



Company Registration No.  
**02937881**

# NPL Management Ltd Report and Financial Statements

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**31 December 2019**

**NPL MANAGEMENT LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**Company Registration No: 02937881 (England and Wales)**

## **NPL MANAGEMENT LIMITED**

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**NPL MANAGEMENT LIMITED**

**COMPANY INFORMATION**

**Directors**

Sir D Grant (Non-Executive)  
Dr P A Thompson  
Dr P J A Howarth (Non-Executive)  
Prof. Sir J R McDonald (Non-Executive)  
Dr M R Sené  
Ms B Sutcliffe (Non-Executive)  
Professor G M Lu (Non- Executive)  
Mr N J Perry (Non- Executive)  
Ms P J Holt  
Dr S Hurst (Non- Executive)

**Company Secretary**

Andy Armstrong (resigned 31 Aug 2019)  
Rebecca Hunter (appointed 13 Feb 2020)

**Address**

National Physical Laboratory  
Hampton Road  
Teddington  
Middlesex  
TW11 0LW

**Banker**

Barclays Bank plc  
1 Churchill Place  
Canary Wharf  
London  
E14 5HP

**Auditor**

RSM UK Audit LLP  
Chartered Accountants  
One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

## NPL MANAGEMENT LIMITED

### DIRECTORS' REPORT

At NPL we are focused on developing solutions for some of the biggest national and international challenges; creating impact from science to cultivate growth across areas the UK will most benefit from in the future: advanced manufacturing, digital, energy and environment, and life sciences and health. For well over a century, we have worked with business, industry, academia and government to translate scientific expertise into economic prosperity, skilled employment and improved quality of life.

One of our biggest highlights of 2019 was the revision of the International System of Units (SI), so from World Metrology day on 20 May 2019, the SI base units are now defined in terms of constants of nature. This was a historic, once-in-a-lifetime change, with NPL scientists making pivotal scientific contributions as part of this worldwide collaboration. The late Bryan Kibble, who developed the watt balance at NPL, was internationally recognised as a critical contributor to the revision, and the SI community renamed the watt balance as the Kibble balance in his honour.

Also, of particular note, was the TRUTHS satellite mission, proposed by the UK Space Agency and conceived at NPL by Prof. Nigel Fox. TRUTHS was selected as an operational mission by the European Space Agency. The mission will set a new benchmark for fundamental climate data and remove biases from existing sensors, helping to ensure essential long-time-base studies, of key parameters, which impact our understanding of the Earth's systems and how they are changing.

NPL played a leading role at the UK National Quantum Technology Programme's annual Quantum Technologies Showcase event. NPL has a vital role in this national programme, developing new quantum technologies, working alongside several leading UK universities, and providing the validation and testing that is essential for these new technologies to be taken up by industry.

2019 also saw significant work on the development of the UK's National Timing Centre. The programme will pave the way for trusted and assured time and frequency by developing an infrastructure of secure locations, helping the UK to advance security and resilience in time and frequency, while supporting the development of skills.

On the health and life sciences front, we reached a significant milestone in our quest to commercialise our diabetic foot ulcer device, with the formation of a subsidiary – Celsius Health. Celsius Health's pioneering platform technology delivers clinically relevant levels of temperature measurement, unlocking the huge clinical diagnostic and prognostic potential of thermal imaging for the first time.

NPL working alongside University College London created a new artificial virus that kills bacteria, offering a potential new solution to the problem of antibiotic resistance. Rather than seeking out antibiotics that exist in nature, as has been the case with previous advances, the team of experts have designed one from the ground up, inspired by viruses.

Internationally, a collaborative project between UK and Chinese scientists developed real-time sensing methods and test protocols for detection of hepatitis B virus. Many hundreds of thousands of people worldwide die each year from hepatitis B and related complications. NPL's work contributed to the production of a graphene-based 'dip chip', which can be used for sensing the presence of hepatitis B antibodies. The devices are now being manufactured by a Chinese company and have the potential to make a huge healthcare impact worldwide.

The sales from NPL's measurement services grew by 13% in 2019 relative to the prior year. We did work for 333 new customers who had never previously used NPL, of which 169 were from the UK. Four new areas of business were introduced in 2019; a new Biometrics service; the 5G Future technology service went live; the 'Eyelight' service for photonics customers and an alcohol detection service.

As a key partner in the Analysis for Innovators (A4I) programme, NPL was involved in delivering 99 projects supporting 84 different companies, helping them to: get products to market quicker or take products to new markets; helping them secure price premiums for their products, which for one company, delivered £17.5 million of sales; and helping them secure patents and future investment, for one start-up this created their first £5 million licensing deal.

To deliver all this amazing work, we need amazing people, who are supported and enabled to 'give it their all'. At NPL we have over 1,000 scientists, engineers and skilled professionals who work together to deliver our exceptional science and engineering work. 2019 saw NPL's 100th apprentice since 2013, a fantastic milestone, especially as one of our original apprentices, Perdi Williams was selected as one of the UK's Top 50 Women in Engineering. MBEs were awarded in the Queen's Birthday Honours list to Helen Margolis for her services to metrology and Andrew Hanson for his services to STEM education. Graham Machin and Gareth Hinds, were both elected as Fellows of the Royal Academy of Engineering and Martyn Sené was elected President of CIPM Consultative Committee on Ionising Radiation.

These achievements and all the outstanding individuals working at NPL underpin our vision to deliver extraordinary impact from excellent science and engineering and ensure that we remain a world-leading and exemplary national laboratory.

## NPL MANAGEMENT LIMITED

### DIRECTORS' REPORT(cont.)

Details of future developments, post balance sheet events, the Company's business relationships with suppliers, customers and others, financial risk management and employee involvement, can be found in the Strategic Report and form part of this report by cross-reference.

#### Directors

The current directors of the company are:

Sir D Grant (Non-Executive)

Dr P A Thompson

Dr P J A Howarth (Non-Executive)

Prof. Sir J R McDonald (Non-Executive)

Dr M R Sené

Ms B Sutcliffe (Non-Executive)

Professor G M Lu (Non- Executive)

Mr N J Perry (Non- Executive)

Ms P J Holt

Dr S Hurst (Non- Executive)

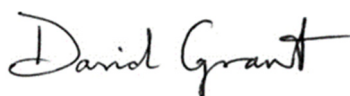
#### Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink that reads "David Grant".

Sir David Grant  
Chair

A handwritten signature in black ink that reads "P. Thompson".

Dr Peter Thompson  
Chief Executive  
Officer

# NPL MANAGEMENT LIMITED

## GOVERNANCE STATEMENT

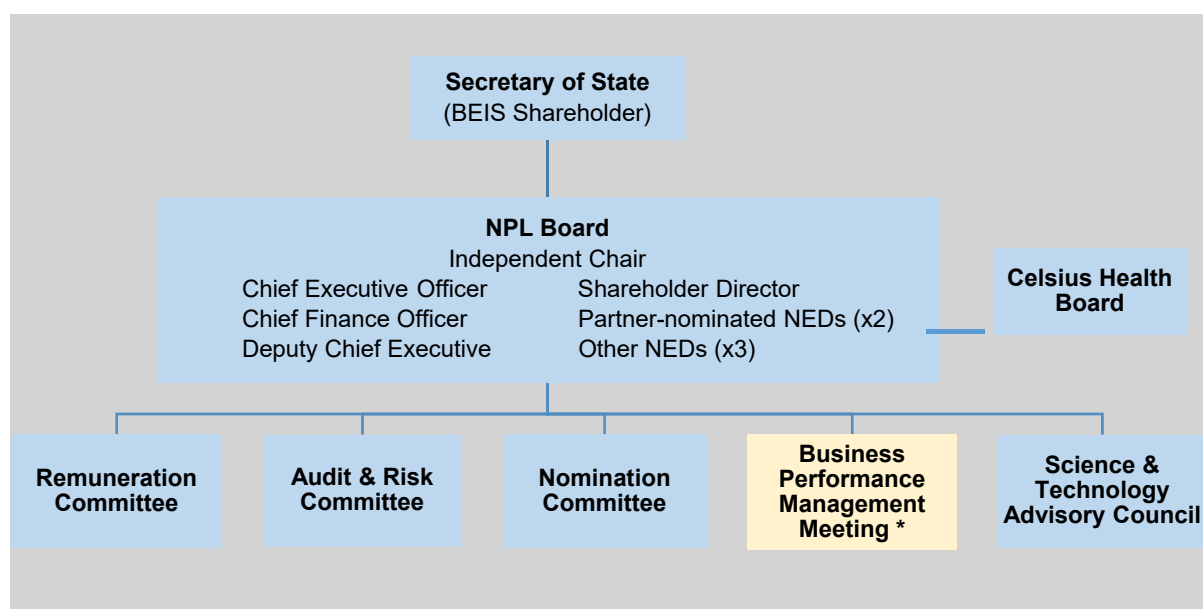
### THE PURPOSE OF THE GOVERNANCE STATEMENT

The Governance Statement, for which I take personal responsibility, is intended to give a clear understanding of the dynamics of the business and the compliance and configuration of its control structure. It explains how NPL has complied with the principles of good governance and reviews the effectiveness of its governance arrangements<sup>1</sup>.

### SCOPE OF RESPONSIBILITY

As NPL Accounting Officer, I have responsibility for the maintenance and oversight of a sound system of internal control and governance that supports the achievement of NPL policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible. In addition, as the NPL Accounting Officer, I am responsible to the BEIS Principal Accounting Officer for the high standards of probity in the management of public funds. This is in accordance with the responsibilities assigned to me in HM Treasury's Managing Public Money.

### THE GOVERNANCE FRAMEWORK



*\*The Business Performance Management Meeting is not a committee of the NPL Board, but reports from this meeting are circulated to the NPL Board*

Roles and high-level responsibilities within the governance framework include the following:

**Secretary of State:** The Secretary of State for Business, Energy and Industrial Strategy (BEIS) is the Minister with formal responsibility for NPL. Day-to-day ministerial oversight and the formal ownership role are delegated to the Minister of State for Universities, Science, Research and Innovation (USRI). The Secretary of State and the Minister of State for USRI are answerable to Parliament for all matters relating to NPL and hold ministerial policy responsibility for NPL.

**NPL Board:** The Board ensures that NPL is working within a framework of effective governance arrangements. These governance arrangements enable risk to be appropriately assessed and managed. The Board also provides

<sup>1</sup> NPL is not required to comply with the provisions of the UK Corporate Governance Code, does not intend to fully comply with the Code and is not required to give a statement of compliance with the Code.

## NPL MANAGEMENT LIMITED

### GOVERNANCE STATEMENT (continued)

support, independent constructive challenge and strategic leadership to the NPL Executive Team. The Board is led by an independent, non-executive Chair, Sir David Grant. The Senior Independent Director is Nigel Perry<sup>2</sup>.

The Board's composition includes:

- an independent Chair (Sir David Grant)
- a senior independent director (Mr Nigel Perry)
- a BEIS shareholder representative (Dr Stephanie Hurst);
- Representation from each of NPL's strategic university partners: The University of Surrey (Prof G. Q. Max Lu) and University of Strathclyde (Sir James McDonald).
- other Non-Executive Directors comprising Dr Paul Howarth (also the Chair of the STAC); and Brigid Sutcliffe (the Chair of the Audit Committee).
- three Executive Directors. This includes the Chief Executive Officer (CEO and also Chair of the Celsius Health Board), the Deputy CEO and the Chief Finance Officer (CFO).

**The Science and Technology Advisory Council (STAC) provides independent strategic advice, challenge and support to the National Physical Laboratory, particularly on the quality, international standing and industrial relevance of NPL's science and technology.**

**The Remuneration Committee (Rem Com)** approves the remuneration and incentives for employees and, in particular, for the executive directors in accordance with its terms of reference.

**The Audit and Risk Committee** oversees audit and risk management in NPL. The Committee is responsible for providing assurance to the Board on the adequacy and effectiveness of governance, internal control and risk management arrangements.

**The Nominations Committee (Nom Com)** plays a key role in the appointment process for Board members and for making recommendations to the Board.

**The Business Performance Meeting (BPM)** was established in September 2019 to succeed the NPL Governance Committee and met monthly from September. The BPM membership comprises the NPL Executive and is NPL's business and operational decision-making forum, providing direction and leadership to the organisation.

**The Celsius Health Board** was established in February 2019 and ensures that NPL's subsidiary (Celsius Health Ltd) works within NPL's framework of governance whilst working towards spinning out as an independent company. Celsius Health Ltd is a wholly owned subsidiary of NPLML (NPL Management Ltd).

### NPL BOARD AND BOARD COMMITTEE ATTENDANCE

2019 Board Members	March	May	September	November	Total
Sir David Grant (Chair)	✓	✓	✓	✓	4/4
Mr Nigel Perry (SID)	✓	✓	✓	✓	4/4
Dr Paul Howarth	✓		✓	✓	3/4
Ms Brigid Sutcliffe	✓	✓	✓	✓	4/4
Dr Stephanie Hurst	✓	✓	✓	✓	4/4
Prof G.Q. Max Lu		✓	✓	✓	3/4
Prof Sir Jim McDonald	✓	✓	✓	✓	4/4
Dr Peter Thompson	✓	✓	✓	✓	4/4
Dr Martyn Sené	✓	✓	✓	✓	4/4
Ms Penny Holt	✓	✓	✓	✓	4/4

<sup>2</sup> Nigel was re-appointed to the Board in May 2019 and was appointed Senior Independent Director (SID) at this time. Prior to this, NPL had not had a SID.



## NPL MANAGEMENT LIMITED

### GOVERNANCE STATEMENT (continued)

2019 Board Committee Members & Attendees	Rem Com	Audit & Risk	Nom Com	STAC*
Sir David Grant (Chair)	2/2		1/1	
Mr Nigel Perry (SID)	2/2	4/4		
Dr Paul Howarth	2/2	2/4	1/1	2/2
Ms Brigid Sutcliffe	2/2	4/4	1/1	
Dr Stephanie Hurst	2/2	**	1/1	
Prof G.Q. Max Lu				
Prof Sir Jim McDonald	1/2			
Dr Peter Thompson	2/2	4/4	1/1	2/2
Dr Martyn Sené				2/2
Ms Penny Holt		4/4		
Dr Penny Owen				1/2
Dr JT Janssen				2/2
Dr Robin Hart				2/2
Mrs Jodene Young	2/2		1/1	

\* The Science Technology Advisory Council (STAC) met twice in 2019. Paul Howarth chairs the Council, with members comprising 13 independent and distinguished members from across industry, academia and international laboratories. Biographies of all members of the STAC can be found on NPL's website at <https://www.npl.co.uk/about-us/people/stac>

\*\* Stephanie Hurst deputises her membership on the Audit and Risk Committee to an alternative BEIS Shareholder representative.

### NPL BOARD BUSINESS

During the year the NPL Board met four times and held wide ranging discussions on subjects of key importance to NPL, including:

- Consideration of the latest NPL Health and Safety Reports
- Reports from the Board's committees on their activities and from Celsius Health Ltd Board meetings
- Financial and business performance, including the five-year Capital Plan
- Reports on the activity of the NPL People Board
- Updates from the BEIS Shareholder on relevant activity in central government
- Review and scrutiny of the NPL strategic risk register, including internal and external risks and mitigations to business performance
- Authorisations of spend over £3m
- NPL's values

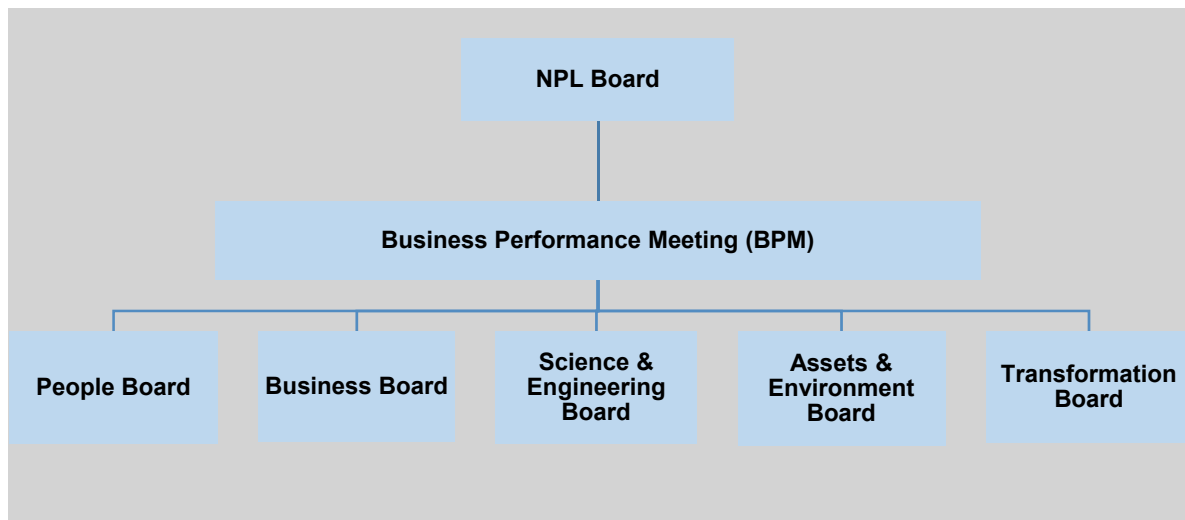
### BOARD EFFECTIVENESS

The recommendations from the 2018 Board Effectiveness Evaluation of the NPL Board were implemented in 2019 and included holding an additional strategy meeting in May 2019 for the NPL Board; improvements to the governance and reporting procedures of the Nominations Committee; and additional scrutiny and support for NPL Board papers by NEDs.

2019 saw the completion and delivery of NPL's internal governance transformation project, which delivered a number of structural changes to the Board committees and included the establishment of a new and more robust executive meeting – the BPM – from September 2019. The internal transformation project also delivered revisions to the sub-committees of the BPM, which now comprise the following:

## NPL MANAGEMENT LIMITED

### GOVERNANCE STATEMENT (continued)



In September the NPL Board approved the appointment of a new Company Secretary, who joined NPL in November 2019. The Company Secretary has facilitated, with the Chair of the Board, a thorough effectiveness evaluation of the Board and its committees in the spring of 2020.

#### REGISTER OF INTERESTS

All members of the Board and the Executive Team are required to declare any conflict of interests or perceived conflict that may impact on, or be perceived to impact on, their judgement or independence regarding decision making or involvement with any future or existing transaction or arrangement. This is in compliance with Sections 175, 178 and 182 of the Companies Act 2006. Where conflicts have been declared, these have been recorded in a register and handled in accordance with best practice. In 2019 no conflict of interests was declared that required specific mitigating actions.

#### THE INTERNAL CONTROL FRAMEWORK

NPL continues to maintain and update the existing internal control framework which has operated successfully for many years. As part of its wider Corporate Assurance responsibilities, NPL reviews and updates its internal controls on a rolling cycle to ensure they meet the changing needs of the organisation. The Audit Committee reviews the framework annually.

#### TAX COMPLIANCE (ALEXANDER REVIEW)

I confirm that NPL is compliant with the requirements of the Alexander Review. NPL has sought and gained assurance that the appropriate tax arrangements are in place for all contractors.

The MacPherson Review of Quality Assurance (QA) of Government Analytical Models is not applicable to NPL as NPL does not use such models.

## NPL MANAGEMENT LIMITED

### GOVERNANCE STATEMENT (continued)

#### RISK MANAGEMENT

The NPL Executive Team has overall responsibility for identifying major risks to NPL's business activities. All business and commercial activities contain risk and uncertainty and risk management is an integral part of business management. Some risks and uncertainties cannot be eliminated completely, so NPL's aim is to understand them and devise a control and mitigation strategy. If the envisaged risk is too high for the perceived benefit to NPL then the case for pursuing the activity should be reviewed. NPL follows the principles of HM Treasury's Orange Book on Risk Management.

The NPL Executive Team maintains a strategic risk register and reviews its risk landscape monthly at the Business Performance Management Meeting. This approach ensures strategic risks are identified, assessed, and monitored. In addition, deep-dives of individual risks are undertaken regularly by the NPL Board and the Audit & Risk Committee.

The most significant strategic risks in 2019 were in the areas of:

- Failing to attract and retain the talent required to maintain its world class science and engineering capability.
- Exposure to cyber security threats and sustaining either physical, informational, financial or reputational damage.
- A major Health, Safety or Environmental occurrence adversely affecting staff, neighbours, the general public or the local environment as a direct result of an unsafe act or omission by NPL.
- Uncertainty caused by Brexit leading to economic and political disruption.
- Failure to secure orders and deliver revenue targets.



Dr Peter Thompson  
Accounting Officer

Date: 10 June 2020

## **NPL MANAGEMENT LIMITED**

### **STRATEGIC REPORT**

#### **Principal activities and future prospects**

The principal activity of the Company is to provide scientific research and development, programme management and business support services, as a wholly-owned subsidiary of the Department for Business, Energy and Industrial Strategy (BEIS) from 1 January 2015.

The directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

#### **Review of the year and future outlook**

The directors consider the results for the year to be encouraging, particularly as the economic environment remained challenging during 2019 as a result of the continued uncertainty regarding Brexit. The world is now facing a global health crisis, with the COVID 19 pandemic, which is also already having a significant impact on the global economy. NPL's business is not immune to this crisis and our first priority has been, and continues to be, the health and safety of our staff. On March 23 2020 we moved to extensive home working for all staff, with the exception of those performing essential services to the UK government and the NHS in particular. The COVID 19 situation will inevitably have a significant impact on our commercial revenues in the short term. However, as the UK's national measurement institute, NPL has a key role to play in both the fight against the virus and in supporting UK industry recover from the current crisis and return to growth in the future.

As shown in the Company's profit and loss account on page 19, for the year ended 31 December 2019 the Company's turnover increased by 6.2% to £101.6m (2018: increase of 7.3% to £95.7m). The Company made a loss before tax of £7.2m (2018: loss before tax of £5.0m). The loss for the year ended 31 December 2019 was in part due to planned investments in various transformation programmes, as well as due to increased investment in research and development projects which are expected to support future revenue growth in 2020 and beyond. Turnover per employee for the year ended 31 December 2019 decreased slightly to £103k (2018: £104k).

As shown in the Company's balance sheet on page 22, net assets decreased to £68.9m at 31 December 2019 (2018: £79.0m), as a result of the operating loss during the year.

An important measure of the Company's health is utilisation of our staff on revenue generating services. During the year this was 76.3% (2018: 76.3%) of scientists' bookable time.

Maintaining a high level of customer satisfaction is important for the Company's success, especially within our Measurement Services business. The aggregate measure for customer satisfaction for the year to 31 December 2019 amounted to 89.2% compared with 89.6% for the year ended 31 December 2018.

#### **Events after the balance sheet date**

The current COVID 19 global pandemic is having a significant impact on people and business across the world and NPL is no exception. We have enacted business continuity plans to ensure that we can continue to provide support to the government and customers delivering essential services, while also protecting the well-being of our people. With this in mind a dedicated crisis management team was established at the end of February 2020 to lead our response to the current situation. The COVID 19 situation will inevitably impact on our financial performance over the coming months. It is difficult to quantify the magnitude and duration of such impact at this time given the fluidity of the situation, but early indications are that the current crisis is likely to erode all expected revenue growth in 2020 as well as the growth achieved during 2019. Management continues to monitor and assess this constantly evolving situation on a daily basis.

On March 31st 2020, our shareholder (BEIS) confirmed that it would make an equity injection of £9.55m to provide the Company with the sufficient cash reserves to operate effectively during and beyond the current COVID 19 crisis.

On the same date, following an assessment of NPL's IT requirements during 2019, BEIS also confirmed agreement in principle to a further equity injection of £9.85m to fund the investments required to progress NPL's planned digital modernisation programme, subject to approval of the formal business case in this regard. Final approval of this equity injection was confirmed on 19 May 2020.

## NPL MANAGEMENT LIMITED

### STRATEGIC REPORT (continued)

#### Dividends

No dividends have been paid or declared in the year. The directors do not recommend a final dividend (2018: £nil).

#### Section 172(1) Statement

The directors of NPL – and those of all UK companies – must act in accordance with a general set of duties. These duties are detailed in the UK Companies Act and include a duty to promote the success of the company, having regard to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between shareholders of the Company

As part of their induction directors are briefed on their duties and are able to access advice on these from the Company Secretary.

The directors fulfil their duties partly through a governance framework that delegates day to day decision making to the Company's executive management and employees and details of this can be found in our Governance Statement on pages 5 to 9. The following paragraphs summarise how the directors fulfil their duties:

#### *Our purpose, strategy and consideration of the consequence of decisions for the long term*

As the UK's National Measurement Institute, NPL develops and maintains the primary measurement standards for the nation. From new antibiotics to tackle resistance and more effective cancer treatments to unhackable quantum communications and superfast 5G, technological advances must be built on a foundation of reliable measurement to succeed.

During our four scheduled Board meetings in 2019 two of our key considerations have been how our strategy should evolve to continue to deliver maximum impact, particularly in areas of national priority, as well as the safety and security of our staff.

Each year the Board undertakes an in depth review of the Company's strategy and in 2019 an extra Board meeting was held in May to focus specifically on this. The Board also reviews and approves an updated 5 Year Plan as part of this annual strategic review process and this updated plan then forms the basis for financial budgets, resource plans and investment decisions as well as the future strategic direction of the Company.

#### *Risk management*

The Company operates a risk management system, which is regularly reviewed by the directors. The directors seek to ensure that financial risk is managed with the purpose of minimising any potential adverse effect on the Company's performance.

The Company's approach to risk management and a summary of the most significant strategic risks facing the Company are set out in the Governance Statement on page 8. The directors review the Company's strategic risk register at each board meeting.

The Company receives a significant proportion of its revenue from UK Government departments, through contracts to deliver services as well as competitively won grants, and so is not exposed to significant credit, price or currency risk. The Company transferred to BEIS on 1 January 2015, and BEIS assumes full ownership for the long term. An overarching contract between NPL and BEIS that sets out the terms and conditions of any transactions is in place and no material change in revenue streams from this is anticipated.

## **NPL MANAGEMENT LIMITED**

### **STRATEGIC REPORT (continued)**

#### ***Our People***

The Directors recognise that NPL's employees are fundamental to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, wherever relevant and feasible.

Further details of how we engage with our staff, our culture and working environment, approach to diversity and inclusion and the actions we are taking to encouraging women into Science, Technology, Engineering, and Math (STEM) can be found on pages 14 to 15.

#### ***Our Business Relationships***

Delivering our strategy requires strong mutually beneficial relationships with government, suppliers, customers, and partners across both industry and academia.

With this in mind, on 1 April 2015 a Partnering Agreement was concluded between BEIS, NPL, the University of Strathclyde and the University of Surrey. The partnership enables all parties to strengthen both the excellence of their science and their engagement with business and is the basis of our Postgraduate Institute, which is creating the next generation of world-class measurement scientists.

The Directors also receive information updates on a variety of topics throughout the year that indicate and inform how stakeholders have been engaged. This information is provided from each of the sub committees outlined in the Governance Report on page 8.

#### ***The Community and Environment***

Our world-leading measurement solutions are critical to business and government, accelerating research and innovation, improving quality of life and enabling trade. We seek to ensure that our cutting-edge measurement science has a positive impact in the real world. As part of the Board's ongoing review of NPL's strategy, in 2017 the Company re-focused around delivering impact across four key sectors, one of which is Energy and the Environment. The Directors Report on page 3 discusses some of the recent work that NPL has been leading in this arena with regard to the proposed TRUTHS satellite mission.

The Company also recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to reduce the Company's impact on the environment include completing an annual environmental impact assessment, a comprehensive recycling programme and reducing energy consumption.

During 2019 a "Green Team" has been established comprising representatives from across the business with the express purpose of focusing on actions that we can take to improve recycling and reduce our carbon footprint.

#### ***High standards of business conduct***

The Board periodically reviews and approves, either directly or through the relevant sub-committee, NPL's frameworks, principles and policies to ensure that high standards are maintained both within NPL and the business relationships we maintain.

This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards, help assure its decisions are taken in ways that promote high standards of business conduct.

#### ***Our shareholder***

NPL is 100% owned by BEIS and a BEIS shareholder representative, Dr Stephanie Hurst, is a member of the Board. At each Board meeting the directors receive an update from the BEIS shareholder representative on relevant activity in central government and the directors work closely with the BEIS sponsor team across a wide range of programmes and initiatives each year.

## **NPL MANAGEMENT LIMITED**

### **STRATEGIC REPORT (continued)**

#### **Employee engagement**

NPL recognises that a strong employee voice is central to employee engagement and well-being at NPL. The Company has a number of communication channels designed to inform employees of factors affecting the business, including quarterly all employee communication sessions with the CEO and other key personnel and monthly team meetings with line management.

All communication channels are intended to be two-way, with feedback from employees being strongly encouraged by a leadership team who value their views and ideas. With the increased use of Microsoft Office 365, digital channels such as Microsoft Teams and Yammer have supported this two-way communication and provide a modern way to collaborate.

Our online employee engagement platform, ThymoMetrics, provides a simple, easy to use system for employees to have their voices heard at NPL. ThymoMetrics provides a cutting edge, ‘Real Time’ way to measure employee engagement and mood. The platform is available all day, every day for employees to feedback their feelings regarding the organisation and/or communicate questions, concerns or suggestions that may be on their mind. The platform also allows NPL to seek feedback on and engage in targeted, yet anonymous, discussions with employees on such topics as the quality of leadership, and the salary and benefits structure.

Other more private mechanisms for feedback also exist including a direct route to the HR team and CEO.

Maintaining regular two-way communication with employees in 2019 remained critical as NPL continued its transformation programme, designed to enable NPL to deliver greater impact from science. A key focus in 2019 was to engage employees in more digital ways of working through our “Digital WOW” campaign. 68 Digital Champions were appointed to support and lead their teams on their own digital journeys; over 12,000 hits were made on the Digital WoW SharePoint site and c.600 training places were filled for skills-based training in Office 365 products through face to face and remote sessions.

We use the well-established Managing Successful Programmes approach to ensure appropriate monitoring, management and coordination of the transformation programme.

NPL remains committed to celebrating the success of employees through its values award scheme with 98 employees rewarded during 2019 for demonstrating outstanding behaviours and achievements and over 300 further “on the spot” awards given for demonstrating our “Values in Action” during everyday work.

#### **Culture and working environment**

NPL recognises that none of our actions will succeed without the right culture and working environment. The “Values in Action” programme lets employees know how they can demonstrate the NPL values in the way they act, both internally with their colleagues and externally with customers and partners. They are important because we recognise that how we go about our work is as important as what we do. We are focused on providing an environment that is truly inclusive, underpinned by respect at all time.

Our Values in Action have been embedded across our people processes – including recruitment, performance management, recognition and promotion – and we continue to reinforce our values as central to everything we do.

We offer flexible working opportunities including part time working, remote working and other options which enable our employees to balance their careers with other commitments and interests.

## NPL MANAGEMENT LIMITED

### STRATEGIC REPORT (continued)

#### Diversity and Inclusion

NPL is diverse and inclusive and we want to constantly improve and challenge ourselves to be better. We have a range of initiatives that demonstrate our commitment to diversity and inclusion (D & I), such as our Diversity and Inclusion Task Force. Representing the workforce, individuals bring together people from across NPL to promote inclusive working practices and ensure that diverse views are represented in the formulation of key strategic objectives. The D&I Task Force leads several interest groups with NPL Executive sponsorship, including LGBT+; Mental Health; Faith & Religion; Dyslexia & Neurodiversity; Age; Ethnicity; and Disability. The task force shares best practice, reports on progress and benchmarks diversity performance, with the support of bodies such as the, the Institute of Physics (Project Juno) and Stonewall. NPL joined Stonewall as a Diversity champion in 2015, participating in their annual Workplace Equality Index for the equality of LGBT+ community at NPL. We also took part in the MIND wellbeing Index in 2018, with the results earning us a Bronze Award. Key data from these initiatives is considered in conjunction with our ThymoMetrics and Health and Safety feedback to identify areas for improvement.

NPL remains a member of the business disability forum, who provides pragmatic support by sharing expertise, advice and providing training, best practice and networking opportunities.

NPL's Diversity and Inclusion e-learning module has been completed by over 500 employees. Its aim is to inform staff about the importance of diversity at NPL, compliance with the Equality Act (2010) and support their knowledge on protected characteristics and unconscious bias.

We are committed to supporting women back into the workforce after time away, through a generous maternity package, a subsidised nursery on our main site, flexible working and coaching.

During wellbeing month in November 2019, we ran a Menopause Matters workshop to help women who are peripausal/menopausal and from this we have set-up a Menopause Matters Forum and are currently developing guidelines for line managers. We hope that by supporting women through the menopause, we will benefit from increased engagement and loyalty, as well as lower sickness absence and employee turnover. The forum will foster an age- and gender-inclusive workplace and will help us tap into the valuable skills and talent that men and women of all ages have to offer.

We continue to invest in our talent at NPL. Some of this investment has been specifically targeted to support our STEM agenda with the following initiatives in 2019:

- The Springboard Women's Development Programme, which focuses on personal and career development. We ran our 3<sup>rd</sup> Springboard Programme for 26 women from across the organisation in 2019. We also held an alumni lunch for all cohorts by way of keeping in touch and networking. In 2020 we are launching the Navigator Programme for men which is designed to support men understand the world they are now living in, challenge their expectations based on historical male roles and focus on their personal and professional development.
- Unconscious bias training for line managers. This workshop is designed to examine our biases and prejudices, and the impact these have in the workplace. In 2019, we ran 3 Unconscious Bias workshops for line managers with 33 attendees. To build on this we are planning Live Bias Reviews of our Performance Rating Validation process in 2020.
- One of the ways we aim to create a level playing field for all is by identifying clear and transparent career pathways across our functional and science and engineering departments. NPL's Career Pathways identify the opportunities available and how people of all backgrounds can navigate their career here. The pathways were updated this year to include more areas and to update where some departmental structures had changed. In 2019 our Career Pathways were viewed a total of 3,507 times.



**NPL MANAGEMENT LIMITED**

**STRATEGIC REPORT (continued)**

**Encouraging women into Science, Technology, Engineering, and Math (STEM)**

In 2019, a new Gender Equality group was launched. NPL celebrated this with an invited talk by author and British diplomat, Bryony Mathew, who shared her experiences of gender equality, science and the workplace.

NPL remains an active member and supporter of the Institute of Physics' Project Juno. Project Juno was set up to tackle the under-representation of women in physics. We will continue to understand and improve the working culture at NPL with our focus remaining on career progression and equal representation of women at all levels of the organisation.

NPL's support of the Daphne Jackson Trust Fellowships continues, which offer STEM professionals the opportunity to return to research following a career break of two years or more. Our three fellowships are in their second year, two of the fellowships are female.

We continue to invest in apprenticeships across NPL and have recruited over 100 Apprentices since re-starting the programme in 2013. The gender split of the Apprentice recruits to date is 55% males and 45% females. We currently have 38 Apprentices across 8 different programmes, filling our talent pipelines for the future.

NPL's Outreach programme has been running in its current format for 12 years and delivers an exciting programme of activity to support the STEM agenda. It is a critical platform for connecting with potential talent from diverse backgrounds and experiences. Its focus on children and young adults provides an opportunity for NPL to engage with females early in their education and to inspire their continued interest in STEM subjects. In 2019 the programme saw interactions with approximately 52,000 students, 7,000 teachers and 19,000 members of the public. 2019 included a significant campaign explaining the new SI redefinitions at 92 universities and institutions, plus stands at 42 events including New Scientist Live and Green Man. 274 staff members were engaged in Outreach activities throughout the year to facilitate a high diversity in role models, channels and experiences. We also encourage and support our staff to work in the community and undertake science public engagement.



.....  
Dr P Thompson  
Director

Date: 10 June 2020

## **NPL MANAGEMENT LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NPL MANAGEMENT LIMITED**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of NPL Management Limited (the 'company') for the year ended 31 December 2019 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The 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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NPL MANAGEMENT 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.

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

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

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

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

### **Responsibilities of directors**

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

Christopher Hurren FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
3<sup>rd</sup> Floor, One London Square, Cross Lanes,  
Guildford, Surrey, GU1 1UN  
Date

**NPL MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT**

*FOR THE YEAR ENDED 31 DECEMBER 2019*

	<b>Notes</b>	<b>2019 £000s</b>	<b>2018 £000s</b>
Turnover	3	101,627	95,723
Cost of sales		(75,235)	(69,472)
<b>Gross profit</b>		<b>26,392</b>	<b>26,251</b>
Administrative expenses		(34,036)	(31,731)
<b>Operating loss</b>		<b>(7,644)</b>	<b>(5,480)</b>
Interest receivable and similar income	6	1,224	1,097
Interest payable and similar charges	7	(802)	(655)
<b>Loss before taxation</b>	5	<b>(7,222)</b>	<b>(5,038)</b>
Tax on loss	8	(622)	(225)
<b>Loss for the year</b>		<b>(7,844)</b>	<b>(5,263)</b>

**NPL MANAGEMENT LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

	Notes	2019 £000s	2018 £000s
<b><i>Loss for the financial year</i></b>		<b>(7,844)</b>	<b>(5,263)</b>
<b><i>Other comprehensive income</i></b>			
Pension scheme actuarial losses	17	(2,641)	(866)
		(2,641)	(866)
Tax on other comprehensive income – deferred tax	8	449	147
<b>Other comprehensive loss net of taxation</b>		<b>(2,192)</b>	<b>(719)</b>
<b>Total comprehensive loss for the year</b>		<b>(10,036)</b>	<b>(5,982)</b>

**NPL MANAGEMENT LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital £000	Share premium reserve £000	Retired benefit obligation reserve £000	Profit and loss account £000	Total £000
<b>Balance at 1 January 2018</b>	-	<b>96,000</b>	<b>(6,358)</b>	<b>(4,679)</b>	<b>84,963</b>
Loss for the year	-	-	-	(5,263)	(5,263)
Actuarial loss on pension employment scheme (Note 17)	-	-	(866)	-	(866)
Tax charge on net actuarial losses (Note 8)	-	-	147	-	147
<b>Total comprehensive income</b>	-	-	(719)	(5,263)	(5,982)
<b>Balance at 31 December 2018</b>	-	<b>96,000</b>	<b>(7,077)</b>	<b>(9,942)</b>	<b>78,981</b>
Loss for the year	-	-	-	(7,844)	(7,844)
Actuarial loss on pension employment scheme (Note 17)	-	-	(2,641)	-	(2,641)
Tax charge on net actuarial gains (Note 8)	-	-	449	-	449
<b>Total comprehensive loss</b>	-	-	(2,192)	(7,844)	(10,036)
<b>Balance at 31 December 2019</b>	-	<b>96,000</b>	<b>(9,269)</b>	<b>(17,786)</b>	<b>68,945</b>

The profit and loss reserve represents cumulative profits or losses, net of dividends paid.

The retired benefit obligation reserve represents cumulative actuarial gains and losses and cumulative credits or charges derived by deferred tax movement in relation to the pension scheme.

The share premium reserve represents the premium to their nominal value arising on the issue of equity shares, net of issue expenses.

**NPL MANAGEMENT LIMITED**

**BALANCE SHEET**

*AS AT 31 DECEMBER 2019*

	Notes	2019 £000s	Restated 2018 £000s
<b>Fixed assets</b>			
Tangible assets	9	43,772	43,463
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	30,723	27,576
Cash at bank and in hand		8,670	16,742
<b>Debtors due after more than one year</b>	12	9,565	8,648
<b>Creditors: amounts falling due within one year</b>	13	(38,394)	(37,813)
<b>Net current assets</b>		<b>10,564</b>	<b>15,153</b>
<b>Total assets less current liabilities</b>		<b>54,336</b>	<b>58,616</b>
<b>Creditors: amounts falling due after more than one year</b>			
Loans due after more than one year	19	(23,612)	(19,386)
Provision for liabilities	14	(1,044)	(960)
<b>Net assets excluding retirement benefit asset</b>		<b>29,680</b>	<b>38,270</b>
Retirement benefit asset	17	39,265	40,711
<b>Net assets including retirement benefit asset</b>		<b>68,945</b>	<b>78,981</b>
<b>Capital and reserves</b>			
Share capital	15	-	-
Share premium reserve	16	96,000	96,000
Retirement benefit obligation reserve		(9,269)	(7,077)
Profit and loss account		(17,786)	(9,942)
<b>Shareholders' funds</b>		<b>68,945</b>	<b>78,981</b>

The financial statements of NPL Management Limited (company number 02937881) were approved by the Board of Directors and authorised for issue on 10 June 2020. These were signed on its behalf by:



Dr P A Thompson  
Director



## **NPL MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### ***FOR THE YEAR ENDED 31 DECEMBER 2019***

##### **1. Accounting policies**

The principal accounting policies have been described below. They have been applied consistently throughout the year and the preceding year.

###### ***a. General information and basis of accounting***

NPL Management Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private Company limited by shares and is registered in England and Wales. The registered office is given in note 20. The nature of the company's operations and its principal activities are set out in the Strategic Report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company is consolidated within the Whole Government Accounts and is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the Cash Flow Statement and related notes, and Section 33 'Related Party Disclosures'- Compensation for key management personnel. The Company is also a qualifying entity for the disclosure exemptions relating to the requirements of Section 11 Paragraphs 11.39 to 11.48A as the equivalent disclosures required by the FRS are included in the consolidated financial statements of the Group in which the Company is consolidated.

The functional currency of NPL Management Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out below.

The company has taken advantage of the exemption in section 400/401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the company as a single entity.

###### ***b. Going Concern***

The directors have acknowledged the guidance on going concern and financial reporting published by the Financial Reporting Council in April 2016.

The Company's revenues are principally derived from long-term contracts with the UK government and competitively won grants which, historically, have been largely unaffected by changes in the general economy. Furthermore, the directors have a good level of visibility of contracted levels of revenue.

The Company recognises the uncertainties posed by the current COVID 19 pandemic and continues to update its risk assessment on an ongoing basis. As the UK's national measurement institute, the Company has a key role to play in both the fight against the virus and in supporting UK industry recover from the current crisis and on 31 March 2020 BEIS confirmed that it would make an equity injection of £9.55m to provide the Company with the sufficient cash reserves to operate effectively during and beyond the current COVID 19 crisis.

The Company also remains mindful of the uncertainties posed by the UK's future exit from the European Union. The risks of continued access to EU funded grants has, however, been mitigated by the government's announcement that it will guarantee the funding for EU projects entered into before the UK leaves the EU.

## NPL MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 DECEMBER 2019

##### *b. Going Concern (continued)*

The directors note that on 1 January 2015 ownership of the Company and assets transferred to the government. The Secretary of State announced the government's intention that NPL will continue to perform services for BEIS regardless of this change in ownership. We note also that the Company remains at the heart of the UK Measurement Strategy.

Since the change in ownership, BEIS has made investments in NPL of £59m in March 2016 and £37m in March 2017. Following these investments the defined benefit pension deficit has been eliminated in full. Consequently, at 31 December 2019 the defined pension scheme was an asset of £39.3m (2018: £40.7m).

In March 2020 BEIS confirmed two further equity investments in the Company, the above mentioned investment of £9.55m to provide the Company with the sufficient cash reserves to operate effectively during and beyond the current COVID 19 crisis and, separately, following an extensive review of NPL's IT requirements during 2019, an investment of £9.85m to fund the investments required to progress NPL's planned digital modernisation programme.

Consequently, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

##### *c. Turnover*

###### *Turnover from contracts*

Turnover from contracts represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. Any turnover recognised in excess of amounts invoiced is recorded as 'amounts recoverable on contracts' with debtors. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

###### *Grant income*

The Company accounts for capital grant income as deferred income and recognises the revenue as it utilises the assets for which the grant income was received. For revenue, grants are accounted for under the accruals method. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to capital is deferred, it is recognised as deferred income.

##### *d. Research and development*

Research expenditure and development expenditure are expensed as incurred and included in cost of sales.

##### *e. Tangible assets and depreciation*

Tangible assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible assets on cost over the estimated useful lives of the assets. The rates of depreciation are as follows:

Technical equipment	10-33%
Office equipment	20-33%
Furniture and fittings	10-20%

**NPL MANAGEMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

***f. Taxation***

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date, at rates expected to apply to the reversal of the timing difference. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

***g. Leasing***

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term, even if payments are not made on such a basis.

***h. Financial assets***

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs.

***Loans and receivables***

Trade debtors, loans, other debtors and prepayments that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. They are included in current assets, except where maturities are in greater than 12 months after the Balance Sheet date which are classified as non-current assets. The Company's loans and receivables comprise 'trade and other debtors' and 'cash and cash equivalents' in the Balance Sheet.

***De-recognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

***i. Financial liabilities***

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

***i. Financial liabilities (continued)***

***Other financial liabilities***

Loans and borrowings are recognised initially at fair value of the consideration received, less transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

***De-recognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

***Equity instruments***

Ordinary shares are classified as equity. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

***j. Employee benefits***

***Defined benefit schemes***

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

***Defined contribution schemes***

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

***k. Foreign currency***

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Gains and losses on translation are included in the profit and loss account as they arise.

**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. Critical accounting judgements and sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***Critical judgements in applying the Company's accounting policies***

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. There are no critical judgements other than those which involve estimations. These are as follows:

***Recoverability of deferred tax assets (note 12)***

NPL has recognised a deferred tax asset as a result of losses in the business from the recognition of the pension liability. NPL is required to make a judgement concerning the timing and likely extent of use of those tax losses against the future profitability of the business. Future profitability is assessed through the Company's annually updated 5-year plan. The underlying financial performance of the Company remains strong, as evidenced by the increase in revenues in 2019, and the growth in its orderbook and sales funnel.

***Timing of revenue recognition (note 3)***

NPL is required to make an assessment about the timing and quantum of revenue recognised. NPL's revenue recognition policy requires forecasts to be made about the outcomes of its long-term contracts, including requiring judgements to be made on the cost forecasts of delivering those contracts. Further, for contracts which span the balance sheet date, consideration is required concerning the stage of completion of that contract.

***Recognition of pension scheme asset (note 17)***

The pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date. There is significant estimation in the assumptions used to derive the value of the pension scheme liabilities and each assumption is subject to NPL's judgement. NPL have recognised a pension asset as a result of a net surplus for the defined benefit pension scheme. In accordance with paragraph 28.22 of FRS102, NPL is of the view that it is allowed to recognise an asset as it would be able to recover the surplus on the death of the last member.

The valuation of the amounts recognised in the Balance Sheet has been assessed through the following sensitivity analysis. The effect of marginal changes on discount rate, inflation rate, and mortality have the following impact on the net defined benefit asset:

	<b>2019</b>	<b>Minus 0.25% Discount rate</b>	<b>Plus 0.25% Discount rate</b>	<b>Minus 0.25% Inflation rate</b>	<b>Plus 0.25% Inflation rate</b>	<b>Mortality- 1-year age rating</b>
<b>Fair value of plan assets</b>	234,230	234,230	234,230	234,230	234,230	234,230
<b>Defined benefit obligation</b>	(194,965)	(204,786)	(185,796)	(187,896)	(202,273)	(201,733)
<b>Net defined benefit asset</b>	39,265	29,444	48,434	46,334	31,957	32,497

**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. Turnover**

An analysis of the Company's turnover by class of business is set out below:

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
National Measurement System	56,951	56,113
Non National Measurement System	44,676	39,610
<b>Total</b>	<b>101,627</b>	<b>95,723</b>

All turnover arose from the provision of services in the United Kingdom (2018: all turnover arose in the UK). Turnover includes Grant income of £18,891k (2018: £14,645k).

**4. Information regarding directors and employees**

The average monthly number of employees (including executive directors) was:

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
<b>Average number of full-time equivalent employees during the year</b>		
Technical staff	732	672
Administration	253	245
	<b>985</b>	<b>917</b>

Their aggregate remuneration comprised:

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
Wages and salaries	40,994	36,133
Social security costs	4,474	3,925
Other pension costs	7,693	7,183
	<b>53,161</b>	<b>47,241</b>

**Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
<b>Directors' emoluments</b>		
Emoluments (excluding pension contribution)	496	523
Pension contributions	56	55
	<b>552</b>	<b>578</b>

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
<b>Highest paid director's remuneration</b>		
Aggregate of emoluments	198	193
Pension contributions	14	14
	<b>212</b>	<b>207</b>

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
<b>Number of directors who:</b>		
Are members of a defined benefit pension scheme	-	-
Are members of a money purchase scheme	4	5

**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**5. Loss before taxation**

Loss before taxation is stated after charging:

	<b>2019</b> <b>£000s</b>	<b>2018</b> <b>£000s</b>
Depreciation of tangible assets	7,702	6,487
Operating lease rentals		
-Plant and machinery	70	61
Rental costs	14,717	14,236
Loss on disposal of property, plant and equipment	227	40
Research and development expense	39,835	36,273
Exchange losses/(gains)	530	(276)

The analysis of auditor's remuneration is as follows is as follows:

	<b>2019</b> <b>£000s</b>	<b>2018</b> <b>£000s</b>
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	44	56
Fees payable for grant auditing services	138	-
<b>Total fees</b>	<b>182</b>	<b>56</b>

**6. Interest receivable and similar income**

	<b>2019</b> <b>£000s</b>	<b>2018</b> <b>£000s</b>
Bank interest receivable	10	6
Net interest on defined benefit pension scheme	1,214	1,091
	<b>1,224</b>	<b>1,097</b>

**7. Interest payable and similar charges**

	<b>2019</b> <b>£000s</b>	<b>2018</b> <b>£000s</b>
Other loans	802	655

**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**8. Taxation**

The tax charge comprises:

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
<b>Analysis of tax charge for the period</b>		
<i>Current tax</i>		
UK corporation tax at 19% (2018: 19%)	-	-
Total current tax charge	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	405	272
Adjustment in respect of prior periods	217	(47)
Total deferred tax charge	<b>622</b>	<b>225</b>
Tax on loss	<b>622</b>	<b>225</b>
<b>Tax relating to other comprehensive income</b>		
<i>Current tax</i>		
UK corporation tax at 19% (2018: 19%)	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	(449)	(147)
Tax relating to other comprehensive income	<b>(449)</b>	<b>(147)</b>



**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**8. Taxation (continued)**

The tax charge recognised for the year ended 31 December 2019 is higher than the United Kingdom corporation tax rate of 19% (2018: 19%). The reasons for this are set out below.

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
<b>Reconciliation of tax charge</b>		
Loss before tax	(7,222)	(5,038)
Tax on loss at standard corporation tax rate of 19% (2018: 19%)	(1,372)	(957)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	17	58
Other differences	1	-
Income not taxable for tax purposes	(593)	-
Temporary differences not recognised	411	-
Amounts relating to other comprehensive income	(502)	(165)
Deferred tax posted directly	449	147
Deferred tax not recognised	1,779	1,077
Adjustments to tax charge in respect of previous periods – deferred tax	217	(47)
Adjust opening and closing tax rates	215	112
<b>Tax charge for the year</b>	<b>622</b>	<b>225</b>

**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**9. Tangible assets**

	Assets in the course of construction £000	Technical equipment £000	Furniture & fittings £000	Office equipment £000	Total £000s
<b>Cost</b>					
At 1 January 2019	5,344	62,868	129	5,311	73,652
Additions	4,686	3,454	-	98	8,238
Transfers	(1,874)	1,874	-	-	-
Disposals	-	(450)	-	-	(450)
At 31 December 2019	8,156	67,746	129	5,409	81,440
<b>Depreciation</b>					
At 1 January 2019	-	25,293	129	4,767	30,189
Charge for the year	-	7,382	-	320	7,702
Disposals	-	(223)	-	-	(223)
At 31 December 2019	-	32,452	129	5,087	37,668
<b>Net book value</b>					
At 31 December 2019	8,156	35,294	-	322	43,772
At 31 December 2018	5,344	37,575	-	544	43,463

**10. Investments in subsidiaries, joint ventures and associates**

**Details of undertakings**

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2019	2018
Celsius Health Limited	NPL, Hampton Road, Teddington, TW11 0LW	Ordinary	100%	100%

The investment in Celsius Health Limited is held at £1 (2018: £1).

Celsius Health Limited was incorporated on 21 December 2018 and is not currently actively trading.

The company has taken advantage of the exemption in section 400/401 of the companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the company as a single entity.

**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**11. Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
<b>Amounts falling due within one year</b>		
Trade debtors	12,194	12,471
Amounts owed by group undertaking	1	-
Amounts recoverable on contracts	7,495	5,939
Other debtors	140	433
Prepayments	3,402	3,616
RDEC tax asset	7,491	5,117
	<b>30,723</b>	<b>27,576</b>

The amounts owed to group undertaking relates to inter-co receivable balances with Celsius Health Limited. Celsius Health Limited was incorporated on 21 December 2018 and is not currently actively trading.

**12. Deferred tax asset**

The deferred tax asset has moved in the year as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
<b>Recognition of deferred tax</b>		
Accelerated capital allowances	4,648	3,953
Short term timing differences	(6,431)	(5,517)
Tax losses carried forward and other deductions	7,482	7,435
Other	3,866	2,777
Total deferred tax asset	<b>9,565</b>	<b>8,648</b>
<i>Movement in deferred tax asset:</i>		
Asset at 1 January	8,648	8,101
Deferred tax charge in the Profit and Loss Account for the year	(622)	(225)
Deferred tax credit/(charge) in the Statement of Comprehensive Income	449	147
Deferred tax on RDEC tax asset	1,090	625
<b>Deferred tax asset at 31 December</b>	<b>9,565</b>	<b>8,648</b>

**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**12. Deferred tax asset (continued)**

The utilisation of the deferred tax asset is expected to occur as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
Within one year	-	-
More than one year	9,565	8,648
	<b>9,565</b>	<b>8,648</b>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 17% effective from 1 April 2020. Following, the year end, the Chancellor's Budget announcement confirmed that the corporation tax rate will remain at 19 per cent for 2020/21. However, this was not substantively enacted at the year end. Therefore, the closing deferred tax assets and liabilities have been calculated at 17%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

It is not expected that this rate reduction will have a material impact on NPL Management Limited.

There are £2,910k of unrecognised deferred tax assets at 31 December 2019 (2018: £1,077k).

**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**13. Creditors: amounts falling due within one year**

	<b>2019</b>	<b>Restated</b>
	<b>£000s</b>	<b>2018</b>
		<b>£000s</b>
Other loans (see note 19)	2,194	1,801
Trade creditors	6,636	5,333
Other taxes and social security	2,530	2,627
Other creditors	7,642	9,805
Accruals	7,397	6,113
Contract deferred income	11,995	12,134
	<b>38,394</b>	<b>37,813</b>

Within other creditors is £6,975k (2018: £9,141k) of grant income from BEIS to fund the purchase of some capital equipment.

**14. Provisions for liabilities**

The other provisions balance is made up as follows:

	<b>2019</b>	<b>Restated</b>
	<b>£000s</b>	<b>2018</b>
		<b>£000s</b>
Opening balance	960	-
Increase in provisions	253	960
Provisions released	(169)	-
Closing balance	<b>1,044</b>	<b>960</b>

The other provisions balances are made up of provisions for future loss on contracts and provisions for warranty expenses. Should a project have a requirement to give a warranty, this is provided for based on the best estimate of future cashflows.

**15. Share capital**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
57 Ordinary shares of £1 each	57	57

**Ordinary Share rights**

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**16. Share premium reserve**

	<b>Share premium £'000</b>
Balance at 1 January 2019 and 31 December 2019	96,000

**17. Employee benefits**

**Defined contribution schemes**

The Company operates a defined contribution scheme for all qualifying employees in the United Kingdom. The contributions payable by the Company charged to profit or loss amounted to £5,502k (2018: £4,535k). Contributions totalling £758k (2018: £726k) were payable to the fund at the year end and are included in creditors.

**Defined benefit scheme**

*The NPL Management Limited Pension Scheme*

The Company operates a defined benefit scheme for qualifying employees (closed to new members) of the Company.

Under the Scheme, the employees are entitled to retirement benefits varying between 1.111 and 1.667 per cent of Final Pensionable Pay for each year of Pensionable Service on attainment of their Normal Retirement Age of 60. No other post-retirement benefits are provided. The Scheme is a funded scheme.

Under the Schedule of Contributions agreed with the pension scheme trustees following conclusion of the formal actuarial valuation conducted as at 13 April 2017, the Company is contributing to the Scheme at the rate of 47.9% of active members' Pensionable Pay less 3.4% of members' Band Earnings. Following the contribution of £37m to the Scheme in March 2017, which resulted in the Scheme being fully funded on the Scheme's statutory funding basis, no further deficit contributions are being made to the Scheme.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2019 by independent qualified actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	<b>Valuation at</b>	
	<b>2019</b>	<b>2018</b>
Key assumptions used:		
Discount rate	2.1%	2.9%
Rate of salary increases	3.0%	3.2%
Rate of increase in pensions in payment	2.2%	2.3%
Rate of increase in deferred pensions	3.0%	3.2%
Inflation (RPI)	3.0%	3.2%

**Mortality assumptions:**

The assumed life expectations on retirement at age 60 are:

	<b>Valuation at</b>	
	<b>2019</b>	<b>2018</b>
	<b>years</b>	<b>years</b>
Retiring today:		
Males	28.4	28.9
Females	30.5	31.1
Retiring in 20 years:		
Males	29.8	30.3
Females	31.9	32.6

**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**17. Employee benefits (continued)**

Amounts recognised in the profit and loss account in respect of the defined benefit scheme are as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Current service cost	2,262	2,650
Net interest gain	(1,214)	(1,091)
Plan introductions, changes, curtailments and settlements	347	245
	<b>1,395</b>	<b>1,804</b>
Recognised in other comprehensive income		
Total cost relating to defined benefit scheme	2,641	866

Movements in the fair value of scheme assets were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
At 1 January	210,969	216,649
Interest income	6,098	5,632
Return on plan assets (excluding amounts included in net interest cost)	18,584	(11,257)
Contributions from the employer	2,590	2,647
Contributions from scheme participants	39	43
Benefits paid	(3,703)	(2,500)
Admin expenses paid from plan assets	(347)	(245)
At 31 December	<b>234,230</b>	<b>210,969</b>

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
At 1 January	170,258	175,915
Service cost	2,262	2,650
Interest expense	4,884	4,541
Benefits paid	(3,703)	(2,500)
Settlement payments from employer	39	43
Effect of experience adjustments	993	-
Effect of change in assumptions	20,232	(10,391)
At 31 December	<b>194,965</b>	<b>170,258</b>
<b>Net asset recognised in the balance sheet</b>	<b>39,265</b>	<b>40,711</b>

**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**17. Employee benefits (continued)**

The analysis of the scheme assets at the balance sheet date was as follows:

	<b>Fair value of assets</b>	
	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	112	170
Equity instruments	23,647	21,135
Debt instruments	192,082	174,583
Real estate	5,505	4,278
Other assets	12,884	10,803
	<b>234,230</b>	<b>210,969</b>

**18. Financial commitments**

Total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
Within one year	744	31
Between one and five years	1,170	734
	<b>1,914</b>	<b>765</b>

In respect of the premises and accommodation services, the Company paid base rent of approximately £14,717k in 2019 to BEIS (2018: £14,200k).

**19. Other loans**

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
Within one year	2,194	1,801
Between one and two years	2,272	1,865
Between two and five years	7,313	6,004
In over five years	14,027	11,517
	<b>25,806</b>	<b>21,187</b>
Less amounts due within one year	(2,194)	(1,801)
	<b>23,612</b>	<b>19,386</b>

The loan facility is provided by BEIS to finance the purchase of capital equipment and the creation of associated infrastructure for the laboratories and testing facilities that support the National Measurement System (NMS).

Loans are repayable by installments over a 10-year term. The amount of the installments will vary depending on the level of drawdown. The rate of interest is fixed at 3.5%.



## **NPL MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### ***FOR THE YEAR ENDED 31 DECEMBER 2019***

#### **20. Controlling party**

NPL Management Limited's registered office is National Physical Laboratory, Hampton Road, Teddington, Middlesex, TW11 0LW. The Company is wholly owned by the Secretary of State for Business, Energy and Industrial Strategy ('BEIS'). The smallest and largest group that the Company's financial statements are consolidated into are the Whole Government Accounts, available at [www.gov.uk](http://www.gov.uk) and from The National Archives

#### **21. Related parties**

The Company has taken advantage of the exemption granted by FRS 102 not to disclose details of related party transactions with BEIS and other entities within its Group.

#### **22. Capital commitments**

The Company had capital commitments relating to scientific equipment of £3,735k at 31 December 2019 (2018: £3,433k).

#### **23. Post Balance Sheet Events**

On 31 March 2020 BEIS made a commitment to NPL in the form of 19 shares with a nominal value of £1 each issued at £1,021,052.63 each.

The impact of the requirement to disclose potential post balance sheet events regarding Covid19 has been considered by the directors at NPL. There are no material adjusting or non-adjusting events to disclose in this regard.

#### **24. Prior period adjustments**

Certain balance sheet items have been reclassified in the current year. The new presentation is considered more appropriate under FRS 102. The non-current assets heading has been changed to fixed assets, the deferred tax asset has been moved out of fixed assets to Debtors due after more than 1 year and the pension asset has been moved out of fixed assets to a separate line below Creditors: amount due after more than 1 year. In the prior year, provisions were included within Creditors: amounts falling due within one year. Due to the nature of the balance it is considered more appropriate to present this balance separately from creditors on its own line on the balance sheet. For the 2018 comparative, this has resulted in a £960k decrease in total Creditors: amounts falling due within one year and a £960k increase in net assets.

These adjustments are purely presentational. There has been no impact on profit in the year or on the total net assets in the Balance Sheet in 2018 or 2019 as a result of these adjustments.