

Megger Group Limited

Registered Number: 02582519

Report and Financial Statements 30 November 2023

Archcliffe Road, Dover, Kent, CT17 9EN

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Annual Report 2023

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Megger Group Limited

DIRECTORS' REPORT

For the year ended 30 November 2023

Megger Group Limited

Directors' Report for the year ended 30 November 2023

The Directors present their annual report and the audited consolidated financial statements for Megger Group Limited and its subsidiary undertakings ("the Group") for the year ended 30 November 2023 on pages 14 to 45. Company financial statements for Megger Group Limited ("the Company") are on pages 46 to 54.

Results and dividends

The Group's consolidated statement of income and consolidated statement of comprehensive income are set out on pages 15 and 16. The Company paid a dividend of €15,000,000 to the ultimate parent company, TBG AG, during the year ended 30 November 2023 (2022: € nil).

Principal activities and review of the business

The principal activities of the Group continued to be the design, manufacture, marketing and distribution of electrical and electronic measuring instruments. The principal activity of the Company was that of a holding company.

A review of the business is presented in the Strategic Report from page 4.

Significant events

The Group was delighted to secure on 1 April 2023, Weidmann's highly respected oil analysis laboratory services business, comprising nine oil test laboratories in Canada, Mexico and the US. The business was rebranded as AVO Diagnostic Services, which with the valuable laboratory expertise, gives us access to a large amount of valuable oil analysis data to further strengthen Megger's ability to offer online and off-line asset condition insights to the electrical power industry. In the future, working together with our strategic software partners IPS to develop advanced data analytics software, Megger will provide customers with valuable insight on their specific transformer(s) based on the learnings from this vast data set. The Group also purchased the latest generation of the InsuLogix® HMA Dissolved Gas Analyzer (DGA) monitoring system. The system is a high-performance online monitor that detects and monitors faults in power transformers and load tap changers by measuring the levels of Hydrogen (H₂), Acetylene (C₂H₂) and Moisture and has been rebranded as the InsuLogix® G2. The G2 aligns with the company strategy of developing on-line monitoring systems to provide insights for the performance management of electrical assets.

We were delighted to complete the purchase of the remaining 60% of Seba Sweden shortly after year end on 1 December 2023 and welcome our new colleagues to the Group. We are very excited by the opportunities offered by Scandinavia and are confident Seba will help us grow on our existing presence in the region.

Our German business completed the first phase of our investment in the Radeburg facility during the year, which will increase significantly, the Group's capacity for manufacture of Cable Test Vans, in which Megger is a global market leader. We will be adding a new warehouse and service facility during 2024 to add further efficiency and improve ability to service our customers. The investments in other plants continues, with the lease secured on a new flagship facility for our partial discharge monitoring operations in Aachen, which is now undergoing specialist refurbishment for our specific needs.

Employees

It is the policy of the Group to follow laws and norms in each country where it operates and, specifically in the UK:

- The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.
- Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.
- The Group subsidiaries hold regular meetings to discuss the Group's financial results, any significant operating issues, the future plans of the Group and other matters of concern to its employees.
- Consultation is generally through informal channels but, where appropriate, is supplemented by Works Councils, whose members are elected by the employee.

Going concern

A review of the results and financial position of the Group occurs regularly with the Board of Directors of Megger Group Limited. This included a review of the forecasts of the business for the 18 month period to May 2025, being over one year after the date of approval of these financial statements. This review included a range of commercially sensitive downside scenarios assessed, together with mitigating actions within the Group's control, such as payment of dividends and certain discretionary expenditure. Details of the Group's banking facilities, which run to 2026, are outlined in notes 16 to 19 of the consolidated financial statements. The Group has considerable financial resources together with established long-term relationships with a number of customers and suppliers. As a consequence, the Directors believe that the Company is well placed to manage its business risks and liquidity successfully. During the year, the Company comfortably satisfied its covenants (which comprise leverage and interest cover) and met its requirements to make quarterly interest payments. The Company expects to remain compliant in the Going Concern assessment period, even in plausible downside scenarios.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Megger Group Limited

Directors' Report for the year ended 30 November 2023

Principal risks and uncertainties

Risks and uncertainties are discussed in the Strategic Report on pages 7 to 9.

Future developments

Future developments are discussed in the Strategic Report on pages 6 and 7.

Directors

The Directors in office during the year ended 30 November 2023 were:

J. P. Abson
A. J. Boughtwood
A. C. Dodds
J. B. Fairbairn
P. S. Grumett
J. J. C. Simpson

K. Corriero, Company Secretary

Directors' qualifying third party indemnity provisions

The Company has granted an indemnity to one or more of its Directors and the Directors of its subsidiary companies, against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Group research and development activities

The Group is heavily committed to research and development activities so as to secure its position as a market leader in its addressed markets. Each manufacturing site has a programme of current and future development projects which address on going enhancements to existing products as well as development of new products to expand the portfolio.

Financial risk management objectives and policies

These are discussed in detail in the Strategic Report on page 7.

Auditors

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

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 need to act fairly between members of the Company
- The effect on the community and environment in which the Group operates

Key stakeholders and how we engage

Shareholders	Megger has regular interaction with its shareholder, including monthly operating reviews and quarterly reporting, of which one is a detailed strategic five year planning review. There are also several ad hoc discussions taking place every month.
Employees	Group senior management conducted a series of visits to all sites and major sales offices during the year. These were supplemented by regular video conferences. Engagement with the Group's key leadership includes operating reviews, operating efficiency initiatives, annual strategy and budget meetings and regular "town hall" broadcasts. Within the individual sites there are regular briefing sessions with employees on the performance of the business, underpinned by the Megger Excellence System, a continuous improvement programme.
Customers	Our customers are at the heart of our business, as we provide the equipment that maintains and supports critical infrastructure. We maintain regular face to face contact to understand their needs and maintain a substantial investment each year in developing our products accordingly. We regularly seek feedback on our performance and take account of this in developing our offering. The Group also maintains contact through social media, which is progressively showing more adaptability to our industry. During 2023, the Group has invested in its digital platforms to improve contact with and add value to customers.
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, lean supply chain opportunities and seek cost improvements.

Megger Group Limited

Directors' Report for the year ended 30 November 2023

Energy use and carbon emissions

GHG emissions and energy use data:	2023	2022
MWh Tonnes of CO ₂ e		
Scope 1 – UK gas and oil usage	47	99
Scope 1 – UK transport usage	67	142
Scope 2 – UK electricity usage	301	302
Total UK usage	415	543
Intensity ratio (MWh Tonnes of CO ₂ e per €m of Group revenues)	1.2	1.8

The Group recognises that its activities have an environmental impact and carbon footprint. Our UK facility adheres to the requirements of ISO 14001 for its environmental management systems. We only use packaging that can be recycled and where possible we use recycled materials, whilst also remaining compliant with other safety regulations to which we are subject (e.g. IEC61010). Megger subscribes to the WEE Directive recycling scheme which pays for test equipment to be recycled, thereby avoiding bringing product back to sites and the carbon footprint associated with doing so. As part of our continuous improvement efforts, surveys and improvements were carried out across the facility to reduce energy consumption, including compressed air, electrical consumption, power correction and balancing. The site benefitted from its investment in new solar panels which helped reduce oil and gas usage.

The methodology for gathering the gas, oil and electricity usage was to obtain the recorded MWh's from the financial system records, whereas for transport usage the actual or calculated business miles were obtained from expense claims or recorded mileage forms. Both were converted using the UK Government GHG Conversion Factors for Company Reporting. Scope 3 emissions relate predominately to flights and taxis, where the Group does not control the asset but where the travel is initiated by the Group.

Directors' Responsibilities Statement

The Directors are responsible for preparing the strategic report, the directors' report and the Financial Statements, in accordance with applicable laws 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 UK-adopted International Accounting Standards.

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 Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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


The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

The Directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The Directors' Report was approved by the Board of Directors on 28 March 2024 and was signed on its behalf by:

DocuSigned by:

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J. J. C. Simpson
 Director

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

Megger Group Limited

STRATEGIC REPORT

For the year ended 30 November 2023

Megger Group Limited

Strategic Report for the year ended 30 November 2023

The Directors present their Strategic Report for the year ended 30 November 2023.

Review of the business

The Group's core business is the design, manufacture and sale of test and measurement instrumentation and condition monitoring solutions for electrical transmission, distribution, industrial, transportation applications, rotating machines and low voltage electrical installations. In addition, Megger supplies terminal blocks and connectors, delivers specialist testing, safety and training services and provides a range of water leak detection and monitoring systems. The Group has ten manufacturing sites across the world, supported by worldwide sales and marketing facilities. Megger is uniquely very broad in product range and global reach amongst our immediate competitors.

A record year

Megger has an excellent brand, technology and products that are trusted and valued by its customers. The Group's strategy places Megger at the heart of the developing power sector, with the increased reliance on the electricity grid that will come with "net zero" targets.

Megger saw a record 2023, with a number of key highlights:

- Megger recorded customer orders of €346.1m, up 8% from 2022
- Operating sites improved order fulfilment, seeing backlog fall by €12m, delivering revenues of €358.3m, up 21%
- EBITDA growth of 12% to €64.0m

Orders across almost every one of the Group's core application segments showed excellent year on year growth, with standout performance in our Cable, General Electric Test and Services segments. Megger successfully incorporated AVO Diagnostics labs during the year, which have already contributed to the Group's revenues and profitability.

Our Valley Forge site launched the Group's first Megger Dissolved Gas Analysis solution, the Insulogix G2, which also came with the Weidmann transaction and accompanies other systems in our Monitoring Solutions business. On a wider basis, the Monitoring Solutions business showed excellent growth, with substantial double digit revenue growth and excellent progress made by the Partial Discharge and Overhead Grid Monitoring operations.

Collaboration with our associate entity IPS Energy has advanced well, with Transformer data from Avo Diagnostics and Cable data from Germany offering an improved data-insight strategy. The data offered by Avo Diagnostics offers further opportunity for asset condition assessment and further collaboration underway to bring this to fruition.

AVO Training continued to show huge resilience, showing double digit growth during the year. Having been the segment most severely affected by Covid, it continues to grow, adapting its core offerings to renewables and more.

Another positive initiative in the year was the upgrading of the Group's Marketing organization under new leadership, which is gearing up for improved content production and digital customer engagement. Working in a triumvirate with our Global Commercial teams and Industry Leaders, this development creates powerful capability to unleash in 2024 and beyond.

Megger has an excellent team, with dedicated staff and a culture and values that allows them to grow in a supportive environment. Despite an uncertain global environment, Megger heads into 2024 in excellent shape and confident about the future.

Megger Group Limited

Strategic Report for the year ended 30 November 2023

Improved financial performance

Key Performance Indicators	2023	2022	Change %
	€'000	€'000	
Revenues	358,292	296,623	20.8%
Gross margin	53.7%	53.7%	0.0%
Profit for the financial year	24,653	22,614	9.0%
EBITDA	64,030	57,158	12.0%
Equity Attributable to Shareholders of the Parent	217,063	212,647	2.1%
	Heads	Heads	
Average number of persons employed during the year	1,617	1,512	6.9%

The consolidated revenues of the Group increased 20.8% to €358.3m (2022: €296.6m), representing another record year for the Group. Margin percentage levels remained at 53.7% as continuous improvement activities and price increases helped to cover the rising cost of materials and employment, together with increased inventory provisioning during the year, to deal with excess and obsolete stock issues around the Group that arose through new product launches and obsoleting of components in our supply chain. Whilst Megger continued to maintain close management of indirect costs, the Group continued to invest in new products, sales methods, systems and staff, which management believe will place the Group well going into 2024. As a result, the Group's EBITDA increased by 12% to €64.0m (2022: €57.2m).

The effective corporate tax rate increased to 22% in 2023 (2022: 20%) and reflects the spread of applicable tax rates prevailing in the jurisdictions in which the Group operates; the increase was predominantly due to the mix of profit by territory. Cash from operations for the year was €62.9m (2022: €27.5m), a significant improvement reflecting actions taken to manage inventory levels during the year.

Ongoing focus on continuous improvement

The Group continued to invest in its production facilities in 2023, most notably with expansion of its facility in Radeburg (Germany), in response to the need to increase manufacturing capacity to satisfy rising customer demand. The Group was also delighted to sign a long term lease for a new facility in Aachen (Germany), which will provide further expansion for the Group's partial discharge and shared service activities.

The Group continued to advance the Megger Excellence System (MES) to drive operational improvements, an investment that management expect will deliver consistent margin improvements in future years. The MES programme had a number of focus areas in the year:

- Continuous improvement in the Group's ten manufacturing sites, embracing a culture of customer service, product quality and cost management that maintains the competitiveness of the Group
- The Group launched a Project Management Office to oversee and deliver consistency in delivery of all projects across the organisation
- Megger invested in a new demand planning tool to link customer demand to factory planning in order to improve product availability and manage inventory levels. To that end, the Group was delighted to achieve inventory turns of 198 days, the lowest in three years, albeit with a lot further to go
- The Group made good progress with Intelligent Automation in order planning and at the end of the year, purchased a robot dedicated to finance improvement projects, with the first process, Dunning Letters, launched shortly after year end

The Group continued to develop its Systems infrastructure during the year. Notable successes included:

- Migrating our servers into a fully virtual environment, care of Amazon Warehouse Services
- Integration of Avo Labs, following the business and assets acquisition (Note 29), which required an entirely new systems environment
- Upgrading of our SAP system from ECC5 to ECC7, with modifications enacted in preparation for a migration to S4 HANA in the longer term

We also continued to invest in our Data Team, establishing improved standards of data consistency and advancing our CRM systems

Employee commitment remains excellent – the engagement score across the Group stood at 8.3, up from 8.2 in 2023 and reflecting year on year improvement since 2018, when the score stood at 7.4. Current scores are in the top quartile of industry averages.

Megger's people remain key to our success

Megger's values are critical to the Group's success, which are embodied by the superb team we have in the organisation. We are an international team, operating across multiple time zones and cultures, but are unified by our common values.

We have continued to invest in training in the past few years with a focus on personal development, which has seen a significant impact with the confidence with which we pursue sales growth and continuous improvement through the organisation.

Our wider communities also remain important, which we support through sponsorship, volunteering and practical support.

Megger Group Limited

Strategic Report for the year ended 30 November 2023

Outlook for the financial year ending 30 November 2024

Megger's market prospects remain excellent, underpinned by a number of strong market fundamentals.

Long term, the electrical share of the global energy demand is forecast to increase from a current 18% through to 24% by 2040 and from 25 T kWh in 2020 to 55 T kWh in 2050. Demand will be driven by several factors:

- Rising living standards bringing increased electrical consumption
- Increased global pressure to integrate environmentally friendly renewable energy resources. Whilst creating a sector compound growth rate of 10%, this is far short of the needs to address net zero carbon sustainability targets and changes being sought through reduced planning regulations to enable grid connectivity for renewables, which is the current constraint. This has been accelerated by the Ukraine war.
- Electrification of mobility, with substantial growth in Rail and Electric Vehicles (EVs), the latter forecast to rise from 3m to 250m units by 2030 (IEA Forecast), leading to substantial increases in public charging infrastructure, with estimates for 80m charge points by 2030. Electrical aerospace is also targeted by Airbus by 2035
- A shift to electrical heat pumps for gas space heating, doubling the heat pump installation rate, leading to an expected cumulative demand for 10 million units over the next 5 years, requiring an additional 100 GW of electrical capacity in Europe alone.

Grid modernisation and the integration of renewable energy resources into the network presents many challenges for the grid operators, but opportunities for Megger. These include network reliability, power quality, efficiency and security by way of providing network asset health and insights on their condition, enabling utilities to reduce costs through predictive maintenance practices. Initiatives like the US Inflation Reduction Act offer underpinnings to the Energy sector in the long term, with c.\$500bn of funding directed predominantly towards energy efficiency measures. Funding comes in the form of loans and tax breaks, offering incentive for long term planning and investment, albeit less short term.

Alongside the Group's primary power utility and supply customer base, associated OEMs and service providers, Megger also serves many electrical test needs segments of the broader industrial and low voltage installed wiring market. Larger industrial companies (manufacturing, mining, transportation etc.) are demanding improved power efficiency and reliability and over 50% of all power used in industry is consumed by Motors, a key area of testing investment for Megger. These customers have the same philosophy of asset condition assessment (motors, switchgear, circuit breakers, safety earthing, cabling) in order to reduce operating costs and minimise unplanned failures/outages. Megger's strategy will focus on its core, condition monitoring equipment, on-line monitoring automated systems and data insights to deliver greater value to the customer.

Principal risks and uncertainties

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

Financial risk management objectives and policies

The Group's principal financial instruments comprise bank and other loans and overdrafts, cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates. The Group decides whether to enter into fixed or variable interest contracts based on the most favourable conditions at the time of entering into the contract.

Exchange rate risks

The Group operates internationally with a high proportion of revenues and costs denominated in currencies other than Euros. Generally the period of time between order receipt and payments is limited, and currency gains and losses on individual transactions are generally not significant. Where there are longer lead times, significant currency exposures are generally managed by matching financial assets with financial liabilities in the same currency, with the individual business considering the exchange rate risk on any significant contract values.

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

Megger Group Limited

Strategic Report for the year ended 30 November 2023

Principal risks and uncertainties (continued)

Liquidity risks

The Group monitors its risk to a shortage of funds using detailed forecasts for future periods. The Group updates its detailed forecasts quarterly to monitor the liquidity risk closely. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and funding from its shareholder. The Group has strong cash flows that support the repayment of the loans as they fall due.

Legislation risk

The Group is exposed to ongoing changes to legal, fiscal and/or regulatory requirements, not just in countries where it has operations but also in the countries where it does business and these regulations may substantially differ from country to country. The Group is fully committed to complying with such changes and is supportive of regulatory considerations, environmental improvement and health and safety requirements. However, as regulations continue to change the Group may face potential design and supply issues as well as the incremental costs of complying with such changes and this can be a disadvantage when compared with some less global competitors.

The Group regularly monitors legal and regulatory matters at both a Group and operational level and consults with external advisers where necessary.

Political and Economic conditions risks

Many of the Group's products are used in infrastructure development as well as maintenance and are therefore dependent on favourable economic conditions to fund such projects. The lingering impact of the UK's decision to leave the EU and political volatility in key markets, combined with the Ukraine war, have resulted in a prolonged period of global economic uncertainty. The Group has demonstrated a reassuring level of resilience during an unprecedented period of change and uncertainty and is expected to remain strongly profitable and cash positive with substantial growth potential.

Offsetting some of the issues created by the current economic environment:

- The Group is truly global in nature and has a strong geographic spread of business. It has sales to all the major economies and most countries in the world and is thus well placed to benefit from where growth occurs. In addition, the Group's facilities are located in numerous territories which reduce the risk arising from operating in a single territory. This has been boosted by the establishment of an Indian plant during the year.
- Most of the Group's product ranges as used in rigorous environments and notwithstanding their high manufacturing and engineering quality, require replacement after a few years, so ensuring a substantial replacement market.
- The Group is introducing numerous new products which are expected to add market share, create new opportunities and trigger demand for upgrades.
- The Group continues to invest for the long term.
- Ageing infrastructure maintenance will have to continue regardless of economic conditions.

Competitor and Technology Risk

Competitor activity and developing technology could affect the level of the Group's revenues and profitability. The Group invests heavily in engineering to ensure that its products are technically appropriate and are price competitive. Where applicable, patents are sought on new technology developed and patents, trademarks and other intellectual property assets are rigorously defended against infringement. The Group also invests heavily in providing local pre- and post-sale support to its customers.

Cyber attacks

The Board has invested in security devices to detect and rebuff viruses and allocated dedicated financial and personnel resource to ensure the Group's infrastructure is protected against the latest threats.

Product quality risk

Quality deficiencies could jeopardise the Group's reputation in the market and lead to liability claims for defective products. The Group invests heavily in engineering to ensure that its products are of the highest quality and applies the latest standards and practices in its development processes, in conjunction with rigorous testing routines. This is underpinned by MES programme that brings a culture of continuous improvement.

Climate risk

The Group directly manufactures products from multiple locations, each involving supply chains that span the Globe. The Group has prepared a comprehensive sustainability strategy, targeting "net zero" Scope 1 and 2 carbon emissions by 2040 and will be preparing targets for Scope 3 as the data becomes available. Further, the Group's products support customers in achieving their own "net zero" targets. Together, these policies will prepare the Group well to address future climate risks.

Megger Group Limited


Strategic Report for the year ended 30 November 2023

Principal risks and uncertainties (continued)

General

The Directors have ensured that the Group has in place effective systems for managing and mitigating significant risks, which, where relevant, incorporate performance management systems and the appropriate remuneration incentives.

The Strategic Report was approved by the Board of Directors on 28 March 2024 and was signed on its behalf by:

DocuSigned by:

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J. J. C. Simpson
Director

Registered office: Archcliffe Road, Dover, Kent, CT17 9EN.
K. Corriero – Company Secretary

Megger Group Limited

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

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

Opinion

We have audited the financial statements of Megger Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2023, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows 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 UK-adopted international accounting standards, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 November 2023 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK-adopted international accounting standards, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We 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 group's and the parent 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 group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as the invasion of Ukraine, military conflict in Israel and the global inflationary environment, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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.

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 group's and the parent 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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

Responsibilities of directors

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 Group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to UK-adopted international accounting standards, the Companies Act 2006 and the relevant tax compliance regulations in the UK.
- We understood how the Group 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.
- We assessed the susceptibility of the Group'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 group 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, utilising data analytics to identify unusual transactions for further testing and enquiries of group management or component management at locations where full scope audit procedures and specified audit procedures were performed. In addition, we completed audit procedures to conclude on the compliance of disclosures in the financial statements 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.

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

Auditor's responsibilities for the audit of the financial statements (continued)

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration
 - 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 Group operates
 - understanding of the legal and regulatory requirements specific to the Group.

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

Use of our report

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



Jonathan Maile BSc (Hons) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley
28 March 2024

Megger Group Limited

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 November 2023

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2023

Consolidated income statement

For the year ended 30 November 2023

	note	2023 €'000	2022 €'000
Revenue	5	358,292	296,623
Cost of sales		(165,722)	(137,284)
Gross profit		192,570	159,339
Selling and marketing expenses		(75,138)	(64,863)
Administrative expenses		(48,281)	(35,980)
Research & development expenses	6	(27,997)	(24,560)
Other operating income	6	129	1,180
Other operating expenses	6	(2,841)	-
Total expenses		(154,128)	(124,223)
Operating profit		38,442	35,116
Interest receivable and similar income	7	1,771	547
Interest payable and similar charges	8	(11,108)	(6,124)
Share of profit from equity accounted investments		2,409	1,483
Profit on ordinary activities before taxation	6	31,514	31,022
Tax on profit on ordinary activities	10	(6,861)	(6,190)
Profit for the financial year from continuing operations		24,653	24,832
DISCONTINUED OPERATIONS			
Net result for the year from discontinued operations		-	(2,218)
Profit for the financial year		24,653	22,614
Profit for the financial year attributable to:			
Owners of the parent		24,653	22,608
Non-controlling interests		-	6
		24,653	22,614

The accounting policies and notes on pages 20 to 45 form part of these financial statements.

Megger Group Limited
Consolidated financial statements for the year ended 30 November 2023

Consolidated statement of comprehensive income
For the year ended 30 November 2023

	note	2023 €'000	2022 €'000
Profit for the financial year:		24,653	22,614
OTHER COMPREHENSIVE INCOME:			
Currency translation		(5,744)	1,974
Currency translations, net of tax		(5,744)	1,974
Items which will not subsequently be reclassified to the income statement			
Actuarial gains on post-retirement benefits plans		691	2,788
Income tax effect		(184)	(681)
Actuarial results, net of tax	21	507	2,107
Other comprehensive income for the year, net of tax		(5,237)	4,081
TOTAL COMPREHENSIVE INCOME		19,416	26,695
Of which			
Attributable to non-controlling interests		-	6
Attributable to shareholders of the parent		19,416	26,689

The accounting policies and notes on pages 20 to 45 form part of these financial statements.

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2023


Consolidated balance sheet

As at 30 November 2023

	note	2023 €'000	2022 €'000
Fixed assets			
Intangible assets	11	168,002	157,356
Tangible assets	12	86,230	83,635
Investments in associates	13	41,772	39,778
		296,004	280,769
Current assets			
Inventories	14	68,851	75,500
Trade and other receivables	15	80,214	76,556
Cash at bank and in hand	27	16,125	14,770
		165,190	166,826
Current liabilities			
Trade and other payables	16	(54,072)	(54,956)
Provisions	20	(2,813)	(2,383)
Financial liabilities	16	-	(338)
Current tax	16	(2,333)	(650)
		(59,218)	(58,327)
Net current assets		105,972	108,499
Receivables falling due after one year	15	3,646	3,830
Total assets less current liabilities		405,622	393,098
Non-current liabilities			
Net borrowings	17	(134,541)	(119,232)
Deferred consideration	17	(4,892)	(8,038)
Lease liabilities	17	(25,043)	(27,631)
Provisions for liabilities	20	(23,960)	(25,427)
		(188,436)	(180,328)
Net assets		217,186	212,770
Capital and reserves			
Called-up share capital	22	92,158	92,158
Foreign exchange translation reserve	22	3,659	9,403
Merger reserve account	22	30,364	30,364
Retained earnings	22	90,882	80,722
Amount attributable to owners of the parent		217,063	212,647
Non-controlling interests		123	123
Total equity		217,186	212,770

The financial statements, including the accounting policies and notes on pages 20 to 45, were approved by the Board of Directors on 28 March 2024.

Signed on behalf of the Board of Directors:

DocuSigned by:

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 J. J. C. Simpson
 Director

Company registration no: 02582519

Megger Group Limited
Consolidated financial statements for the year ended 30 November 2023

Consolidated statement of changes in equity

For the year ended 30 November 2023

	Called-up share capital	Foreign exchange translation reserve	Merger reserve account	Profit and loss account	Amount attributable to owners of the parent	Non- controlling interests	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 December 2021	92,158	7,429	30,364	56,007	185,958	117	186,075
Profit for the financial year	-	-	-	22,608	22,608	6	22,614
Other comprehensive income	-	1,974	-	2,107	4,081	-	4,081
Total comprehensive income	-	1,974	-	24,715	26,689	6	26,695
Dividends paid	-	-	-	-	-	-	-
Balance at 30 November 2022	92,158	9,403	30,364	80,722	212,647	123	212,770
At 1 December 2022	92,158	9,403	30,364	80,722	212,647	123	212,770
Profit for the financial year	-	-	-	24,653	24,653	-	24,653
Other comprehensive (loss) / income	-	(5,744)	-	507	(5,237)	-	(5,237)
Total comprehensive income	-	(5,744)	-	25,160	19,416	-	19,416
Dividends paid	-	-	-	(15,000)	(15,000)	-	(15,000)
Balance at 30 November 2023	92,158	3,659	30,364	90,882	217,063	123	217,186

The issued share capital and other items are detailed in note 22 of the consolidated financial statements.

The accounting policies and notes on pages 20 to 45 form part of these financial statements.

Megger Group Limited
Consolidated financial statements for the year ended 30 November 2023

Consolidated statement of cash flows

For the year ended 30 November 2023

	note	2023 €'000	2022 €'000
Cash flows from operating activities			
Profit for the financial year from continuing operations		24,653	24,832
Adjustments for:			
Amortisation of intangible assets	11	13,358	10,934
Share of profit from equity accounted investments		(2,409)	(1,483)
Depreciation of tangible assets	12	12,359	11,595
Profit on disposal of tangible assets	6	(129)	(469)
Unwind discount of deferred consideration from business combinations	8	559	794
Interest payable and similar charges	8	10,549	5,330
Interest receivable and similar income	7	(1,771)	(565)
Tax on profit on ordinary activities	10	6,861	6,190
EBITDA as quoted in the Strategic Report		64,030	57,158
Pension contributions paid	21	(84)	(83)
Increase in trade and other receivables		(6,520)	(13,689)
Decrease / (increase) in inventories		6,649	(19,096)
(Decrease) / increase in trade and other payables		(2,568)	5,291
Increase / (decrease) in provisions and pensions		1,377	(2,064)
Cash from continuing operations		62,884	27,517
Income taxes paid		(5,486)	(5,264)
Net cash from continuing operations		57,398	22,253
Cash from discontinued operations		-	639
Net cash from operations		57,398	22,892
Cash flows from investing activities:			
Proceeds from sale of tangible assets		490	1,495
Purchase of tangible assets		(11,343)	(15,756)
Purchase of intangible assets	11	(5,010)	(4,123)
Development capitalisation	11	(8,730)	(7,298)
Business combinations net of cash acquired	29	(14,096)	(843)
Investments in associated undertakings		478	(1,099)
Interest received		186	177
Net cash used in investing activities		(38,025)	(27,447)
Cash flows from financing activities:			
Proceeds from borrowings	19	28,200	9,781
Repayments of borrowings	19	(13,544)	(1,800)
Repayment of leasing liabilities	19	(5,260)	(5,080)
Payment of bank facility fees		(157)	(573)
Interest and bank charges paid	8	(8,262)	(3,626)
Dividends paid	22	(15,000)	-
Net cash (used in) / generated from financing activities		(14,023)	(1,298)
Net decrease in cash and cash equivalents		5,350	(5,853)
Foreign exchange translation adjustment		(1,051)	(302)
Cash and cash equivalents at beginning of year		11,037	17,192
Cash and cash equivalents at end of period		15,336	11,037
Cash and cash equivalents comprise the following:			
Cash at bank and in hand		16,125	14,770
Bank overdrafts	19	(789)	(3,733)
Cash and cash equivalents		15,336	11,037

The accounting policies and notes on pages 20 to 45 form part of these financial statements.

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2023

Notes to the consolidated financial statements

For the year ended 30 November 2023

In thousands of Euro

1. Company information

Megger Group Limited ("the Company") is a limited-liability company incorporated in the UK with number 02582519. The registered office is Archcliffe Road, Dover, Kent, CT17 9EN. The Company acts as a holding company with investments mainly in Europe and North America. The principal activity of Megger Group Limited and its subsidiaries ("the Group") is the design, manufacture, marketing and distribution of a range of electrical and electronic testing and measuring instruments. In the opinion of the Directors, who are considered the Group's chief operating decision maker, this represents a single class of continuing business and operating segment.

2. Basis of preparation

2.1 - Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS ("IFRSs"). The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Euros (€) and all values are rounded to the nearest thousand (€'000) except when otherwise indicated. The Euro : GBP exchange rate at year end was 0.862 (2022: 0.865).

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

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The Company's profit for the year was €13,373,000 (2022: €4,716,000 profit).

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

- Categories of financial instruments;
- Items of income, expenses, gains or losses relating to financial instruments; and
- Exposure to and management of financial risks.

2.2 - Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year.

New standards, interpretations and amendments

None of the standards, interpretations and amendments effective for the first time from 1 December 2023 have had a material effect on the financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 November 2023 reporting periods and have not been early adopted by the company. None of these are expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

2.3 - Going concern

A review of the results and financial position of the Group occurs regularly with the Board of Directors of Megger Group Limited. This included a review of the forecasts of the business for the 18 month period to May 2025, being over one year after the date of approval of these financial statements. This review included a range of commercially sensitive downside scenarios assessed, together with mitigating actions within the Group's control, such as payment of dividends and certain discretionary expenditure. Details of the Group's banking facilities, which run to 2026, are outlined in notes 16 to 19 of the consolidated financial statements. The Group has considerable financial resources together with established long-term relationships with a number of customers and suppliers. As a consequence, the Directors believe that the Company is well placed to manage its business risks and liquidity successfully. During the year, the Company comfortably satisfied its covenants (which comprise leverage and interest cover) and met its requirements to make quarterly interest payments. The Company expects to remain compliant in the Going Concern assessment period, even in plausible downside scenarios.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2023

3. Significant judgements and estimates

3.1 - Judgements

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make certain judgements 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:

- Impairment of intangible assets and goodwill, judgements and outcomes, detailed in note 11
- An assessment as to whether the Group has significant influence or joint control over its associates, detailed in notes 4.3 and 13
- Deferred tax asset recoverability, detailed in note 15
- Valuation of acquisition intangibles, detailed in note 29

3.2 - Estimates

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 affects both current and future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the 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:

- Assessment of useful economic lives of non-current assets, detailed in notes 4.4 and 4.5
- Valuation of call options over certain associates, detailed in note 4.15 (c)
- Inventory provisioning, detailed in note 14
- Warranty provisioning, detailed in note 20
- Actuarial assumptions relating to the Defined Benefit pension scheme liabilities, detailed in note 21

4. Principal accounting policies

4.1 - Business combinations

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

Goodwill on acquisitions comprises the excess of fair value of the consideration over the fair value of the net identifiable assets acquired. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of all acquisition-related fundraising, along with those incurred in integrating and reorganising acquired businesses, are charged to the post-acquisition income statement. Goodwill is carried at cost less accumulated impairment losses and tested for impairment annually. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Non-controlling interests represent the portion of profit or loss and net assets that is not held by the Group and are presented separately in the consolidated income statement, consolidated statement of comprehensive income and separately from shareholders' equity in the consolidated balance sheet. For each business combination, the Group measures the non-controlling interest in the acquiree at the total of the appropriate share of the acquiree's identifiable net assets at the date of acquisition and the change in equity since the date of acquisition. After initial recognition the non-controlling interest may show a deficit balance since both profits and losses are allocated to the shareholders based on their equity interests.

4.2 - Investment in subsidiaries

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

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

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

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2023

4. Principal accounting policies (continued)

4.3 - Investments in associates

In determining recognition, an assessment is made as to whether the Group has significant influence or joint control the entity. This judgement includes an assessment as to whether the Group has the right to influence financial, operational and other decisions of the associate. IAS 28 specifies the criteria to have significant influence as follows:

- Representation on the board of directors or equivalent governing body of the associate
- Participation in the policy-making process
- Material transactions between the parent and the associate
- Interchange of managerial personnel
- Provision of essential technical information

The Group's share of the associates' revenue, profit, assets and liabilities have historically not been material and therefore only the share of profit has been disclosed. This will be reviewed in future years, depending on the contribution of IPS. Management will, in particular, review regularly the Group's influence over IPS to determine whether the Group exercises significant influence or joint control over IPS, having been satisfied the investment met the criteria outlined above during the year to 30 November 2023.

At 30 November 2023 the Group is satisfied that it does not exercise joint control over IPS and therefore its investment is accounted for as an associate.

Investments in associates are recognised initially in the consolidated balance sheet at the transaction price and subsequently adjusted to reflect the investor's share of the net assets of the associate, under the equity method of accounting. Any impairment loss is recognised immediately in profit or loss.

4.4 - Intangible assets

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

Research expenditure is charged to the income statement as incurred. Development expenditure, typically on new or enhanced products, is recognised on an individual project basis, as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Development costs not meeting these criteria are expensed as incurred.

Other intangible assets mainly comprise trademarks and trade names, technology acquired as part of a business combination and acquired software which is not an integral part of the related hardware. In addition, software licence costs and project related costs for significant software implementation projects are capitalised and reported within other intangible assets. Customer relationships and know-how, acquired as part of a business combination, are initially valued at fair value. Customer relationships and know-how acquired separately are measured at cost.

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

- | | |
|------------------------------|--|
| • Customer lists | up to 15 years |
| • Trademarks and trade names | up to 15 years |
| • Know-how | up to 15 years |
| • Patents | determined by the remaining life of acquired patents |
| • Technology | 1-5 years |
| • Development costs | 1-5 years |

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

Megger Group Limited
Consolidated financial statements for the year ended 30 November 2023

4. Principal accounting policies (continued)

4.5 - Tangible assets

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

Demonstration units are capitalised as tangible assets and depreciated over the estimated useful life up to a maximum of five years.

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

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

- Buildings 30 years
- Plant and machinery 3-10 years
- Vehicles (other operating fixed assets) 4 years
- Demonstration units (other operating fixed assets) 1-5 years
- Right of use assets up to 11 years (see note 28 for more detail)

4.6 - Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. In preparing this review, an assessment is made of the appropriate cash generating units by identifying the appropriate economic entity, usually based on periodic financial reporting. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. Intangible assets with indefinite useful lives, including assets not yet available for use or sale, are subject to an annual impairment test.

4.7 - Inventories

Inventories are valued at the lower of cost and net realisable value on a first in / first out basis, after making due allowance for obsolete and slow moving items. Cost comprises purchase cost of goods, costs of conversion and other costs in bringing the inventories to their present location and condition.

4.8 - Leases

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

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

The Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group 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 Group 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 that rate cannot be readily determined, which is generally the case for leases in the Group, 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.

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Consolidated financial statements for the year ended 30 November 2023

4. Principal accounting policies (continued)

4.8 - Leases (continued)

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 Consolidated statement of financial position and 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 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 Group 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' and 'Investment Property' lines, as applicable, in the Consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 4.6.

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 Group has used this practical expedient.

4.9 - Provisions for liabilities

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

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

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

4.10 - Taxation

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

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

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

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

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

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

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

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

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

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2023

4. Principal accounting policies (continued)

4.11 - Revenue

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

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 warehouses of the Group, but will ultimately be determined by the shipping terms and transfer of risk and reward of ownership to the customer. The Group 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.

Revenue from the rendering of services is recognised on the provision of those services. This will normally be on a straight-line basis over the term of the contract, or, if the performance pattern is other than straight line, in line with the fulfilment of the associated contractual obligation.

The Group's software income is of a subscription nature. This represents a periodic fee charged to the customer covering the following performance obligations; the provision of hosting services; the right to use Megger software and the provision of maintenance services (when this becomes applicable to the customer). The periodic payments are recognised as revenue in the period to which they relate. This reflects the underlying performance obligations of the Group and termination rights of the customer. As the Group's activities expand into development and implementation, the revenue recognition policies of the Group will be developed to recognise income in line with completion of performance obligations under IFRS15 Revenue from Contracts with Customers.

4.12 - Other operating income and expense

Other operating income and expense includes certain non-trading items incurred in the ordinary course of business. This includes acquisition expenses as incurred, any differences in the determination of deferred consideration on acquisitions in the period and recorded proceeds from the sale of non-core assets.

4.13 - Employee benefits

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

A UK pension fund is held within Megger Instruments Limited (a subsidiary undertaking) and is a contributory, defined benefit, externally funded scheme which is contracted out of the UK state scheme. The scheme is closed for additional benefit accruals. Net interest is charged on the net defined benefit liability and is included in interest payable and similar charges. Actuarial gains and losses are reported within other comprehensive income. Scheme assets are measured at fair values. The liabilities are measured annually on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates of equivalent currency and term of the scheme liabilities. The net deficit is presented within defined benefit pension liability. The Group has two small defined benefit schemes in Germany and France that are closed to new members and accounted for in a similar manner.

Elsewhere, payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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.

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2023

4. Principal accounting policies (continued)

4.14 - Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Translation of group companies

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4.15 - Financial instruments

The Group recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Group's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

(a) 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.

Fair value through profit or loss

All of the Group's financial assets other than those which meet the criteria to be measured at amortised cost are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Financial assets at amortised cost

Financial instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised or at Fair Value through Other Comprehensive Income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses ("ECL") for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2023

4. Principal accounting policies (continued)

4.15 - Financial instruments (continued)

(b) Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

Financial liabilities at amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

(c) Call options

In certain cases, the Group has a call option to purchase further shareholdings in certain associates. In determining the market value of such options, the Group considers the exercise terms and where appropriate, range of potential payments in doing so, which are performance based. These terms are compared to an external review of market multiples, similarly considering the impact of business performance - the greater the performance, so in turn are the growth prospects of the target and so the higher the multiple a market buyer would be prepared to pay. Management consider the potential range of forecast outcomes against these market multiples to determine whether there is a bargain purchase, in which case the valuation difference would result in a value of the option. Management assume that if an option is "out of the money" it would not be exercised, so no asset arises. Based on projected performance of the associates and the terms of any call options to be exercised as at 30 November 2023, it is management's judgement that the Group's call options have a value of €820,000 (2022: € nil).

4.16 - Capital management

The Group's principal sources of capital derive from cash generated from operations, and borrowings sourced from the Group's Term Loan and Revolving Credit Facilities.

Predominant capital requirements comprise working capital, fixed assets, investment in product development and acquisitions.

The Group prepares weekly cash reports and monthly cash flow analyses, together with a quarterly banking covenant report and a "look forward" forecasting model out more than 18 months. Together, these ensure the Group maintains sufficient capital for its needs.

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Consolidated financial statements for the year ended 30 November 2023

5. Revenue

	2023	2022
	€'000	€'000
Revenue, analysed by category, was as follows:		
Sale of goods	328,148	277,493
Rendering of services	30,144	19,130
	358,292	296,623
Revenue, analysed by geographical region, is as follows:		
UK	109,224	95,531
Rest of the world	249,068	201,092
	358,292	296,623

The amount of revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous periods is €4,036,000 (2022: €3,123,000).

There were no major customers accounting for a material share of income (2022: none).

6. Profit on ordinary activities before taxation

	2023	2022
	€'000	€'000
The profit on ordinary activities before taxation is stated after:		
Inventories recognised as an expense in the period	78,938	63,207
Research and development expenses less amounts capitalised and amortisation	27,997	24,560
Amortisation and impairment of intangible assets excluding development costs	7,049	6,124
Depreciation of tangible assets	12,359	11,595
Profit on sale of tangible assets	(129)	(469)
Exchange losses and (gains)	2,841	(724)
Lease payments recognised as an operating expense	536	798

Exchange gains are reported in the income statement within Other operating income and exchange losses are reported as Other operating expenses.

	€'000	€'000
Fees payable to the Company's auditor for the audit of the parent Company and the Group's consolidated financial statements	126	116
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	372	400
Audit-related assurance services	18	-
Tax compliance services	6	-
Auditors' remuneration total	522	516

7. Interest receivable and similar income

	2023	2022
	€'000	€'000
Interest income	186	177
Pension interest	765	370
Fair value gains on financial assets	820	-
	1,771	547

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2023

8. Interest payable and similar charges

	2023	2022
	€'000	€'000
Interest expense	(6,728)	(1,922)
Bank charges	(1,534)	(1,704)
Interest and bank charges paid per the statement of cash flows	(8,262)	(3,626)
Financial charges on finance leases	(690)	(513)
Bank facility commitment fees amortisation	(837)	(781)
Pension interest	(760)	(410)
Interest payable and similar charges per the statement of cash flows	(10,549)	(5,330)
Unwinding of discount on earn-out liabilities	(559)	(794)
	(11,108)	(6,124)

9. Directors and employees

	2023	2022
	€'000	€'000
Staff costs during the year were as follows:		
Wages and salaries	109,097	94,068
Social Security costs	20,892	18,905
Pension and other expenses	6,801	5,421
Employee benefit expense total	136,790	118,394

The average number of persons employed during the year was:	2023	2022
Production and operating employees	753	686
Administrative employees	864	826
	1,617	1,512

	2023	2022
	€'000	€'000
The remuneration of the Board of Directors was:		
Wages and salaries	1,965	1,637
Short-term bonus plan	903	736
Long-term bonus plan	523	387
	3,391	2,760

The key management personnel of the Group are considered to be the Board of Directors, numbering 7 during the year (2022: 6). The Group has both short-term and long-term bonus plans for certain Directors. These bonus plans are based on the operational performance of the Group.

During the year, pension scheme contributions of €91,000 (2022: €82,000) were made on behalf of 6 directors (2022: 5). Contributions made on behalf of the highest paid director were €9,000 (2022: €5,000).

Total emoluments of the highest paid director in the year were €1,048,000 (2022: €998,000).

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2023

10. Tax on profit on ordinary activities

	2023	2022
	€'000	€'000
Analysis of the charge for the year		
UK corporation tax:		
current year	(2,866)	(2,343)
adjustments in respect of prior periods	222	(96)
Overseas corporation tax:		
current year	(6,517)	(5,626)
adjustments in respect of prior periods	44	31
	(9,117)	(8,034)
Deferred taxation:		
Current year	2,346	1,569
Adjustments in respect of prior years	(99)	341
Effect of change in tax rates	9	(66)
Charge to income statement	2,256	1,844
Tax per statement	(6,861)	(6,190)

In March 2021, the UK government announced an increase in corporation tax from 19% to 25% with effect from 1 April 2023. This increase was enacted in June 2021 and has resulted in an adjusted rate for 2023 of 23.0% (2022: 19.0%). The tax assessed for the year is lower than the adjusted corporation tax rate, and the differences are explained as follows:

	2023	2022
	€'000	€'000
Profit on ordinary activities before taxation	31,514	31,022
At statutory income tax rates of 23.0% (2022: 19.0%) (average)	(7,248)	(5,894)
Difference in income tax rates of other countries	(723)	(529)
Unrecognised tax losses arising current year	(237)	(155)
Adjustments in respect of current income tax of previous periods	266	(65)
Adjustments in respect of deferred income tax of previous periods	(99)	341
Impact of income not subject to tax	1,588	121
Impact of expenditure not allowed for income tax purposes	(642)	(153)
Withholding tax suffered	(79)	(186)
Tax rate changes	9	(81)
Other	270	60
Total income tax	(6,895)	(6,541)
Other tax expense	34	351
Tax on profit on ordinary activities	(6,861)	(6,190)

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is a debit of €184,000 (2022: €681,000 debit).

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Consolidated financial statements for the year ended 30 November 2023

11. Intangible fixed assets

	Goodwill €'000	Development costs €'000	Customer lists €'000	Other €'000	Total €'000
Cost					
At 1 December 2021	84,377	70,026	64,551	38,381	257,335
Additions	-	7,298	-	4,123	11,421
Business combinations	-	-	830	210	1,040
Disposals	-	-	-	(126)	(126)
Exchange adjustments	278	(118)	73	537	770
At 30 November 2022	84,655	77,206	65,454	43,125	270,440
Amortisation and impairment					
At 1 December 2021	5,725	38,474	33,405	24,800	102,404
Amortisation	-	4,810	4,819	1,305	10,934
Disposals	-	-	-	(79)	(79)
Exchange adjustments	362	(496)	6	(47)	(175)
At 30 November 2022	6,087	42,788	38,230	25,979	113,084
Net book value:					
At 30 November 2022	78,568	34,418	27,224	17,146	157,356
At 30 November 2021	78,652	31,552	31,146	13,581	154,931
Cost					
At 1 December 2022	84,655	77,206	65,454	43,125	270,440
Additions	-	8,730	-	5,010	13,740
Business combinations	6,527	-	4,907	1,278	12,712
Disposals	-	(2,750)	-	(199)	(2,949)
Reclassifications	(1,415)	-	1,255	160	-
Exchange adjustments	(439)	(1,905)	(484)	207	(2,621)
At 30 November 2023	89,328	81,281	71,132	49,581	291,322
Amortisation and impairment					
At 1 December 2022	6,087	42,788	38,230	25,979	113,084
Amortisation	-	6,309	4,407	2,642	13,358
Disposals	-	(2,750)	-	(1)	(2,751)
Reclassifications	(961)	-	398	563	-
Exchange adjustments	(324)	(785)	539	199	(371)
At 30 November 2023	4,802	45,562	43,574	29,382	123,320
Net book value:					
At 30 November 2023	84,526	35,719	27,558	20,199	168,002
At 30 November 2022	78,568	34,418	27,224	17,146	157,356

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2023

11. Intangible fixed assets (continued)

Other Intangible assets

Net book value of other intangible assets comprises software for €8,655,000 (2022: €4,984,000), trademarks for €1,597,000 (2022: €1,861,000), patents for €9,523,000 (2022: €9,810,000) and non-compete clauses €414,000 (2022: €491,000).

Impairment

Cash Generating Units (CGU's) have been identified based on the Group's manufacturing and sales channel structures and the initial value of goodwill is allocated to those CGU's based on anticipated future contribution from the acquired assets. The recoverable amounts of the CGU's have been assessed on "value-in-use" calculations using consistent assumptions. To calculate "value-in-use", cash flow projections have been derived from five year business plan data approved by the Board of Directors. The Board adopted a five year business plan as it believes this can be forecast with reasonable accuracy and that industry and Company trends will continue during that period.

The cash flow projections used in these calculations were assessed using the following key data:

- a) Growth rates were based on estimated growth forecasts of the electrical transmission and distribution test instrument industry and the expected underlying performance of the Group
- b) Revenue Growth, which varies geographically, is as given by the Board of Director's five year business plan (the % rate is commercially sensitive)
- c) Cash generation beyond the three year horizon was extrapolated using an annual growth rate in perpetuity (the % rate is commercially sensitive)
- d) Applying a discount rate of 10.7% pre taxation which was calculated based on the participant investor principal using independent market data.

The recoverable amounts for each CGU, determined by the "value-in-use" calculations, were in excess of the carrying values of the intangible assets, including goodwill, so no impairment charge has been recognised in the year (2022: nil).

Testing the sensitivity to changes in key assumptions

The impairment tests performed on the CGU's considered reasonably possible changes in respect of projected revenues, cash flows, applicable discount rate and rate of terminal growth. None suggested a need for impairment.

12. Tangible fixed assets

	Land and buildings €'000	Plant and machinery €'000	Other operating fixed assets €'000	Construction in progress €'000	Total €'000
Cost					
At 1 December 2021	63,906	40,818	23,729	1,493	129,946
Additions	14,923	5,999	3,503	5,700	30,125
Disposals	(5,977)	(2,544)	(283)	-	(8,804)
Exchange adjustments	748	444	959	(65)	2,086
At 30 November 2022	73,600	44,717	27,908	7,128	153,353
Depreciation and impairment					
At 1 December 2021	17,864	28,341	18,844	-	65,049
Charge for the year	4,936	3,817	2,842	-	11,595
Disposals	(5,683)	(1,709)	(386)	-	(7,778)
Exchange adjustments	143	348	361	-	852
At 30 November 2022	17,260	30,797	21,661	-	69,718
Net book value:					
At 30 November 2022	56,340	13,920	6,247	7,128	83,635
At 30 November 2021	46,042	12,477	4,885	1,493	64,897

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Consolidated financial statements for the year ended 30 November 2023

12. Tangible fixed assets (continued)

	Land and buildings €'000	Plant and machinery €'000	Other operating fixed assets €'000	Construction in progress €'000	Total €'000
Cost					
At 1 December 2022	73,600	44,717	27,908	7,128	153,353
Additions	5,533	3,837	4,132	1,213	14,715
Business combinations	94	966	-	384	1,444
Reclassifications	5,702	430	239	(6,371)	-
Disposals	(318)	(1,029)	(1,121)	-	(2,468)
Exchange adjustments	(2,338)	372	(619)	130	(2,455)
At 30 November 2023	82,273	49,293	30,539	2,484	164,589
Depreciation and impairment					
At 1 December 2022	17,260	30,797	21,661	-	69,718
Charge for the year	5,041	4,190	3,128	-	12,359
Disposals	(295)	(726)	(1,086)	-	(2,107)
Exchange adjustments	(186)	(459)	(966)	-	(1,611)
At 30 November 2023	21,820	33,802	22,737	-	78,359
Net book value:					
At 30 November 2023	60,453	15,491	7,802	2,484	86,230
At 30 November 2022	56,340	13,920	6,247	7,128	83,635

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

Land and buildings	26,291
Plant and machinery	1,960
Other operating fixed assets	100
	28,351

Note 28 provides more information on the right-of-use assets.

13. Investments in associates

	2023 €'000	2022 €'000
IPS	41,138	39,288
Other associates	634	490
	41,772	39,778

The Group holds an investment in IPS Intelligent Process Solutions Limited GmbH (IPS), a software company headquartered in Pullach im Isartal, Germany. The percentage holding is commercially confidential.

Summarised aggregated financial information of the Group's share in IPS and other associates (see note 5 on page 52) is as follows:

	2023 €'000	2022 €'000
Profit from continuing operations	2,206	1,247
Aggregate carrying amount of the Group's interests in these associates	41,772	39,778

14. Inventories

	2023 €'000	2022 €'000
Raw and auxiliary materials	37,879	51,998
Work in progress	14,469	3,975
Finished products and trading goods	16,503	19,527
	68,851	75,500

Total inventories are reported net of provisions for obsolete or slow-moving goods and other inventory reserves of €11,924,000 (2022: €8,078,000). The value of inventories included as an expense in the income statement is disclosed in note 6.

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Consolidated financial statements for the year ended 30 November 2023

15. Receivables

	2023	2022
	€'000	€'000
Trade receivables	71,069	65,025
Prepayments to suppliers	1,562	3,099
Prepaid expenses	4,639	4,497
VAT receivable	1,180	549
Deferred tax assets	1,374	2,478
Pension asset (note 21)	1,452	742
Other receivables	1,234	814
Lessor asset	-	670
Financial assets at fair value through P&L	820	-
Corporation tax receivable	530	2,512
	83,860	80,386

The carrying amounts of the receivables approximate their fair value. As at 30 November 2023 trade receivables of €1,422,000 (2022: €930,000) are impaired and fully provided for.

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

	2023	2022
	€'000	€'000
Deferred tax assets	1,374	2,478
Pension asset (note 21)	1,452	742
Lessor asset	-	610
Financial assets at fair value through P&L	820	-
	3,646	3,830

The Group has tax losses of €30,000 (2022: €30,000) that are available for offset against future taxable profits of the companies in which the losses arose.

In addition, there is €6,116,000 (2022: €5,218,000) of tax losses whose utilisation against future profits remains currently uncertain. Deferred tax assets have not been recognised in respect of these losses as they do not meet the criteria for recognition.

The full amount of deferred tax asset is judged to be recoverable. The carrying balance relates to timing differences, of which €1,045,000 (2022: €1,666,000) arises on long term bonus plans.

16. Current liabilities

	2023	2022
	€'000	€'000
Bank overdrafts	789	3,733
Lease liabilities	4,183	4,076
Trade payables	17,424	20,706
Amounts owed to related parties	29	346
Deferred revenues	3,199	4,036
Deferred consideration	-	338
Other taxes and social security payables	2,201	1,586
Customer payments on account	1,962	2,980
Corporation tax	2,333	650
Accruals and other payables	24,285	17,493
Provisions for liabilities (note 20)	2,813	2,383
	59,218	58,327

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17. Non-current liabilities

	Maturity	2023 €'000	2022 €'000
Unsecured external bank term loan	Oct 2026	100,000	90,000
Unsecured external bank RCF loans	Oct 2026	36,861	32,205
Deferred facility costs		(2,320)	(2,973)
Net borrowings		134,541	119,232
Deferred consideration		4,892	8,038
Lease liabilities		25,043	27,631
Provisions for liabilities (note 20)		23,960	25,427
		188,436	180,328

At 30 November 2022, the Group had available €31,807,000 (2022: €36,809,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

18. Commitments and contingencies

Contingent liabilities

Under the terms of the financing facilities which were in place during the year, a revolving credit line amounting to €69,990,000 (2022: €69,990,000) is available to the Company and other companies within the Group.

The Company and its wholly owned subsidiaries, Megger Limited, Megger Instruments Limited, Megger International Finance Limited, AVO International Inc, James G. Biddle Co., Biddle Instruments Financial Corporation, AVO Multi-Amp Corporation, Megger Germany GmbH, Megger Holding Germany GmbH & Co KG, Megger GmbH, Megger Holdings GmbH, Megger Diagnostic Holdings GmbH and Megger Sweden AB, have guaranteed repayment of the overall borrowings under the facilities. At 30 November 2023, total borrowings amounted to €137,650,000 (2022: €125,938,000) of which €120,000,000 (2022: €91,900,000) was made by the Company (see Note 12 of the Company financial Statements), and €17,650,000 (2022: €34,038,000) by subsidiaries of the Company.

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

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19. Borrowings and indebtedness

	note	2023 €'000	2022 €'000
<i>External borrowings: amounts falling due within one year</i>			
Bank overdrafts	16	789	3,733
<i>External borrowings: amounts falling due after one year</i>			
Bank loans	17	136,861	122,205
External borrowings total		137,650	125,938
Cash at bank and in hand	27	16,125	14,770
Net external borrowings		121,525	111,168
Finance lease obligations falling due within one year	16	4,183	4,076
Finance lease obligations falling due after one year	17	25,043	27,631
Total finance lease obligations		29,226	31,707
Total indebtedness		150,751	142,875

External borrowings comprises bank overdrafts and drawings under the Group's term loan and revolving credit facility, net of cash at bank and in hand. Bank loans totalling €136,861,000 (2022: €122,205,000) represent drawings under the Group's term loan and revolving credit facility. Total indebtedness comprises external borrowings, together with finance lease obligations, further details of which are outlined in note 28.

Reconciliation of liabilities arising from financing activities

	note	Bank loans €'000	Finance lease obligations €'000	Total €'000
At 1 December 2021		113,606	22,169	135,775
Cash flows:				
Proceeds from borrowings		9,781	-	9,781
Repayment of borrowings		(1,800)	(5,080)	(6,880)
Interest	8	(1,922)	-	(1,922)
Foreign exchange translation adjustment		618	(280)	338
		6,677	(5,360)	1,317
Non cash items:				
Impact of lease renewals		-	14,385	14,385
Interest		1,922	513	2,435
		1,922	14,898	16,820
At 30 November 2022		122,205	31,707	153,912
At 1 December 2022		122,205	31,707	153,912
Cash flows:				
Proceeds from borrowings		28,200	-	28,200
Repayment of borrowings		(13,544)	(5,260)	(18,804)
Interest	8	(6,616)	-	(6,616)
Foreign exchange translation adjustment		(112)	(1,282)	(1,394)
		7,928	(6,542)	1,386
Non cash items:				
Impact of lease renewals		-	3,371	3,371
Interest		6,728	690	7,418
		6,728	4,061	10,789
At 30 November 2023		136,861	29,226	166,087

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20. Provisions for liabilities

The movements in the provisions were as follows:

	Deferred tax €'000	Defined benefit pension liability €'000	Warranties, licence and guarantee costs €'000	Long-term bonus plans €'000	Other €'000	Total €'000
At 1 December 2021	18,089	2,971	1,909	5,084	904	28,957
Additions	-	185	430	2,916	528	4,059
Utilised	(1,353)	(2,162)	(480)	(1,142)	(442)	(5,579)
Exchange adjustments	587	(203)	6	(11)	(6)	373
At 30 November 2022	17,323	791	1,865	6,847	984	27,810

Falling due within one year (note 16)	2,383
Falling due within after year (note 17)	25,427
	27,810

At 1 December 2022	17,323	791	1,865	6,847	984	27,810
Additions	1,129	133	123	1,975	416	3,776
Utilised	(3,145)	(62)	(89)	(1,100)	-	(4,396)
Exchange adjustments	(299)	(170)	(30)	82	-	(417)
At 30 November 2023	15,008	692	1,869	7,804	1,400	26,773

Falling due within one year (note 16)	2,813
Falling due within after year (note 17)	23,960
	26,773

Deferred taxation provided for in the financial statements is set out below:	2023 €'000	2022 €'000
Accelerated capital allowance	1,241	1,247
Provided for tax exposure on intangible assets	10,627	11,846
Other timing differences	3,140	4,230
	15,008	17,323

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

	Deferred tax asset (note 15)	Deferred tax liability	Net liability
At 1 December 2022	2,478	(17,323)	(14,845)
Arising from Business combinations (note 29)	-	(1,129)	(1,129)
Recognised in income statement (note 10)	(889)	3,145	2,256
Recognised in statement of comprehensive income	(184)	-	(184)
Exchange adjustments	(31)	299	268
At 30 November 2023	1,374	(15,008)	(13,634)

The amount of the net reversal of deferred tax expected to occur next year is €298,000 (2022: €299,000), relating to the reversal of existing timing differences on tangible fixed assets and the origination of new timing differences on tangible fixed assets.

Defined benefit pension liability

The defined benefit pension liability is detailed in note 21 of the consolidated financial statements.

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20. Provisions for liabilities (continued)

Warranties, licence and guarantee costs

This concerns warranty costs associated with new products sold and range from between 1 and 3 years, depending on the product sold. Continuing additions and utilisation is expected during the year ending 30 November 2024.

Long-term bonus plans

Certain directors and employees of the Group participate in a number of different long term bonus plans. Provisions are made for the estimated liability for these plans at each financial year end. €1,779,000 is provided for plans where payment is due in 2024 (2022: €2,337,000) and €5,943,000 for plans where payment is due in 2025 and beyond (2022: €4,509,000). These payments are estimates based on budgeted performance of the Group over future years and are not guaranteed. The provisions have been discounted to reflect their payment date.

21. Defined benefit pension schemes

Megger Instruments Limited operates a contributory, defined benefit, externally funded scheme which is contracted out of the UK state scheme. The scheme is closed for additional benefit accruals. The present value of the defined benefit obligation is calculated tri-annually, with the last formal valuation being carried out as at 5 April 2021 by qualified independent actuaries, and updated to 30 November 2023 by qualified independent actuaries. From this the fair value of plan assets is deducted. Past services costs are recognised immediately in the income statement. The assets of the schemes are administered in funds independent from those of the Group.

At 30 November 2023, the scheme showed a surplus of €1,452,000 (2022: surplus €742,000). The directors of Megger Instruments Limited are of the opinion that Megger Instruments is unconditionally entitled to the surplus if the scheme was wound up or the liabilities were gradually settled over time, and therefore the surplus has been recognised as a non-current asset in the consolidated balance sheet.

Additional schemes exist in Megger SARL and Megger Germany GmbH. The net valued liabilities of these schemes of €692,000 (2022: €791,000) are included in employee benefit liabilities and adjusted through the profit or loss as the amounts involved are not significant.

	2023	2022
	€'000	€'000
Pension asset (note 15)	(1,452)	(742)
Pension liability (note 20)	692	791
Net (asset) / liability	(760)	49

Employer contributions to the schemes by the group in the year ended 30 November 2023 amounted to €84,000 (2022: €83,000). There were no outstanding contributions to the schemes at the year end (2022: nil).

The best estimate of the contributions expected to be paid into defined benefit schemes is €84,000 per annum for the following two years (2022: €84,000).

Net benefit expense recognised in the income statement

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

	2023	2022
	€'000	€'000
Interest (income) / expense on the net benefit asset / liability	(5)	40
Current service cost	138	146
Net benefit expense	133	186

The Group expects the employee net benefit income recognised in the income statement in 2024 to approximate the income received in 2023.

The cumulative amount of actuarial gains and losses recognised in other comprehensive income is a loss of €6,676,000 (2022: €7,367,000 loss).

Net benefit expense recognised in other comprehensive income:

	2023	2022
	€'000	€'000
Actuarial (gains)	(691)	(2,788)
Deferred income taxes	184	681
Actuarial result through other comprehensive income	(507)	(2,107)

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21. Defined benefit pension schemes (continued)

Defined benefit obligation

	2023	2022
	€'000	€'000
Defined benefit obligations	16,950	18,676
Fair value of plan assets	(17,710)	(18,627)
Net pension (asset) / liability	(760)	49

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

	2023	2022
	€'000	€'000
At 1 December	18,676	26,845
Interest costs on benefit obligations	760	410
Current service cost	142	112
Pensions paid	(1,183)	(1,168)
Actuarial (gains) / losses	(1,275)	(6,924)
Exchange differences	(170)	(599)
At 30 November	16,950	18,676

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

	2023	2022
	€'000	€'000
At 1 December	18,627	23,874
Interest income on plan assets	765	370
Contributions by employers	84	83
Pensions paid	(1,183)	(1,168)
Return on plan assets	(583)	(4,136)
Exchange differences	-	(396)
At 30 November	17,710	18,627

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

	2023	2022
Equities	0.0%	21.0%
Government bonds	22.0%	4.0%
Liability driven investments	23.0%	16.0%
Diversified growth funds	16.0%	17.0%
Diversified credit funds	37.0%	40.0%
Cash	2.0%	2.0%
At 30 November	100.0%	100.0%

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21. Defined benefit pension liability (continued)

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. The principal assumptions used by the scheme's actuaries of the various schemes were:

	2023	2022	
Discount rate	5.1%	4.3%	
Future pension increases			
Post 88 GMPs	2.4%	2.4%	
Pre 1997 benefits (non GMP)	2.5%	2.6%	
Post 1997 benefits	3.3%	3.3%	
Revaluation deferred pensions (non GMP)	3.1%	2.9%	
Inflation assumption (CPI)	3.1%	2.9%	
Mortality tables used (applicable to 2023 and 2022)			
	Before retirement	Males	as post retirement
		Females	as post retirement
	After retirement	Males	100% of S3PXA
		Females	100% of S3PXA
	Improvement	CMI Model 2022 (1.25%)	

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:

		2023	2022
	Change in assumptions	Change in defined benefit obligation	Change in defined benefit obligation
Discount rate	+/- 0.25% pa	-2.2%/+2.3%	-2.5%/+2.6%
CPI Inflation	+/- 0.25% pa	+1.0%/-1.1%	+1.3%/-1.8%
Assumed life expectancy	+/- 1 year	+ 3.8%/-3.8%	+ 4.3%/-4.2%

The actual return on plan assets was:

	2023	2022
	€'000	€'000
Interest income on plan assets	765	370
Return on plan assets	(583)	(4,136)
Actual return on scheme assets	182	(3,766)

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22. Called up share capital and other reserves

Authorised, allotted and fully paid:	2023	2022
	€'000	€'000
Ordinary shares of GBP 1.00 each	92,158	92,158

Called-up share capital

The authorised share capital is 74,785,350 Ordinary shares of a nominal value of GBP 1.00 each (2022: 74,785,350). The issued share capital is 74,785,350 Ordinary shares of a value of GBP 1.00 each (2022: 74,785,350). There are no current plans to issue more shares.

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

Retained earnings

Retained earnings represents the cumulative profits attributable to the shareholders of the parent company.

The Company paid a dividend of €15,000,000 to the ultimate parent company, TBG AG, during the year ended 30 November 2023 (2022: € nil).

Merger reserve

The merger reserve of €30,364,000 (2022: €30,364,000) arose as a result of the Group reconstruction that took place in 2000.

Foreign exchange translation reserve

The foreign exchange translation reserve comprises the cumulative gains and losses arising on consolidation from translating the financial statements of foreign operations that use functional currencies other than Euros.

23. Capital commitments

The Group had capital commitments for property, plant and machinery of €467,000 (2022: €251,000).

24. Related party disclosures

During the year, the Group recognised transactions with the parent company, TBG AG, and fellow subsidiaries with a value of €145,000 (2022: €17,000). At year end, no balances were payable to the parent company, TBG AG, and fellow subsidiaries (2022: €346,000).

25. Parent company and ultimate controlling party

The Company's parent is TBG AG, based at Claridenstrasse 26, 8002 Zurich, Switzerland. The directors consider that the Company's ultimate controlling party is Kaszony Limited, as a trustee of the TB Continuity II Trust, a trustee company registered in Malta. TBG AG is the smallest undertaking of which the Company is a member, and Favorita Investment Limited, a company registered in Malta, is the parent of the largest undertaking.

26. Events after the End of the Reporting Period

On 1 December 2023, the group acquired the 60% of Seba Dynatronic Sverige AB that it did not already own.

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27. Financial assets and liabilities

The Group's international operations and debt financing expose it to financial risks which include the effects of changes in market rates, credit risks and liquidity risks.

Market risk

The Group's definition of Market risk is the risk of losses arising from movements in market prices such as currency and interest rates. The Group manages these in the following ways:

- a) Translation risk: the Group maintains borrowings in a range of currencies, where the group has net assets exposed to currency translation risk.
- b) Pricing risk: the Group has exposure to certain commodity price movements on materials used in key components, together with freight costs. Neither is hedged, but the Group maintains a broad supply chain base in order to provide flexibility over sourcing as markets direct.
- c) Foreign exchange risk: the Group operates manufacturing facilities in a number of countries and purchases input materials in a range of currencies, with exposure to UK Sterling, US Dollar and Swedish Kroner particularly significant. The Group has historically not taken out hedging contracts for such risks, as they only offer short term respite and instead seeks to minimise this exposure through natural currency hedges on the terms offered by trading between Group companies.
- d) Interest rate risk: the Group closely monitors its levels of debt and is required to report quarterly its lenders, compliance with certain banking covenants. The interest payable on the Group's borrowings is payable at a floating rate, together with a fixed margin calculated by reference to the Group's EBITDA leverage ratio.

Management consider the key sensitivity in this regard to be the risk of movements in interest rates. Based on average net debt in the year, management estimate that a 0.5% movement in interest rates would have an impact of €0.7m (2022: €0.6m).

Credit risk

The Group's definition of credit risk of the probable risk of loss resulting from a customer's failure to settle their invoices.

The risk is mitigated by the Group implementing policies that require credit checks to be carried out on all potential new customers. Credit limits are also reassessed regularly by the finance department in each local operation, pursuant to policies outlined in a Group authority document, which is in turn maintained by the Board.

Overall, the credit quality of customers is considered high, reflecting the fact that the majority of the Group's customers are either directly, or ultimately, public utilities. Having analysed the rate of bad and doubtful debt provisioning and projected forward the associated risk of loss, management are of the view that the impact would be immaterial (2022: immaterial).

Movements on the bad and doubtful debt provision:

	2023	2022
	€'000	€'000
Opening balance	930	892
Provision recognised during the year	492	38
Closing balance	1,422	930

Liquidity risk

The Group's definition of liquidity risk of the risk that it is unable to meet its short term financial demands.

The Group manages its liquidity risk by maintaining regular cash flow forecasts, which are reviewed by management to ensure that cash inflows are optimised around the Group to meet expected outflows. The Group regularly monitors working capital levels, in particular inventories, trade receivables and trade payables.

The Group ensures it remains as a going concern through maintaining a balance of cash, short term and long term debt. The Group actively monitors its levels of borrowings and seeks to limit any adverse financial impact. The Group achieves this through maintaining a tracker of compliance with its banking covenants to ensure it has access to sufficient funds under the terms of its banking agreements.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity investment, in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the Balance Sheet at fair value when the Group becomes party to the contractual provisions of the instrument.

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27. Financial assets and liabilities (continued)

Financial assets: current

	Carrying value	
	2023	2022
	€'000	€'000
Receivables	72,303	65,839
Cash at bank and in hand	16,125	14,770
Financial assets measured at amortised cost	88,428	80,609
Financial assets at fair value through P&L	820	-
	89,248	80,609

Receivables are disclosed net of provisions for expected credit loss, with historical write-offs used as a basis. Credit risk is managed separately for each customer and, where appropriate, a credit limit is set for the customer based on previous experience of the customer and third party credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

Financial assets are non-derivative items with fixed or determinable payments that are not quoted in an active market and are therefore considered to be Level 3 of the fair value hierarchy, with unobservable valuation inputs. These items are included in current assets, except for maturities of greater than 12 months after the balance sheet date, which are in turn classified as non-current assets. The Group's financial assets comprise cash at bank and in hand and trade and other receivables, all of which arise directly from its operations.

Financial liabilities: current

	Carrying value	
	2023	2022
	€'000	€'000
Financial liabilities measured at amortised cost		
Trade and other payables	41,738	38,545
Borrowings	789	3,733
	42,527	42,278

Financial liabilities: non-current

	Carrying value	
	2023	2022
	€'000	€'000
Financial liabilities measured at amortised cost		
Borrowings	136,861	122,205
	136,861	122,205

Financial liabilities are non-derivative items with fixed or determinable payments that are not quoted in an active market. These items are included in current liabilities, except for maturities of greater than 12 months after the balance sheet date, which are in turn classified as non-current liabilities. The Group's financial liabilities comprise bank loans and overdrafts and trade payables, both of which arise directly from its operations.

Having analysed the components the assets and liabilities set out above, it is management's opinion that the carrying value is a reasonable approximation of the fair value of each. All trade and other payables fall due within 1 year. The contracted maturity of borrowings is set out below:

	Less than 1 year	2 to 5 years	Total
	€'000	€'000	€'000
Bank debt	789	136,861	137,650
Interest	7,304	14,008	21,312
At 30 November 2023	8,093	150,869	158,962
Bank debt	3,733	122,205	125,938
Interest	3,792	11,065	14,857
At 30 November 2022	7,525	133,270	140,795

This note should be read in conjunction with Note 28 Leases.

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28. Leases

The company leases some of its properties, vehicles and various office equipment. Rental contracts are typically made for fixed periods but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of property for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

	Number of right-of-use assets leased	Range of remaining terms	Average remaining lease term
Land and buildings	44	1-14 years	4 years
Plant and machinery	147	1-5 years	2 years
Other operating fixed assets	3	1-4 years	3 years

The related underlying asset secures the lease liabilities. Future minimum lease payments were as follows:

	Within 1 year	Between 2 and 5 years	Later than 5 years	Total
At 30 November 2023				
Lease payments	4,489	12,505	14,355	31,349
Finance charge	(306)	(796)	(1,021)	(2,123)
Net present value	4,183	11,709	13,334	29,226
At 30 November 2022				
Lease payments	4,356	12,832	16,566	33,754
Finance charge	(280)	(817)	(950)	(2,047)
Net present value	4,076	12,015	15,616	31,707

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2023 €'000	2022 €'000
Short-term leases	369	585
Leases of low value assets	166	213
Net present value	535	798

Right of use assets

	Buildings €'000	Plant and machinery €'000	Other assets €'000	Total €'000
Cost				
At 1 December 2022	33,824	2,852	612	37,288
Additions	1,841	1,530	-	3,371
Disposals	(253)	(289)	(320)	(862)
Exchange adjustments	(1,396)	(24)	(16)	(1,436)
At 30 November 2023	34,016	4,069	276	38,361
Depreciation and impairment				
At 1 December 2022	4,380	1,424	327	6,131
Charge for the year	3,733	990	170	4,893
Disposals	(253)	(289)	(320)	(862)
Exchange adjustments	(137)	(15)	-	(152)
At 30 November 2023	7,723	2,110	177	10,010
Net book value:				
At 30 November 2023	26,293	1,959	99	28,351
At 30 November 2022	29,444	1,428	285	31,157

Megger Group Limited

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28. Leases (continued)

Lease Liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2023	2022
	€'000	€'000
Current	4,183	4,076
Non-current	25,043	27,631
	29,226	31,707

Finance lease receivables

The Group enters into rental and leasing contracts whereby it provides customers with equipment for a specific timeframe. Depending on the terms of these arrangements, the Group classifies these as either operating leases or finance leases.

Where the Group leases equipment and transfers substantially all of the risks and rewards of ownership of the assets they are classified as finance leases. Such assets are reported as receivables at an amount equal to the net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group has entered into a lease arrangement as a lessor that are considered to be finance leases. The Group leases equipment and as they transfer substantially all of the risks and rewards of ownership of the assets they are classified as finance leases.

The maturity analysis of the lease receivables, including the undiscounted lease payments to be received are as follows:

	2023	2022
	€'000	€'000
FUTURE MINIMUM FINANCE LEASE PAYMENTS RECEIVABLE:		
Undiscounted lease payments within 1 year	-	662
Undiscounted lease payments between 1 and 5 years	-	-
Undiscounted lease payments thereafter	-	-
Undiscounted lease payments	-	662
Unearned finance income	-	(16)
Carrying amount of the net investment	-	646

29. Business combinations and asset acquisitions

On 30th March 2023, Megger made a combined share and asset acquisition from Weidmann Holding AG. The consideration was all cash. The group's operating profit includes advisory fees of €235,000 which were incurred during the acquisition. None of the goodwill is expected to be deductible for tax purposes.

The acquired businesses operate in the US, Canada and Mexico using the name AVO Diagnostic Services, and would have contributed €9.0m of revenue and €0.7m of operating profit to the consolidated income statement had they been part of the Group for the whole year.

	Carrying value	Fair value adjustment	Total
	€'000	€'000	€'000
Intangible fixed assets	-	6,185	6,185
Tangible fixed assets	1,444	-	1,444
Working capital	1,069	-	1,069
Deferred tax liability	-	(1,129)	(1,129)
Total identifiable net assets	2,513	5,056	7,569
Goodwill			6,527
Total consideration	2,513	5,056	14,096

Megger Group Limited

Registered Number: 02582519

Company Financial Statements

For the year ended 30 November 2023

Archcliffe Road, Dover, Kent, CT17 9EN

Megger Group Limited
Company's financial statements for the year ended 30 November 2023

Company balance sheet


As at 30 November 2023

	note	2023 €'000	2022 €'000
Fixed assets			
Intangible assets	3	19,601	4,247
Tangible assets	4	108	75
Investments	5	277,945	281,278
		297,654	285,600
Current assets			
Receivables	6	54,240	34,424
Cash at bank and in hand		4,330	4,431
		58,570	38,855
Current liabilities			
Payables		(18,073)	(14,812)
Current tax		(762)	(123)
	7	(18,835)	(14,935)
Net current assets		39,735	23,920
Receivables falling due after one year		444	1,242
Total assets less current liabilities		337,833	310,762
Non-current liabilities			
Net borrowings	8	(117,680)	(89,669)
Long term bonus plans		(3,711)	(3,028)
Lease liabilities		(18)	(14)
		(121,409)	(92,711)
Net assets		216,424	218,051
Capital and reserves			
Called up share capital		92,158	92,158
Retained earnings		124,266	125,893
Total equity		216,424	218,051

The Company's result for the year was a profit of €13,373,000 (2022: €4,716,000 profit).

The financial statements, including the accounting policies and notes on pages 50 to 54, were approved by the Board of Directors on 28 March 2024.

Signed on behalf of the Board of Directors:

DocuSigned by:

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J. J. C. Simpson
Director

Company registration no: 02582519

Megger Group Limited
Company's financial statements for the year ended 30 November 2023

Company statement of changes in equity

As at 30 November 2023

	Called-up share capital €'000	Profit and loss account €'000	Total €'000
At 1 December 2021	92,158	121,177	213,335
Profit for the year	-	4,716	4,716
Other comprehensive income	-	-	-
Total comprehensive income	-	4,716	4,716
Dividends paid	-	-	-
At 30 November 2021	92,158	125,893	218,051
At 1 December 2022	92,158	125,893	218,051
Profit for the year	-	13,373	13,373
Other comprehensive income	-	-	-
Total comprehensive income	-	13,373	13,373
Dividends paid	-	(15,000)	(15,000)
At 30 November 2023	92,158	124,266	216,424

Share capital

The share capital is detailed in note 22 of the consolidated financial statements.

Profit and loss account

This reserve represents accumulated retained profits. The amount is available for distribution to the shareholder, subject to a limitation on the realised profit in accordance with the requirements of the UK Companies Act, 2006.

The accounting policies and notes on pages 50 to 54 form part of these financial statements.

Megger Group Limited

Consolidated financial statements for the year ended 30 November 2023

Company statement of cash flows

For the year ended 30 November 2023

	note	2023 €'000	2022 €'000
Cash flows from operating activities			
Profit for the financial year		13,373	4,716
Adjustments for:			
Amortisation of intangible assets	3	2,032	90
Depreciation of tangible assets	4	44	23
Interest payable and similar charges		8,018	2,820
Interest receivable and similar income		(1,161)	(58)
Tax on profit on ordinary activities		407	(74)
Increase in trade and other receivables		(19,018)	(10,867)
Increase in trade and other payables		4,621	11,221
Cash from operations		8,316	7,871
Income taxes refunded / (paid)		-	25
Net cash generated from operating activities		8,316	7,896
Cash flows from investing activities:			
Purchase of intangible assets		(18,171)	(4,239)
Purchase of tangible assets	4	(77)	(25)
Proceeds from capital reductions	5	2,673	5,223
Investment in subsidiary undertakings	5	-	(5,947)
Interest received		171	58
Net cash used in investing activities		(15,404)	(4,930)
Cash flows from financing activities:			
Proceeds from borrowings		28,100	1,900
Repayment of leasing liabilities		(34)	(19)
Payment of bank facility fees		(157)	(573)
Interest and bank charges paid		(5,985)	(2,020)
Dividends paid		(15,000)	-
Net cash generated from / (used in) financing activities		6,924	(712)
Net (decrease) / increase in cash and cash equivalents		(164)	2,254
Foreign exchange translation adjustment		63	(250)
Cash and cash equivalents at beginning of year		4,431	2,427
Cash and cash equivalents at end of period		4,330	4,431
Cash and cash equivalents comprise the following:			
Cash at bank and in hand		4,330	4,431

The accounting policies and notes on pages 50 to 54 form part of these financial statements.

Megger Group Limited

Company's financial statements for the year ended 30 November 2023

Notes to the Company's financial statements

For the year ended 30 November 2023

In thousands of Euros

1. General

The Company's principal activity is to act as a holding company for industrial investments. The activities of the operating subsidiaries and associates are set out in the Directors' Report. The Company is a limited-liability company registered under UK Companies Act, 2006, with number 02582519, and is located at Avocet House, Archcliffe Road, Dover, Kent, CT17 9EN. The Company's functional currency is the Euro.

2. Summary of significant accounting policies

The accounting policies applied to the Company's financial statements are the same as those relating to the consolidated financial statements as presented on pages 15 to 19 with the following additions:

- The participations in Group companies are carried in the parent company's accounts at cost (less any impairment where applicable).
- Amounts due to and from Group entities are disclosed separately as receivable or payable, and are disclosed as current or non-current based on the repayment terms are treated as financial liabilities and financial assets respectively. Accounting policies for these are as disclosed in the Group accounting policies as presented on pages 22 to 28.

3. Intangible fixed assets

	Goodwill	Customer lists	Capitalised software	Other	Total
Cost					
At 1 December 2021	-	-	1,814	-	1,814
Additions	-	-	4,239	-	4,239
At 30 November 2022	-	-	6,053	-	6,053
Amortisation					
At 1 December 2021	-	-	1,716	-	1,716
Charge for the year	-	-	90	-	90
At 30 November 2022	-	-	1,806	-	1,806
Net book value:					
At 30 November 2022	-	-	4,247	-	4,247
At 30 November 2021	-	-	98	-	98
Cost					
At 1 December 2022	-	-	6,053	-	6,053
Additions	6,527	4,907	4,674	1,278	17,386
Disposals	-	-	-	-	-
At 30 November 2023	6,527	4,907	10,727	1,278	23,439
Amortisation					
At 1 December 2022	-	-	1,806	-	1,806
Charge for the year	-	654	1,208	170	2,032
Disposals	-	-	-	-	-
At 30 November 2023	-	654	3,014	170	3,838
Net book value:					
At 30 November 2023	6,527	4,253	7,713	1,108	19,601
At 30 November 2022	-	-	4,247	-	4,247

Note 29 provides details of the business combination from which the goodwill and other PPA assets derived.

Megger Group Limited

Company's financial statements for the year ended 30 November 2023

4. Tangible fixed assets - IT and other equipment	2023	2022
	€'000	€'000
Cost		
Opening balance	224	199
Additions	77	25
Closing balance	301	224
Depreciation		
Opening balance	149	126
Charge for the year	44	23
Closing balance	193	149
Net book value:	108	75

The net carrying amount of tangible fixed assets includes €38,000 of right-of-use assets (2022: €44,000).

5. Investments in subsidiaries

Movements in investments in Group companies are as follows:	2023	2022
	€'000	€'000
Opening balance	281,278	281,270
Additions in the year	-	5,947
Movements on the Megger Holding GmbH & Co KG partnership account	(660)	(716)
Other capital reductions	(2,673)	(5,223)
Closing balance	277,945	281,278

Megger Group Limited

Company's financial statements for the year ended 30 November 2023

5. Investments in subsidiaries and associates (continued)

List of non-dormant direct and indirect participations:

Name	Address	Nature of business	% Economic Interest	% Economic Interest
			2023	2022
Megger Limited	Archcliffe Road, Dover, Kent, CT17 9EN, UK	B	100%	100%
Megger Instruments Limited	Archcliffe Road, Dover, Kent, CT17 9EN, UK	A	100%	100%
AVO International Inc	4545 West Davis Street, Dallas, Texas 75211, United States	D	100%	100%
AVO Multi-Amp Corp*	4545 West Davis Street, Dallas, Texas 75211, United States	A	100%	100%
James G. Biddle Inc*	4545 West Davis Street, Dallas, Texas 75211, United States	A	100%	100%
AVO Training Institute*	4545 West Davis Street, Dallas, Texas 75211, United States	C	100%	100%
Megger Systems and Services, Inc.*	4545 West Davis Street, Dallas, Texas 75211, United States	C	100%	100%
Power DB, Inc*	3011 Earl Rudder Freeway South, Suite 200, College Station, TX 77845, United States	A	100%	100%
Megger Limited	Unit 106-550 Alden Road, Markham, Ontario, L3R 6A8, Canada	B	100%	100%
Megger International Finance Limited	Commerce House, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, VG1110, British Virgin Islands	D	100%	100%
Megger PTY Limited*	Unit 1, 11-21 Underwood Road, Homebush NSW 2140, Australia	B	100%	100%
Megger Sweden AB	Rinkebyvägen 19, Box 724, 182 36 Danderyd, Sweden	A, B	100%	100%
Megger GmbH +	Vaalser Str. 250, 52074 Aachen, Germany	B	100%	100%
Megger Schweiz AG*	Wallbach 13, CH-5107 Schinz nach Dorf, Switzerland	B	100%	100%
Megger Hong Kong Limited*	Workshop No. 8, 26/F Mega Trade Centre, 1 - 6 Mei Wan St. Tsuen Wan, N.T., Hong Kong	B	100%	100%
Megger India Private Limited *	Blue Wave, 3rd Floor, Plot No: C22 & C23, Off Link Road, Behind Kuber Chambers, Andheri W, Mumbai 400053, India	B	100%	100%
Megger Instruments India Private Limited *	Blue Wave, 3rd Floor, Plot No: C22 & C23, Off Link Road, Behind Kuber Chambers, Andheri W, Mumbai 400053, India	A	100%	100%
Megger S.A.R.L.*	9 rue Mickaël Faraday, 78180 Montigny-le Bretonneux, France	B	100%	100%
Megger Holding Verwaltungs GmbH	Dr.-Herbert-lann-Str. 6, 96148 Baunach, Germany	D	100%	100%
Megger Germany GmbH +	Dr.-Herbert-lann-Str. 6, 96148 Baunach, Germany	A, B	100%	100%
Megger Holdings GmbH +	Dr.-Herbert-lann-Str. 6, 96148 Baunach, Germany	D	100%	100%
Megger Sp. Z.o.o.*	Stara Iwiczna, ul. Słoneczna 42A, 05-500 Piaseczno, Poland	B	100%	100%
Megger Instruments S.L *	Calle la Florida 1, Nave 16 Parque Empresarial Villapark, 28670 Villaviciosa de Odón, Madrid, Spain	B	100%	100%
Megger Bulgaria EOOD *	Sitniakovo Str. 35, 1505 Sofia, Bulgaria	B	100%	100%
Megger s.r.o.*	Rožňavská 12, 821 04 Bratislava, Slovakia	B	100%	100%
Megger Hungaria Kft *	Vitéz u. 14/A, H-1027, Budapest, Hungary	B	100%	100%
Megger CZ s.r.o.*	Budečská 18/1010, 120 00 Praha 2, Czech Republic	B	100%	100%
Megger Brasil*	Rua Bom Sucesso, 220 – Sala 3801 - Tatuapé, São Paulo, Brasil, 03305-000	B	100%	100%
Megger Limited Liability Company *	2nd Kozhukhovskiy proezd, 29, bldg. 2, p. 16, 115432 Moscow, Russia	A, B	95%	95%
Seba Energo OOO*	2nd Kozhukhovskiy proezd, 29, bldg. 2, p. 16, 115432 Moscow, Russia	A	100%	100%
Megger Diagnostic Holdings GmbH +	Vaalser Str. 250, 52074 Aachen, Germany	D	100%	100%
Power Diagnostix Instruments GmbH +	Vaalser Str. 250, 52074 Aachen, Germany	B	100%	100%
Power Diagnostix Services GmbH *	Vaalser Str. 250, 52074 Aachen, Germany	C	100%	100%
Power Diagnostix Systems GmbH *	Vaalser Str. 250, 52074 Aachen, Germany	F	100%	100%
Megger China Company Limited *	Room 3002-3005, Bulid 38, Qidi Science & Technology City, No.60 Weixin Road, SIP Suzhou, Jiangsu, China 215122	B	100%	100%
Megger Elektrik Sis. Test. Hiz. Tic Ltd Sti *	Aziziye Mh. Piyade S. 22/11 06540 Çankaya, Ankara, Turkey	B	100%	100%
Vespula Limited *	Archcliffe Road, Dover, Kent, CT17 9EN, UK	E	100%	100%
Megger Grid Analytics Limited *	20 Galgalei Haplada Street, Herzliya, Tel Aviv, Israel	F	100%	100%
Megger Grid Analytics Limited *	Archcliffe Road, Dover, Kent, CT17 9EN, UK	F	100%	100%
Megger Systems Limited	Archcliffe Road, Dover, Kent, CT17 9EN, UK	D	100%	100%
Megger Systems GmbH *	Vaalser Str. 250, 52074 Aachen, Germany	D	100%	100%
Megger Systems Inc *	4545 West Davis Street, Dallas, Texas 75211, United States	D	100%	100%
Rheinsee 848. V V GmbH *	Vaalser Str. 250, 52074 Aachen, Germany	D	100%	100%
Megger Malaysia *	No.1, Jalan Stesan Sentral 2, Kuala Lumpur 50470, Malaysia	B	100%	100%
Megger Arabia Limited *	3268 Asayla St, As Sulay 6855, 14264 Riyadh, Saudi Arabia	B	100%	100%
Megger Africa Limited *	21 Lighthouse Road, Umhlanga, KwaZulu Natal, 4319, South Africa	B	100%	100%
Avo Diagnostics Services Canada Ltd *	Unit 106-550 Alden Road, Markham, Ontario, L3R 6A8, Canada	C	100%	100%
Megger Systems Mexico *	Carr. Lib. Prof. Óscar Flores Tapia 25350 Arteaga, Coahuila, México	C	100%	100%
Megger A/S* (Associate)	Bjørnstadmyra 7A , 1712 Grålum, Norway	B	34%	34%
Seba Dynatronik Sverige AB* (Associate)	Svarvarvagen 1, SE-132 38 Saltsjö-Boo, Stockholm, Sweden	B	40%	40%
Seba Service N.V.* (Associate)	244 Kerkstraat, Humbeek, Belgium, 1851	B	33%	33%

* denotes investments owned through subsidiaries.

Megger Group Limited

Company's financial statements for the year ended 30 November 2023

5. Investments in subsidiaries and associates (continued)

The Company also has a 100% interest in Megger Holding GmbH & Co KG, a partnership 90% owned directly by the Company and 10% owned indirectly through Megger Limited, and a 100% interest in Megger Real Estate Germany GmbH, a company which is 95% owned directly by the Company and 5% owned indirectly through Megger Limited. Subsidiaries marked + are 100% owned through the partnership.

A subsidiary of the Company holds an investment in IPS Intelligent Process Solutions Limited GmbH, a software company headquartered at Dr.-Gustav-Adolph-Str. 2, 82049 Pullach im Isartal, Germany. The percentage holding is commercially confidential and further details are provided in note 13 to the Consolidated financial statements.

The letters allocated to the nature of business in the above table are as follows: A is manufacturer of electrical and electronic measuring instruments; B is distributor of test and measuring equipment; C is training and services; D is holding/finance company, E is software provision and F is monitoring systems.

The shares owned by the company are all Ordinary shares. The company has other wholly owned non-trading subsidiary undertakings.

In the opinion of the directors, the value of the company's interests in its subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

6. Receivables

	2023	2022
	€'000	€'000
Amounts owed by subsidiary undertakings	51,933	32,531
Other receivables	2,307	1,893
Deferred tax assets	444	1,242
	54,684	35,666

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

	2023	2022
	€'000	€'000
Deferred tax assets	444	1,242

7. Current liabilities

	2023	2022
	€'000	€'000
Trade payables	1,593	923
Amounts owed to subsidiary undertakings	13,137	10,503
Long term bonus plans	1,267	1,892
Lease liabilities	20	12
Accruals and other payables	2,056	1,482
Corporation tax payable	762	123
	18,835	14,935

Megger Group Limited

Company's financial statements for the year ended 30 November 2023

8. Non-current liabilities

	2023	2022
	€'000	€'000
Bank loans	120,000	91,900
Deferred facility costs	(2,320)	(2,231)
	117,680	89,669
Long term bonus plans	3,711	3,028
Lease liabilities	18	14
	121,409	92,711

Bank loans are repayable as follows:

Conditions of loans	Maturity	2023	2022
		€'000	€'000
Unsecured external bank term loan	Oct-26	120,000	91,900

Further details of the Group's borrowing arrangements are disclosed in Note 19 of the consolidated financial statements.

9. Provisions for liabilities - long-term bonus plans

	2023	2022
	€'000	€'000
Current liabilities (note 7)	1,267	1,892
Non-current liabilities (note 8)	3,711	3,028
	4,978	4,920

10. Contingencies and commitments

The Company has guaranteed payment of the overall borrowings from the bank loan facility.

11. Related Party disclosures

During the year, the Company had €134,000 of transactions with the parent company, TBG AG, and fellow subsidiaries (2022: €17,000). At year end, no balances were payable to the parent company, TBG AG, and fellow subsidiaries (2022: €nil).

Note 9 of the consolidated financial statements sets out Directors' remuneration.

12. Financial assets and liabilities

Having analysed the components the assets and liabilities set out above, it is management's opinion that the carrying value is a reasonable approximation of the fair value of each. The contracted repayment period of borrowings is set out below:

	Less than 1 year	2 to 5 years	Total
	€'000	€'000	€'000
Bank debt	-	120,000	120,000
Interest	5,244	10,057	15,301
At 30 November 2023	5,244	130,057	135,301
Bank debt	-	91,900	91,900
Interest	2,532	7,388	9,920
At 30 November 2022	2,532	99,288	101,820