NPL
National Physical Laboratory

Company Registration No.
02937881

NPL Management Ltd
Report and Financial Statements

31 December 2015

NPL MANAGEMENT LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

Company Registration No: 02937881 (England and Wales)

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COMPANY INFORMATION

Directors	Dr D Grant (Non-Executive) Ms A M Brooks (Non-Executive) Dr P A Thompson Dr P J A Howarth (Non-Executive) Sir J R McDonald (Non-Executive) Professor M J Kearney (Non-Executive) Ms N Anson Dr M R Sené Mrs B Sutcliffe (Non-Executive)
Secretary	Ms N Anson
Address	National Physical Laboratory Hampton Road Teddington Middlesex TW11 0LW
Banker	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP
Auditor	Deloitte LLP Charted Accountants and Statutory Auditor London

DIRECTORS' REPORT

We are pleased to introduce the annual report and the audited financial statements of NPL Management Ltd ("NPL") for the year ended 31 December 2015. This has been a year of change for NPL, at the beginning of 2015 NPL returned to government ownership and is now a public corporation owned by the Department for Business, Innovation and Skills (BIS). This was closely followed by the announcement of our strategic partners, the Universities of Strathclyde and Surrey, who are helping to bring the aspirations of the former Science Minister to life. On 1 May 2015, Dr David Grant CBE FREng was appointed as independent Chair of the NPL Management Ltd Board. NPL created a new Science and Technology Council whose membership contains a wealth of experience and knowledge to ensure that NPL's science stays relevant and of the highest quality. NPL also said a fond farewell to Dr Brian Bowsher, NPL's Managing Director for the last six years, and the business was managed by Dr Martyn Sene until being replaced by Dr Peter Thompson in September 2015, as Chief Executive Officer.

Although a year of transition and a continuing difficult economic climate, NPL had a solid year. We would highlight the following financial achievements:

- Total revenue of £84.2M (2014: £79.9M) and EBIT of £3.3M (2014: £6.4M).
- Competitively-won work of £31.7M (2014: £32.4M).

However, NPL is much more than its financial numbers. NPL has overseen a number of significant events in 2015, including the inauguration of the Postgraduate Institute for Measurement Science, attended by over 100 students working on PhDs associated with NPL, and the launch of the Quantum Metrology Institute. NPL also concluded our most recent customer survey, proving the impact that of NPL and measurement. It demonstrates that measurement support was essential for the development of new products, with 30% stating that their innovations would have failed without it. The survey also revealed that £2 billion worth of products would be at risk without the support provided.

We are immensely proud of the international relationships that we have fostered with National Measurement Institutes across the globe, collaborations that have included assisting the National Institute of Metrology in China with opening a new antenna range and organising an international workshop on UTC traceability for the global financial sector.

In 2015 NPL celebrated the 60th anniversary, a significant number in the world of timekeeping, of Louis Essen building the first caesium atomic clock at NPL in 1955. This led to an international redefinition of the SI second in 1967 and our current atomic time research is reaching an uncertainty equivalent to one second in 300 million years.

NPL continues to champion the advancement of metrology skills and is leading the BIS Trailblazer programme, to upskill the current and future workforce.

As a research laboratory with a strong international reputation in the physical sciences, we will look hard at where we can increase our impact globally, as well as nationally where we have a crucial role in supporting productivity, skills, exports and inward investment across sectors as diverse as manufacturing, health, energy and defence. Working with our strategic partners and becoming increasingly externally connected, we will be launching more regional laboratories in the UK where we can bring metrology know-how to emerging science and disruptive technologies, and, crucially, deliver ever greater impact to local businesses and society as a whole.

We would encourage you to read the Report and Financial Statements in conjunction with our Annual Review 2015 which brings to life NPL's work over the last year with illustrations of its economic and social impact. The Governance Statement is included by reference into this Directors' report. The Company has chosen, in accordance with section 414C(11) of Companies Act 2006, to include such matters of strategic importance to the Company in the Strategic Report which otherwise would be required to be disclosed in the Directors' report. These include: Financial risk management, future developments, post balance sheet events and dividends paid.

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.

David Grant

Dr David Grant
Chair

Dr Peter Thompson
Chief Executive
Officer

GOVERNANCE STATEMENT

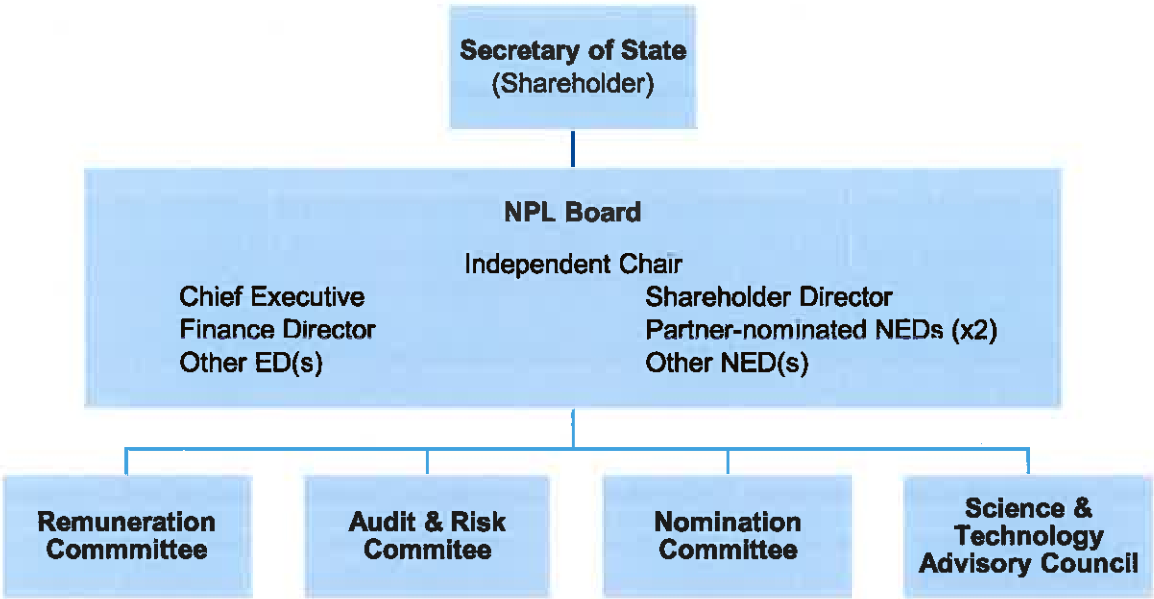
SCOPE OF RESPONSIBILITY

As Accounting Officer I have responsibility for maintaining a sound system of internal control 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 accordance with the responsibilities assigned to me in Managing Public Money.

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 its control structure. It explains how NPL has complied with the principles of good governance and reviews the effectiveness of its governance arrangements.

THE GOVERNANCE FRAMEWORK



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

Minister: The Secretary of State for Business, Innovation and Skills is the Minister with formal responsibility for NPL. Day-to-day ministerial oversight and the formal ownership role are delegated to Minister of State for Universities and Science. The Secretary of State and the Minister are answerable to Parliament for all matters relating to NPL and hold Ministerial policy responsibility for NPL.

NPL Board ensures that NPL is working within a framework of effective governance arrangements. These governance arrangements will enable risk to be appropriately assessed and managed. The Board will also support, constructively challenge and provide strategic leadership to the NPL executive team. The Board is led by an independent, non-executive Chair.

Board attendance

2015 Board members	Jan	Feb	Mar	May	Aug	Oct	
David Grant				Chair	Chair	Chair	3/3
Amanda Brooks	Chair	Chair	Chair	✓	✓	✓	6/6
Brian Bowsher	✓	-	✓	✓			3/4
Pete Thompson						✓	1/1
Paul Howarth	✓	-	✓	✓	✓	✓	5/6

Jim McDonald	✓	-	-	✓	-	✓	3/6
Michael Kearney						✓	1/1
Chris Snowden	✓	-	-	✓	-		2/5
Nicola Anson	✓	✓	✓	✓	✓	✓	6/6
Martyn Sene	✓	✓	✓	✓	✓	✓	6/6
Richard Brook	✓	-	-	✓	✓	✓	4/6

Notes: Paul Howarth was appointed January 2015, David Grant and Jim McDonald were appointed May 2015, Brian Bowsher resigned June 2015, Pete Thompson and Mike Kearney were appointed September 2015, Chris Snowden resigned September 2015, Richard Brook resigned in December 2015 and Brigid Sutcliffe was appointed in March 2016.

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

The Audit Committee oversees audit and risk management in NPL, and is chaired by an independent non-executive director. It provides assurance to the Board around the effectiveness of the internal control and risk management systems.

The Nominations Committee leads the appointment process for each of the Board members and for making recommendations to the Board, including the terms of service, except in relation to the Chair or the Shareholder Director. In respect of the Chair, the Shareholder engages with and involves the Nominations Committee, where appropriate.

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.

In addition, the NPL Accounting Officer is responsible to the BIS principle Accounting Officer for the high standards of probity in the management of public funds.

BOARD EFFECTIVENESS & COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The new governance framework came into force on 1 January 2015 when the ownership of NPL transferred from Serco to Government.

The Board comprised three Executive Directors, the new Chief Executive Officer (CEO) appointed September 2015 with the deputy CEO and the Finance Director. Each of the strategic partners, University of Surrey and University of Strathclyde were offered a seat on the Board to facilitate the delivery of the strategic alliance. David Grant was appointed as an independent Chair, and the other Non-Executive Directors comprise a BIS representative, Amanda Brooks and the Managing Director of the National Nuclear Laboratory, Professor Paul Howarth

A Non-Executive Director with a background in finance and risk has been identified to chair the Audit Committee. A further Non-Executive Director is sought with a background in commercial development and impact to support the expansion of third-party income.

The NPL Board has and continues to be fully compliant with the Corporate Governance Code.

Because the structure is so new, we did not feel it is appropriate to carry out a full review of the framework in 2015, and the Board has agreed to do this in 2016.

THE RISK AND INTERNAL CONTROL FRAMEWORK

The NPL Executive has overall responsible for identifying major risks to the Company's business. All business and commercial activities contain risks and risk management is an integral part of business management. Some risks cannot be eliminated completely, so NPL's aim is to understand them and devise a control 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 has an internal Risk Management procedure that is maintained by the Corporate Assurance team. This describes the NPL approach, the NPL processes and responsibilities. The Risk Register is reviewed at all Board meetings.

NPL has maintained the existing internal control framework which operated successfully under Serco ownership 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.

GOVERNANCE RISKS IN 2015

1. Corporate Structure

As a consequence of the move into government, there has been a complete review and set of changes to the corporate governance structure. Following from this, we have brought in a new Chair and Chief Executive as well as a number of other new Board members. NPL straddles both the public and private sectors, and the existing team has played a critical role in ensuring continuity.

Transitioning to the new structure and agreeing the governance around this is still bedding in and we are carrying out further work to identify if there are any weaknesses that need to be addressed.

2. Government Controls

The move from Serco to Government meant a change in the controls put in place by the owner. Public sector controls differ significantly from those imposed by private sector owners, and reflect the needs of Parliament to ensure public bodies operate in the public interest. These controls vary depending on the classification of each body, and NPL's classification as a Public Corporation was not decided until March 2015.
The management team at that time did not have a public sector background, and this meant there was uncertainty during the transition period, which was mitigated by working closely with BIS and having the services the ex BIS Head of Governance to help them better understand the implications and risks.

3. Internal Audit

Under our ISO 9001:2008 certification internal quality audits of the NPL Management system are conducted across the organisation, these encompass finance activities such as use of software and spread sheet compliance. NPL does not have an Internal Audit function specifically designed for financial control. Under Serco ownership, it used self-assessments carried out by different parts of the Finance team, plus a visit from external auditors every few years. NPL is looking at how best to carry out this role in the future, and an external review of corporate governance currently in progress will address this.

In the meantime, BIS audit officials had recommended carrying on with the existing self-assessments and addressing areas that are of higher risk. NPL has also increased its capability of managing its internal controls where this has been necessary following the removal of Serco support, eg. around tax in general, and associated business expenses.

Dr Peter Thompson
Chief Executive Officer
3 May 2016

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, Innovation and Skills (BIS) 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 other than any implications arising from a strategic review of NPL that is yet to be completed.

From the expiry of the contract (the Contract) on 1 January 2015 between BIS and Serco Holdings Limited, the Company accounted for the pension deficit in full in accordance with the requirements of FRS 102, rather than franchise accounting. The directors are of the opinion that, in drawing up and approving annual accounts of the Company for 2015, which include any period after expiry of the Contract, the franchise accounting basis is not applicable and the accounts are required to include the full accounting deficit, most recently assessed at approximately £22M (actuarial deficit £51M). The directors are currently advised that there is no clear and unconditional guarantee by BIS and that no pension asset can be included in Company accounts which include any period after expiry of the Contract. The balance sheet at 31 December 2015 therefore shows a deficit on net assets of approximately £6.8M. On 30 March 2016, BIS made an equity investment in NPL of £59M to reduce the pension deficit by £30M, the loan balance by £20M and to provide further cash reserves. This increased net assets by £59M to recapitalise the Balance Sheet.

The directors have concluded that NPL is a going concern (Note 1); taking into consideration the fact that NPL does not have a deficit on net assets throughout the 12 months following approval of these financial statements. The deficit on net assets arose in 2015, following recognition of the full pension accounting deficit of £22M in the balance sheet, reflecting the ownership of the company covenant for the long term. This deficit was substantially reduced post year end following an equity investment from BIS in March.

Review of the year and future outlook
The Directors consider the results for the year to be satisfactory, particularly as the economic environment remained difficult in 2015 and made funding from both government and industry challenging. The directors remain confident that the Company will sustain its underlying level of performance by continuing to operate efficiently and growing revenue from sources other than its main contract with BIS.

As shown in the Company's profit and loss account on page 14, the Company's turnover has increased by 5.3% (2014: increase of 2.7%), and the profit before tax decreased by 74.5% (2014: profit increase of 62.4%). The profit before tax as a percentage of turnover for the year ended 31 December 2015 was 1.9% (2014: 8.0%). The decrease in profitability compared with the previous year is partly due to the inclusion of an additional research and development expenditure credit (RDEC) in 2014 relating to the 2013 claim, as well as Non NMS revenue flattening off in 2015 whilst NPL was undergoing ownership change. The NPL Board are working to address this during 2016. Turnover per number of employees for the year ended 31 December 2015 was £113,831 (2014: £114,953). No dividends have been paid or declared in the year (2014: £3,618,683 paid in specie).

The Company's net liability position on page 16, was £(6,078,000) as at 31 December 2015 (2014: £12,026,000) reflecting the recognition of the pension liability. During the year, the company transitioned from UK GAAP to FRS 102, which has affected the reserves brought forward position. A reconciliation can be found in Note 23.

An important measure of the Company's health is utilisation of our staff on turnover generating services. During the year this was 79.2% (2014: 81.8%) 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 2015 amounted to 89.3% compared with 88.4% for the year ended 31 December 2014.

Financial 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 receives the majority of its revenue from UK Government departments and so is not exposed to significant credit risk. The Company transferred to BIS on 1 January 2015, and BIS assumes full ownership for the long term. The overarching contract between NPL and BIS is in place and no material change in revenue streams is anticipated.

Environment
The Company 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. In 2015, 163.1 tonnes of waste were produced at NPL, of which 23.2% was recycled (in 2014: 63.4 tonnes were produced, of which 94.0% was recycled) and the remainder went to landfill.

Employee involvement
A strong employee voice is central to employee engagement and well-being at NPL. The Company has a number of communications channels designed to inform employees of factors affecting the business, including a quarterly all employee communications session with the CEO and monthly team meetings with line management. All communications channels are intended to be two-way, with feedback from employees being strongly encouraged by a leadership team who value their views and ideas. Other more private mechanisms for feedback also exist including a direct route to the HR team and CEO.

Further to the regular opportunities for involvement, employees are strongly encouraged to be a part of strategic projects; an example of this being circa 400 employees who input into the new NPL values from conception and design through to launch in January 2016.

NPL has recently refined the areas of strategic importance for the laboratory, directly linking them to the new NPL values. This enables employees to have a clear line of sight between their individual objectives and NPL's overall vision and mission, providing a full understanding of what is expected, why it is required and how it is expected to be achieved. NPL will continue to embed our values seeing them as the core of everything we do as an organisation.

An annual employee engagement survey was conducted in October 2015 to help measure levels of employee engagement with NPL and its goals and direction. The survey provides another channel for employees to challenge and reinforce views. The 2015 results indicated a 4% improvement in overall employee engagement with particular success around health and safety, diversity and telling others great things about NPL. A significant increase was also seen in employees being motivated to do their best every day. Areas for continued attention and improvement are senior leadership visibility and recognition. Employee Engagement & Wellbeing is a key priority for 2016, and is highlighted within NPL's HR Strategy.

Employment of disabled persons, diversity and corporate social responsibility
NPL embraces diversity, employing individuals based on their aptitude and ensuring people from different backgrounds are valued as individuals. The Company employs / collaborates with over 40 different nationalities through full time employment, studentships and visiting researchers from all over the world. NPL continues to be approved to use the Two Ticks Disability Symbol. In addition to this, the Company has recently joined Stonewall as a Diversity Champion and applied to be a supporter of the Project Juno code of practice.

As an active member of the 5% Club, the campaigned focused on creating momentum behind the recruitment of apprentices and graduates into the UK workforce, NPL has committed to ensuring 5% of its workforce are apprentices, graduates or sponsored students on structured programmes. Entering its second year of the 5 year commitment, NPL has already achieved 2.5%, with a cohort of 13 apprentices recruited in 2015.

On behalf of the board

....
Ms N Anson
Director
3 May 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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

We have audited the financial statements of NPL Management Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

K. J. Houldsworth

Kate J. Houldsworth, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

3rd May 2016

NPL MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED

	Notes	2015 £000s	2014 £000s
Turnover	3	84,155	79,892
Cost of Sales		(53,502)	(52,454)
Gross Profit		**30,653**	**27,438**
Administrative expenses		(27,395)	(21,112)
Operating Profit		**3,258**	**6,326**
Interest receivable and similar income	6	-	361
Interest payable and similar charges	7	(1,624)	(782)
Profit on ordinary activities before taxation	**5**	**1,634**	**5,905**
Tax on profit on ordinary activities	8	(380)	(667)
Profit for the year		**1,254**	**5,238**

NPL MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

	Notes	2015 £000s	2014 £000s
Profit for the financial year		1,254	5,238
Other comprehensive income			
Pension scheme actuarial gains/(losses)	17	(23,705)	(2,069)
		(23,705)	(2,069)
Tax on other comprehensive income – corporation tax	8	347	-
Tax on other comprehensive income – deferred tax	8	4,452	-
Other comprehensive loss net of taxation		(18,906)	(2,069)
Total comprehensive loss for the year		(17,652)	3,169

NPL MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED

	Share capital £000	Retired benefit obligation reserve £000	Revaluation reserve £000	Share-based payment reserve £000	Profit and loss account £000	Total £000
At 31 December 2013 as previously stated	-	**(4,335)**	**4,105**	**563**	**14,824**	**15,157**
Changes on transition to FRS 102 (see note 23)	-	-	-	-	**(463)**	**(463)**
	-	**(4,335)**	**4,105**	**563**	**14,361**	**14,694**
Balance at 1 January 2014						
Profit for the year	-		-	-	5,238	5,238
Dividends in specie			-	-	(3,619)	(3,619)
Actuarial loss on pension employment scheme	-	(6,296)	-	-	-	(6,296)
Actuarial gain on franchise adjustments	-	4,227	-	-	-	4,227
Additions to pension scheme liability	-	870	-	-	-	870
Tax charge on net actuarial losses	-	565	-	-	-	565
Revaluation of Agplus investment	-		(4,105)	-	-	(4,105)
Movement in reserves		-	-	(563)	563	-
Balance at 31 December 2014	-	**(4,969)**	-	-	**16,543**	**11,574**
Profit for the year	-				1,254	1,254
Recognition of pension scheme liability	-	-	-	-	(22,839)	(22,839)
Actuarial loss on pension employment scheme	-	(866)	-	-	-	(866)
Tax charge on net actuarial losses	-	4,799	-	-	-	4,799
Balance at 31 December 2015	-	**(1,036)**	-		**(5,042)**	**(6,078)**

NPL MANAGEMENT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER

	Notes	2015 £000s	2014 £000s
Fixed assets			
Tangible assets	10	30,375	25,519
Non-current assets			
Deferred tax	15	4,215	-
Current assets			
Debtors: amounts falling due within one year	12, 15	19,854	15,070
Cast at bank and in hand		6,735	10,562
Creditors: amounts falling due within one year	13	(23,761)	(18,991)
Net current assets		**2,828**	**6,641**
Total assets less current liabilities		**37,418**	**32,160**
Creditors: amounts falling due after more than one year			
Loans due after more than one year	19	(21,474)	(20,342)
Retirement benefit obligation	17	(21,989)	-
Provisions for liabilities	14	(33)	(244)
Net (liabilities)/assets		**(6,078)**	**11,574**
Capital and reserves			
Called up share capital	16	-	-
Revaluation reserve		-	-
Retirement benefit obligation reserve		1,036	(4,969)
Share-based payment reserve		-	-
Profit and loss account		5,042	16,543
Shareholders' (deficit)/funds		**(6,078)**	**11,574**

The financial statements of NPL Management Limited (company number 02937881) were approved by the Board of Directors and authorised for issue on 3 May 2016. These were signed on its behalf by:

Peter Thompson
Director

Accounting policies
The principal accounting policies have been described below. They have been applied consistently throughout the year and to 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 and domiciled in the United Kingdom. The address of 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, modified to include certain items held at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 23. 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. 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.

b. Going Concern

The directors have acknowledged the guidance on going concern and financial reporting published by the Financial Reporting Council in October 2009.

The Company's revenues are largely 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. Risk is therefore limited. The directors note that on 1 January 2015 ownership of the Company and assets transferred to the government. The Sectary of State has announced the government's intention that NPL will continue to perform services for BIS regardless of this change in ownership. We note also that the Company remains at the heart of the published strategic plans of the National Measurement System. The directors also have a good level of visibility of contracted levels of revenue. In addition, BIS have made a £59M investment in NPL in March 2016. 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 accounts.

The directors considered the following uncertainties in arriving at their conclusions on going concern. Firstly, with effect from 1 January 2015 there is no requirement for BIS to provide a minimum commitment to the Company to contract future NMS activity. However, the Company was transferred into BIS ownership on 1 January 2015 and is the UK's National Measurement Institute and significant work is contracted for 2016. In addition, BIS have signed a contract with a strategic partnership to maintain the Company as a going concern and appropriately capitalised. Secondly, the directors considered cash flow for the twelve months following approval of these financial statements. The cash flow forecast and latest management accounts give confidence that the company can pay its debts as they fall due. An independent review of the Company covenant carried out as part of the triennial revaluation of the defined benefit pension scheme in 2015 concluded that this covenant had strengthened as a result of the change in ownership.

c. Long-term contracts

Turnover from long-term 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.

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.

d. Grant income

The Company accounts for a grant income as deferred income and recognises the revenue as it utilises the assets for which the grant income was received.

e. Research and development

Research expenditure is written off as incurred and included in cost of sales. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. This period is between three and five years. Provision is made for any impairment.

f. Tangible fixed assets and depreciation

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

Depreciation is provided on all tangible fixed 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%

g. 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 Group'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.

h. 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.

i. 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 then financial asset and substantially all the risks and rewards of ownership to another entity.

j. Financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangements 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.

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.

k. 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.

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.

l. Share based payments

As at 31 December 2014, the share-based payment reserve had been transferred to the profit and loss account reserve as the Company no longer has any liability.

During 2014, the Company's previous ultimate parent (Serco Group plc) issued equity-settled share-based payments to certain employees and operated an Inland Revenue approved Save as You Earn share option scheme open to eligible employees which allowed the purchase of shares at a discount. These were measured at the fair value of grant. The fair value is expensed on a straight-line basis over the vesting period, based on that Group's estimates of shares that will eventually vest. Fair value was measured by use of the Black Scholes, Binomial or Monte Carlo Simulation pricing models which was considered by management to be the most appropriate method of valuation.

1. 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, apart from those involving estimations (which are dealt with separately below), 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.

Timing of revenue recognition
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. Grant revenue is recognised when the work has been completed.

Classification of leases as operating
NPL have leases which are used in the delivery of its contracts. The classification of these as operating or finance leases is determined by reference to the duration of the contract against the assets' useful lives and the value of the contract against the fair value of the assets.

Recoverability of deferred tax assets
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.

2. *Turnover*

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

	2015 £000s	2014 £000s
National Measurement System	52,408	47,503
Non National Measurement System	31,747	32,389
Total	**84,155**	**79,892**

All turnover arose in the United Kingdom (2014: all turnover arose in the United Kingdom).

3. *Information regarding directors and employees*

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

	2015 No.	2014 No.
Average number of full-time equivalent employees during the year		
Technical staff	591	565
Administration	149	130
	740	**695**

Their aggregate remuneration comprised:

	2015 £000s	2014 £000s
Wages and salaries	28,847	26,775
Social security costs	2,940	2,706
Other pension costs	5,673	4,667
	37,460	**34,148**

Directors' remuneration

	2015 £000s	2014 £000s
Directors' emoluments		
Emoluments (excluding pension contribution)	505	542
Pension contributions	124	45

	2015 £000s	2014 £000s
Highest paid director's remuneration		
Aggregate of emoluments	170	215
Pension contributions	56	-

	2015 No.	2014 No.
Number of directors who:		
Are members of a defined benefit pension scheme	-	1

4. *Profit on ordinary activities before taxation*

Profit on ordinary activities before taxation is stated after charging:

	2015 £000s	2014 £000s
Amortisation of intangible assets	-	1,199
Depreciation of tangible assets	4,127	3,623
Operating lease rentals		
-Plant and machinery	284	352
-Other assets	12,112	7,757
Loss on disposal of property, plant and equipment	102	-

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

	2015 £000s	2014 £000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts	26	20
Fees payable to the Company's auditor for other services	4	5
Total fees	**30**	**25**
Audit-related assurance services	4	5
Total non-audit fees	**4**	**5**

5. *Interest receivable and similar income*

	2015 £000s	2014 £000s
Pension scheme interest	-	-
Interest from group undertakings	-	361
	-	**361**

The interest from group undertakings related to interest due from other companies within the Serco Group plc Group. At 1 January 2015, Serco Group plc disposed of its indirect 100% investment in NPL Management Limited.

6. *Interest payable and similar income*

	2015 £000s	2014 £000s
Interest on defined benefit pension scheme	756	-
Bank loan interest	868	782
	1,624	**782**

7. *Taxation*

The tax charge comprises:

	2015 £000s	2014 £000s
Analysis of tax charge/(credit) for the period		
Current tax		
UK corporation tax at 20.25%	351	1,143
Adjustments in respect of prior periods (current and intergroup)	(322)	-
	29	1,143
Double taxation relief	(4)	-
After double taxation relief	25	-
Foreign taxation	4	-
Adjustments in respect of prior periods (foreign tax)	13	-
Total current tax charge	42	1,143
Deferred tax		
Origination and reversal of timing differences	334	(678)
Adjustment in respect of prior periods	(74)	202
Effect of tax rate change on opening balance	76	-
Total deferred tax charge/(credit)	336	(476)
Tax on profit on ordinary activities	378	667

	2015 £000s	2014 £000s
Tax relating to other comprehensive income		
Current tax		
UK corporation tax at 20.25%	(347)	-
Deferred tax		
Origination and reversal of timing differences	(4,452)	-
Tax relating to other comprehensive income	(4,799)	-

Provision for deferred tax		
Accelerated capital allowances	(692)	(497)
Short term timing differences	(4,110)	(627)
Other	(1,413)	-
Total deferred tax (asset)	(6,215)	(1,124)
Movement in provision:		
Provision at start of period	(1,124)	-
Deferred tax charge in the income statement for the period	335	-
Deferred tax charge in the Statement of Other Comprehensive Income	(4,452)	-
Accounts transfer	(974)	-
Provision at end of period	(6,215)	-

The tax charge recognised for the year ended 31 December 2015 is higher than the United Kingdom corporation tax rate of 20.25% (2014: 21.5%). The reasons for this are set out below.

	2015 **£000s**	**2014** **£000s**
Reconciliation of tax charge		
Profit on ordinary activities before tax	1,625	6,393
Tax on profit on ordinary activities at standard corporation tax rate of 20.25%	329	1,374
Effects of:		
Expenses not deductible for tax purposes	11	264
Income not taxable for tax purposes	(91)	-
R&D expenditure credits	(78)	-
Group relief (claimed)	-	(1,224)
Adjustments to tax charge in respect of previous periods	(309)	-
Adjustment to tax charge in respect of previous periods – deferred tax	(74)	202
Adjustment closing deferred tax to average rate of 20.25%	599	-
Adjustment opening deferred tax to average rate of 20.25%	(9)	-
Change in rate	-	51
Rounding difference	2	
Tax charge for the period	380	667

8. *Dividends*

	2015 **£000s**	**2014** **£000s**
Dividends paid in specie – transfer of shares	-	86
Dividends paid in specie – transfer of intercompany balances	-	3,533
	-	3,619

No dividends have been proposed or declared for the year ended 31 December 2015.

9. *Tangible fixed assets*

	Technical equipment £000	Furniture & fittings £000	Office equipment	Total £000s
Cost				
At 1 January 2015	31,697	129	4,272	36,098
Additions	8,916	-	258	9,174
Disposals	(159)	-	-	(159)
Transfer from construction in progress	-	-	-	-
At 31 December 2015	40,454	129	4,530	45,113
Depreciation				
At 1 January 2015	7,569	129	2,881	10,579
Charge for the year	3,608	-	608	4,216
Disposals	(57)			(57)
At 31 December 2015	11,120	129	3,489	14,738
Net book value				
At 31 December 2015	29,334	-	1,041	30,375
At 31 December 2014	24,128	-	1,391	25,519

10. *Fixed asset investments*

The Company disposed of its 86% share in AgPlus Diagnostics Limited on 31 December 2014 via a dividend in specie to Serco Holdings Limited. The Company has no other fixed asset investments.

11. *Debtors*

	2015 £000s	2014 £000s
Amounts falling due within one year		
Trade debtors	5,592	4,044
Amounts recoverable on long term contracts	6,859	6,092
Amounts owed by group undertakings	-	24
Other debtors	2,653	2,106
Prepayments	2,750	1,680
Deferred tax asset (see note 15)	2,000	1,124
	19,854	**15,070**

There are no debtors due after more than one year.

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

	2015 £000s	2014 £000s
Bank loans (see note 19)	4,202	3,659
Trade creditors	4,383	3,151
Other creditors	3,011	1,570
Accruals	5,742	4,337
Contract deferred income	5,062	5,715
Other taxes and social security	1,361	559
	23,761	**18,991**

Within deferred income is £1,445k (2104: £nil) of grant income from the Department of Business, Innovation and Skills to fund the purchase of some capital equipment. There are no unfulfilled conditions and contingencies attached to this grant income.

13. Provisions for liabilities

The other provisions balance is made up as follows:

	2015 £000s	2014 £000s
Opening balance	244	264
Increase in provisions	-	136
Provisions released	(211)	(156)
Closing balance	33	244

The other provisions balances are made up of provisions for future loss and provisions for warranty expenses.

14. Deferred tax asset

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

	2015 £000s	2014 £000s
Provision for deferred tax		
Accelerated capital allowances	(692)	(497)
Short term timing differences	(4,110)	(627)
Other	(1,413)	-
Total deferred tax (asset)	**(6,215)**	**(1,124)**
Movement in provision:		
Provision at 1 January 2015	(1,124)	-
Deferred tax charge in the income statement for the period	335	-
Deferred tax charge in the Statement of Other Comprehensive Income	(4,452)	-
Accounts transfer	(974)	-
Deferred tax asset at 31 December 2015	**(6,215)**	-

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 the Summer Finance Bill 2015, which was substantively enacted on 26 October 2015, it was announced that the main rate of corporation tax for UK companies would reduce to 19% from 1 April 2017, and the reduce further to 18% from 1 April 2020. The reduced rate of 18% has therefore been reflected in the calculation of deferred tax at the balance sheet date.

There are no unrecognised deferred tax assets or liabilities at 31 December 2015 (31 December 2014: none).

15. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

16. Employee benefits

The NPL Management Limited Pension Scheme
The Company operates a defined benefit scheme.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2015 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.

	Valuation at	
	2015	2014
Key assumptions used:		
Discount rate	3.9%	3.7%
Rate of salary increases	3.1%	3.1%
Rate of increase in pensions in payment	3.0%	3.0%
Rate of increase in deferred pensions	3.1%	3.1%
Inflation (RPI)	3.1%	3.1%

Mortality assumptions:
The assumed life expectations on retirement at age 60 are:

	Valuation at	
	2015 years	2014 years
Retiring today:		
Males	28.9	28.2
Females	31.5	31.1
Retiring in 15 years:		
Males	30.4	29.8
Females	33.1	32.7

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

	2015 £	2014 £
Current service cost	2,289	1,961
Net interest cost	756	(63)
Plan introductions, changes, curtailments and settlements	415	349
	3,460	2,247

Recognised in other comprehensive income

Total cost relating to defined benefit scheme	23,705	2,069

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

	2015 £	2014 £
At 1 January	104,666	89,816
Interest income	3,916	4,299
Return on plan assets (excluding amounts included in net interest cost)	(5,001)	7,247
Contributions from the employer	5,167	5,167
Contributions from scheme participants	48	45
Benefits paid	(2,464)	(1,559)
Admin expenses paid from plan assets	(415)	(349)
At 31 December	105,917	104,666

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

	2015 £	2014 £
At 1 January	127,505	108,454
Service cost	2,289	1,961
Interest expense	4,672	5,061
Benefits paid	(2,464)	(1,559)
Settlement payments from employer	48	45
Effect of change in assumptions	(4,144)	17,626
Effect of experience adjustments	-	(4,083)
At 31 December	127,906	127,505
Net liability recognised in the balance sheet	**21,989**	-

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

	Fair value of assets	
	2015 £	2014 £
Cash and cash equivalents	11,037	1,508
Equity instruments	32,643	28,710
Debt instruments	41,719	61,646
Other assets	20,518	12,802
	105,917	104,666

17. Financial commitments

At 31 December 2015, the Company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2015:

	2015 £000s	2014 £000s
Operating leases which expire		
Within one year	45	151
Between one and five years	202	29
In over five years	-	-
	247	**180**

In addition to the above, on 1 April 2004, the Company entered into a new Contract with BIS for research and development services at NPL. As part of the Contract, the Company also entered into various lease arrangements at peppercorn rents. The lease arrangements have not been affected by that Contract ending.

In respect of the premises and accommodating services, the Company paid base rent £5,590k per annum (RPI indexed) to the NMRO in 2014. This equated to a £12,112k rental charge in 2015 that is paid to BIS (2014: £7,757k).

18. Bank loans

	2015 £000s	2014 £000s
Within one year	4,202	3,659
Between one and two years	4,070	3,743
Between two and five years	9,748	9,416
In over five years	7,656	7,183
	25,676	**24,001**

19. Controlling party

NPL Management Limited's registered office is National Physical Laboratory, Hampton Road, Teddington, Middlesex, TW11 OLW. From 1 January 2015, the Company became wholly owned by the Secretary of State for Business, Innovation and Skills (BIS). The smallest group that the Company's accounts are consolidated into are the Whole Government Accounts, available at www.gov.uk and from The National Archives.

During the year ended 31 December 2014, the ultimate parent and controlling entity of the Company was Serco Group plc, a company incorporated in Great Britain and registered in England and Wales. Serco Group plc was the parent undertaking of the smallest and largest group to consolidate the financial statements. The financial statements of Serco Group plc are available from The Company Secretary, Serco Group plc, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire RG27 9UY.

20. Related parties

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

The total remuneration for key management personnel for the period totalled £629k (2014: £587k), being remuneration disclosed in note 4 of £629k (2014: £587k).

21. *Post balance sheet events*

On 31st March 2016 BIS made a £59m commitment to NPL in the form of 18 shares with a nominal value of £1 each issued at £3.28m per share. This has been used to pay down loans and repay some of the pension deficit.

Subsequent to the balance sheet date, it has been identified that several employees of NPL may have been exposed to asbestos while in its employment. No adjustment has been made to the financial statements as it is fully covered by the Company's insurance policy.

22. *Explanation of transition to FRS 102*

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard. These are discussed in further detail below.

Reconciliation of equity

Note		At 1 January 2014 £	At 31 December 2014 £
	Equity reported under previous UKGAAP	15,157	12,026
	Adjustments to equity on transition to FRS 102		
A	Holiday pay accrual	(463)	(451)
	Equity reported under FRS 102	14,694	11,575

Notes to the reconciliation of equity

Note A – Holiday pay accrual

Under previous UK GAAP, no accrual was required for holiday leave for staff which had not been taken. Under FRS102 the Company is required to record a liability for untaken annual leave which has been carried forward into the following year, as this represents a cost to the Company of carrying forward this leave.

Reconciliation of profit or loss for the year ended 31 December 2014

Note		£
	Profit for the financial year under previous UK GAAP	5,726
B	Adjustment for holiday accrual	12
C	Defined benefit pension scheme admin expenses	(350)
C	Defined benefit pension scheme net interest cost	(150)
	Profit for the financial year under FRS 102	5,238

Notes to the reconciliation of profit or loss for the year ended 31 December 2014

Note B – Adjustment for holiday accrual

Under previous UK GAAP, no accrual was required for holiday leave for staff which had not been taken. Under FRS102 the Company is required to record a liability for untaken annual leave which has been carried forward into the following year, as this represents a cost to the Company of carrying forward this leave. The adjustment to the holiday accrual reflects the movement in the accrual in 2014.

Note C – Defined benefit pension scheme administrative expenses and net interest cost

Under FRS102, the Company is required to recognise costs and net interest on the net defined benefit pension liability in the profit and loss account (not recognised in the financial statements under UKGAAP).