**

Impairment testing is dependent on estimates and judgements, particularly as they relate to the forecasting of future cash flows, the outcome of the impairment test is not sensitive to reasonably possible changes in respect of the projected cash flows nor the discount rate applied.

## 13. Tangible fixed assets

	Freehold property £'000	Plant and machinery £'000	Other operating fixed assets £'000	Other Property, Plant and equipment £'000	Assets under construction £'000	Total £'000
<b>Cost</b>						
At 1 December 2020	10,184	11,358	2,431	413	682	25,068
Additions	346	1,967	165	70	702	3,250
Disposals	-	(744)	(4)	(26)	-	(774)
Transfers between classes	211	149	-	-	(360)	-
<b>At 30 November 2021</b>	<b>10,741</b>	<b>12,730</b>	<b>2,592</b>	<b>457</b>	<b>1,024</b>	<b>27,544</b>
Additions	408	905	190	61	2,979	4,543
Disposals	-	(157)	(1)	(282)	-	(440)
Transfers between classes	96	1,030	61	-	(1,187)	-
<b>At 30 November 2022</b>	<b>11,245</b>	<b>14,508</b>	<b>2,842</b>	<b>236</b>	<b>2,816</b>	<b>31,647</b>
<b>Depreciation and impairment</b>						
At 1 December 2020	5,115	9,299	2,004	144	-	16,562
Charge for the year	350	583	137	136	-	1,206
Disposals	-	(647)	(4)	(22)	-	(673)
<b>At 30 November 2021</b>	<b>5,465</b>	<b>9,235</b>	<b>2,137</b>	<b>258</b>	<b>-</b>	<b>17,095</b>
Charge for the year	377	740	131	135	-	1,383
Disposals	-	(149)	(1)	(279)	-	(429)
Exchange adjustments	-	-	-	-	-	-
<b>At 30 November 2022</b>	<b>5,842</b>	<b>9,826</b>	<b>2,267</b>	<b>114</b>	<b>-</b>	<b>18,049</b>
<b>Net book value:</b>						
<b>At 30 November 2022</b>	<b>5,403</b>	<b>4,682</b>	<b>575</b>	<b>122</b>	<b>2,816</b>	<b>13,598</b>
<b>At 30 November 2021</b>	<b>5,276</b>	<b>3,495</b>	<b>455</b>	<b>199</b>	<b>1,024</b>	<b>10,449</b>
<b>At 30 November 2020</b>	<b>5,069</b>	<b>2,059</b>	<b>427</b>	<b>269</b>	<b>682</b>	<b>8,506</b>

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**13. Tangible fixed assets (continued)****13.1 Assets held under leases**

The net book value of owned and leased assets included as "Property, plant and equipment" in the Statement of financial position is as follows:

	2022 £'000	2021 £'000
Property, plant and equipment owned	13,476	10,250
Right-of-use assets	122	199
	<b>13,598</b>	<b>10,449</b>

Addition to the right-of-use assets during the financial year were £38,000 (2021: £69,000)

Information about right-of-use assets is summarised below:

**Net book value**

	2022 £'000	2021 £'000
Property		69
Plant and machinery	9	27
Motor vehicles	113	103
	<b>122</b>	<b>199</b>

**Depreciation charge for the year ended**

	30 November 2022 £'000	30 November 2021 £'000
Property	21	95
Plant and machinery	36	15
Motor vehicles	78	26
	<b>135</b>	<b>136</b>

**14. Inventories**

	2022 £'000	2021 £'000
Raw and auxiliary materials	9,526	6,078
Work in progress	304	149
Finished products and trading goods	1,233	925
	<b>11,063</b>	<b>7,152</b>

Total inventories are reported net of provisions for obsolete or slow-moving goods and other inventory reserves of £564,000 (2021: £580,000). There is no significant difference between the replacement costs and their carrying amounts.

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**15. Trade and other receivables**

	note	2022 £'000	2021 £'000
<b>Non-current</b>			
Pension Asset	20	642	-
<b>Total non-current trade and other receivables</b>		<b>642</b>	<b>-</b>
<b>Current</b>			
Trade receivables		363	337
Amounts owed by related parties		26,097	14,559
<b>Total financial assets other than cash and cash equivalents classified as loans and receivables</b>		<b>26,460</b>	<b>14,896</b>
Prepayments and accrued income		501	417
Other Receivables		2,083	2,241
<b>Total current trade and other receivables</b>		<b>29,044</b>	<b>17,554</b>

Receivables from related parties pertain to amounts owed by group undertakings. These have no fixed date of repayment, are repayable on demand, interest-free and unsecured

**16. Trade and other payables**

	note	2022 £'000	2021 £'000
<b>Non-current</b>			
Other payables	18	304	161
Pension Deficit	20	-	1,631
Accruals		170	140
<b>Total financial liabilities, excluding loans and borrowing, classified as financial liabilities measured at amortised cost</b>		<b>474</b>	<b>1,932</b>
Deferred income		396	408
<b>Total non-current trade and other payables</b>		<b>870</b>	<b>2,340</b>
<b>Current</b>			
Trade payables		3,080	1,482
Payables to related parties		9,424	918
Accruals		991	1,081
<b>Total financial liabilities, excluding loans and borrowing, classified as financial liabilities measured at amortised cost</b>		<b>13,495</b>	<b>3,481</b>
Other payables - tax and social security payments		636	621
Deferred income		154	149
<b>Total current trade and other payables</b>		<b>14,285</b>	<b>4,251</b>

Payables to related parties pertain to amounts owed by group undertakings. These have no fixed date of repayment, are repayable on demand, interest-free and unsecured.

**17. Loans and Borrowings**

	2022 £'000	2021 £'000
<b>Non-Current</b>		
Lease liabilities	57	76
	57	76
<b>Current</b>		
Overdrafts	-	5
Lease liabilities	59	131
	59	136
<b>Total Loans and borrowings</b>	<b>116</b>	<b>212</b>

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**18. Provisions for liabilities**

The movements in the provisions were as follows:

	Deferred tax £'000	Deferred Employee Compensation £'000	Total £'000
<b>At 1 December 2020</b>	1,015	18	1,033
Charged to income statement	803	143	946
<b>At 30 November 2021</b>	<b>1,818</b>	<b>161</b>	<b>1,979</b>
Charged to income statement	526	143	669
<b>At 30 November 2022</b>	<b>2,344</b>	<b>304</b>	<b>2,648</b>

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.

**19. Leases****Leases as a lessee**

The Company holds leases relating to a building, company cars and photocopiers.

Lease liabilities are due as follows:

	2022 £'000	2021 £'000
<b>Contractual undiscounted cash flows due</b>		
Not later than one year	94	205
Between one year and five years	135	88
	<b>229</b>	<b>293</b>
<b>Lease liabilities included in the Statement of financial position at 30 November</b>		
Non-current	57	76
Current	59	131

The following amounts in respect of leases have been recognised in profit or loss:

	2022 £'000	2021 £'000
Interest expense on lease liabilities	5	16
Expenses relating to short-term leases	22	21

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**20. Defined benefit pension liability****Defined benefit obligation**

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.

The present value of the defined benefit obligation is calculated tri-annually, with the last formal valuation being carried out as at 5 April 2021 and updated to 30 November 2022 by qualified independent actuaries. Scheme assets are stated at their market values at the respective balance sheet dates

The scheme currently shows a surplus of £642,000 (2021: deficit £1,631,000), as Megger Instruments Limited is in the opinion of the directors, unconditionally entitled to that surplus on an assumed wind up of the scheme or assuming the gradual settlement of the pension liabilities over time.

	2022	2021
Discount rate	4.3%	1.6%
Inflation assumption (CPI)	2.9%	3.3%
Future pension increases	Pre retirement 2.4%	2.6%
	Pre 1997 benefits (non GMP) 2.6%	2.8%
	Post 1997 benefits 3.3%	3.7%

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

	2022 £'000	2021 £'000
Equities	2,873	9,907
Gilts	12,536	9,857
Cash	309	102
Total market value of scheme assets	15,718	19,866
Present value of scheme liabilities	(15,076)	(21,497)
<b>Surplus / (Deficit) in the scheme</b>	<b>642</b>	<b>(1,631)</b>

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

	2022 £'000	2021 £'000
<b>Amounts recognised in profit and loss</b>		
Administration costs	95	82
Net Interest expense	26	21
<b>Amount charged to profit and loss</b>	<b>121</b>	<b>103</b>

	2022 £'000	2021 £'000
<b>Amounts recognised in other comprehensive income:</b>		
Actual (loss) / gain expected return on pension scheme assets	(3,562)	1,812
Experience gains arising on scheme liabilities	(418)	(880)
Actuarial losses due to changes in assumptions	6,302	(935)
<b>Actuarial loss recognised in the statement of other comprehensive income</b>	<b>2,322</b>	<b>(3)</b>

Employer contribution to the scheme in the year ended 30 November 2022 amounted to £95,000 (2021: £82,000). There were no outstanding contributions to the scheme at the year end (2021: nil).

The best estimate of the contributions expected to be paid into the defined benefit scheme is £72,000 per annum for the following two years.

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**20. Defined benefit pension liability (continued)**

Reconciliation of scheme liabilities during the year:

	2022 £'000	2021 £'000
<b>At 1 December</b>	<b>(21,497)</b>	<b>(20,308)</b>
Total other finance expense	(337)	(258)
Pensions paid	874	884
Actuarial losses	5,884	(1,815)
<b>At 30 November</b>	<b>(15,076)</b>	<b>(21,497)</b>

Reconciliation of scheme assets during the year:

	2022 £'000	2021 £'000
<b>At 1 December</b>	<b>19,866</b>	<b>18,711</b>
Interest income on plan assets	311	237
Contributions by employers	72	72
Pensions paid	(874)	(884)
Return on plan assets	(3,562)	1,812
Administration costs	(95)	(82)
<b>At 30 November</b>	<b>15,718</b>	<b>19,866</b>

The calculation of the net defined benefit liability of the Megger Instruments defined benefit scheme is sensitive to the significant actuarial assumption mentioned above. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability at 30th November:

	Change in assumptions	2022 Change in defined benefit asset / obligation	2021 Change in defined benefit obligation
Discount rate	+/- 0.25% pa	-2.5% / +2.6%	-6.4%/7.2%
CPI inflation	+/- 0.25% pa	+1.3% / -1.8%	3.4%/-3.7%
Assumed life expectancy	+/- 1 year	+4.3% / -4.2%	5.6%/-5.3%

The Company has provided a guarantee to the pension scheme of £4.7m under the Megger Group finance facilities (see note 24).

**Megger Instruments Limited**  
Financial statements for the year ended 30 November 2022

**21. Called up share capital and other reserves**

Authorised, allotted and fully paid:	2022	2021
	£'000	£'000
Ordinary shares of GBP 1.00 each	6,000	6,000

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

**22. Reserves**

Called-up share capital represents the nominal value of shares that have been issued.

Retained earnings includes all current and prior period retained profits and losses. Included in retained earnings are actuarial gains and losses. Actuarial gains or losses from changes in demographic and financial assumptions and the return on plan assets (re-measurement of net defined benefit liabilities).

**23. Capital commitments**

The Company had capital commitments for building works and plant and machinery of £225,402 at 30 November 2022 (2021 - £121,915)

**24. Related party disclosures**

The Company and its group undertakings have guaranteed repayment of the group borrowings under the facilities which, at 30 November 2022, amounted to €125,938,000 (2021: €116,509,000). At the balance sheet date €91,900,000 (2021: €90,000,000) of the drawings from the facilities had been made by the parent company, Megger Group Limited, with the balancing €34,038,000 (2021: €26,509,000) drawings from the facilities being made by group undertakings.

**25. Parent company and ultimate controlling party**

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

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.