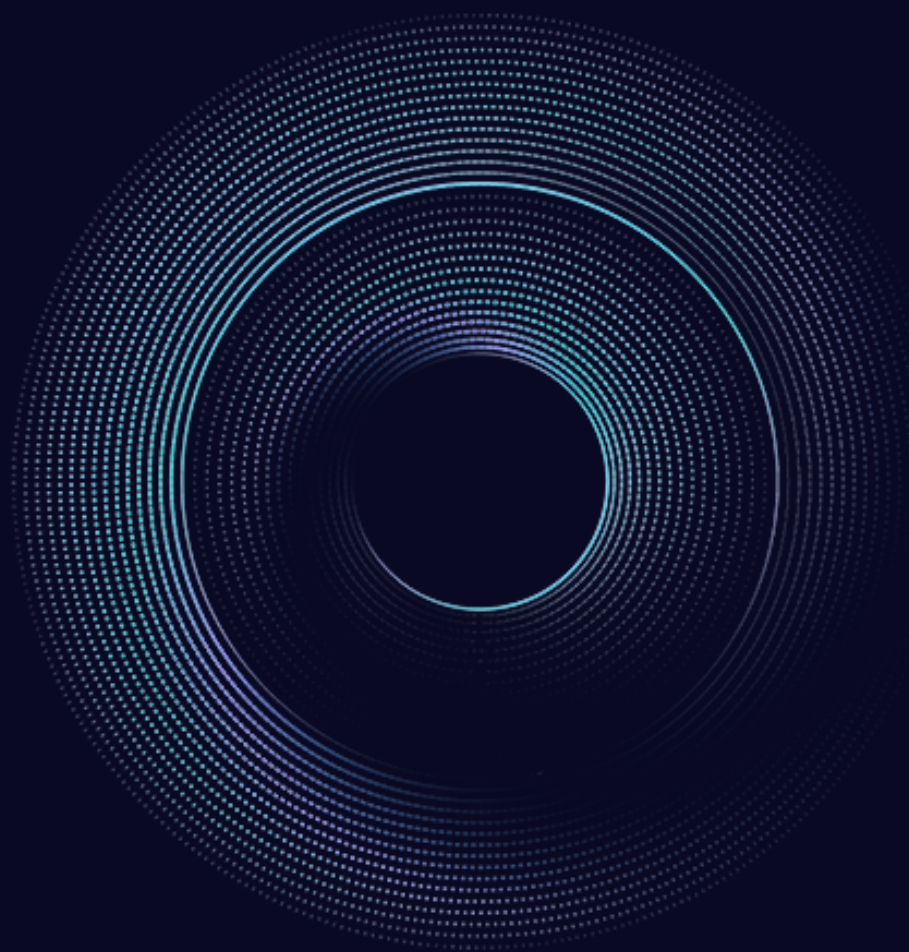




# Annual Report and Financial Statements

For the year ended 31 December 2021

Company Registration No: 02937881 (England and Wales)



## NPL MANAGEMENT LIMITED

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**NPL MANAGEMENT LIMITED**  
**COMPANY INFORMATION**

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**Directors**

Prof. G Reid (Non- Executive) (appointed 1 Jan 2021) (appointed Chair 1 Oct 2021)  
Dr P A Thompson  
Mr N J Perry (Senior Independent Non- Executive)  
Prof. Sir J R McDonald (Non-Executive)  
Ms B Sutcliffe (Non-Executive)  
Prof. G M Lu (Non- Executive)  
Ms P J Holt  
Dr R Hart (appointed 1 Jan 2022)  
Ms C Quinn (Non- Executive)  
Ms H Wallace (Non- Executive) (appointed 11 Feb 2021)

**Company Secretary** Rebecca Hunter

**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**  
**INTRODUCTION FROM THE CHAIR**

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I have admired NPL throughout my career and it was a great privilege to be appointed chair of NPL in October 2021. The NPL Board brings together a wealth of experience to lead and support the NPL Executive team and provides a key relationship with NPL's owner, the UK Department of Business Energy and Industrial Strategy.

As the UK's National Metrology Institute, NPL plays a pivotal role in the economy, expanding the frontiers of science while working in partnership with businesses and public bodies across the country. NPL supports hundreds of firms in an extraordinary range of sectors: from life sciences to manufacturing, from luxury clothing to satellite communications. We provide measurement science that underpins climate change mitigation, the digital economy, health care and more. Meanwhile, NPL nurtures the emerging generation of measurement scientists and engineers through our Postgraduate Institute and through a vigorous programme of apprenticeships. This support is delivered in a strategic partnership with the universities of Strathclyde and Surrey along with numerous collaborators from the public, private and academic communities.

A few of NPL's many successes are included in this report. We look forward to even more in the future.



Prof. Graeme Reid  
Chair of the National Physical Laboratory

## NPL MANAGEMENT LIMITED

### CHIEF EXECUTIVE'S SUMMARY

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2021 was a challenging year for everyone, but as ever, the team working at NPL responded to the ongoing circumstances by delivering truly ground-breaking research. Our high-quality science and engineering continued to deliver on our mission to provide the measurement capability that underpins the UK's prosperity and quality of life.

Alongside this our priority was, and always will be, the safety and security of our people. Throughout the pandemic we implemented procedures which allowed us to continue safely running critical services for the UK.

There have been many highlights throughout the year that illustrate the hard work and resilience of the NPL team during 2021.

The continuing COVID-19 pandemic led to a surge in the use of sterilised medical devices. As part of our pandemic response, we provided the essential calibration of such devices via our industrial sterilisation service. This helped the healthcare industry to maintain medical device and PPE supply chains, as well as develop new diagnostic tests and treatments. We were able to assist more than 20 companies with testing and validating their PPE face mask and face shield products, ensuring a UK supply of PPE and creating a domestic supply base for future resilience. Our work enabled millions of facemasks, from first time manufacturers, to reach the UK market.

Throughout 2021, NPL actively supported the UK's post pandemic economic recovery. Our successful Measurement for Recovery (M4R) programme had an impact on over 320 companies of all sizes from all over the country, boosting prosperity and accelerating innovation. We also launched our Mechanical Test Facility (MTF), which will play a key role in enabling the early uptake of new materials and support industrial innovation aligned to the government's priorities.

We continued our work in ensuring a resilient time infrastructure for the future. Our National Timing Centre programme team worked closely with Innovate UK on the first successful industry funding call on time resilience, distribution, trust, assurance, and security which resulted in the launch of 17 new projects focused on these areas.

In November 2021, NPL attended COP26. This gave us a great opportunity to raise awareness of the laboratory and shine a spotlight on how we're delivering solutions for climate science, emissions measurement and supporting the innovation that will drive the decarbonisation of industry. We ran live-stream and in-person 'ask the experts' sessions and highlighted our work on the TRUTHS and Microcarb missions, both of which will monitor international progress in meeting climate targets and produce data to inform decision-making on climate adaption strategies. We also ran engaging outreach activities alongside the conference to inspire climate action in the next generation.

At NPL we are focused on making our services accessible in a digital world and for a digital world – including customer communication, training and quality control procedures. We are building trust in digital standards and in 2021 we begun working with an industrial-academic consortium to digitalise testing in the aerospace industry, as well as collaborating with our colleagues in the Met Office to develop a framework for the assurance of autonomous vehicle sensor performance.

Despite the challenges faced during 2021, we continued to connect with our customers and colleagues via conferences and webinars, with registrations from a total of 106 countries. This geographical reach highlights the importance of online events in disseminating our knowledge, as they increase accessibility and allow for greater participation. I was also pleased to see a return to in-person events, including our own Bushy House Open Day in September. We welcomed around 1,000 members of the public through the doors, as they relished in the history and impressive architecture of Bushy House and learnt about NPL's 120-year history of pioneering science and engineering.

We continued sharing our knowledge and upskilling students and industry despite several lockdowns. We taught over 280 learners in classrooms for 611 days. Our e-learning platform saw 2,921 enrolments on courses, clocking up over 42,883 hours of online learning.

**NPL MANAGEMENT LIMITED**  
**CHIEF EXECUTIVE'S SUMMARY**

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The theme for World Metrology Day 2021 was Measurement for Health. To mark the day, we hosted a webinar exploring our work in healthcare and how our Foresighting informs our plans for the future. In addition, we ran a virtual lab tour exploring the use of phantom reference material in medical imaging, as well as assemblies for primary and secondary schools, with over 4,500 students tuning in.

Our ongoing involvement in events like World Metrology Day illustrates how we continue to represent the UK, and play a leading role, in the international metrology community.

At our Teddington site, we have been upgrading our infrastructure and have incorporated more sustainable and energy efficient measures, such as using LEDs and installing sensor-based lights, toilets and taps. We also instigated a plastic free approach to our food services with biodegradable cutlery and recycling food waste to produce power, bio-fuel and nutrient-rich digestate for fertiliser.

Our goal to attract, engage and retain a diverse workforce, where people feel they can be their genuine self, remained a priority. In an organisation where the impact of our work is vital to our success, growing a diverse workforce is the key to inspiring creativity and accelerating the progress of our science. Throughout 2021, we promoted various mental health and disability initiatives, including mental health training for line managers and the launch of mental health and disability SharePoint sites to offer resources and support to colleagues.

While 2021 may have been a memorable year for the challenges it brought, we also had the opportunity to remember a historic achievement. In June, we celebrated Alan Turing's work at NPL, as both Turing and the Automatic Computing Engine (ACE) Pilot Machine, one of the first computers built in the UK, now appears on the £50 note. I think this a great example of the role that NPL plays in innovation and the development of measurement standards required for new technologies. Supporting long-term investment and innovation is vital in supporting the UK's ambition to be a science superpower.

To deliver all this incredible work, we need amazing people, who are supported and enabled to be their best. Our 1,044 scientists, engineers and skilled professionals worked together to deliver exceptional science and engineering throughout 2021.

During the year we thanked Sir David Grant, Chair of the NPLML Board for his fantastic service to NPL, we were also pleased to welcome new Board members who bring with them an abundance of expertise in research, science, technology and strategy, including the appointment of Professor Graeme Reid as our new Chair of the NPL Board. Dr Martyn Sene also stepped down as Deputy CEO at the end of 2021 having served the Board superbly for 12 years including two periods as interim CEO.

I want to thank everyone who played a part in NPL's success over the past year. It is through your effort and determination that NPL is continuing to have a positive impact on UK prosperity and quality of life, and for that we should all be very proud.

Our vision continues to be to deliver extraordinary impact from excellent science and engineering as a world-leading and exemplary national laboratory; and during the last year, particularly given the global pandemic, our many achievements show how we are delivering on that vision.



Dr Peter Thompson  
Chair of the National Physical Laboratory

## NPL MANAGEMENT LIMITED

### DIRECTORS' REPORT

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The Directors present the Annual Report and Accounts of NPL Management Limited for the year to 31 December 2021.

The company is domiciled and incorporated in the United Kingdom, the parent and ultimate controlling party of the Company is the Secretary of State for Business Energy and Industrial Strategy.

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. Excellent science is at the heart of NPL's activities – driving innovation, supporting industry and improving quality of life, both for the UK and internationally. We maintain a wide portfolio of internationally-visible **research programmes** that advance measurement science, underpin the SI system of measurement units and support cross-disciplinary technologies

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

Details of future developments, the Company's business relationships with suppliers, customers and others, financial risk management and employee involvement, can also all be found in the Strategic Report and form part of this report by cross-reference. Details of the Company's risk management approach and the principal risks faced by the Company can be found in the Governance Report and form part of this report by cross-reference.

Details of greenhouse gas emissions, energy consumption and energy efficiency requirements can be found in the Sustainability report.

#### *Dividends*

No dividends have been paid or declared in the year. The directors do not recommend a final dividend (2020: £nil).

#### *Directors*

The following directors held office during the period 1 January 2021 up to the date of the signing of the financial statements:

Prof. G Reid (Chair – with effect from 1 Oct 2021)  
Dr P A Thompson  
Mr N J Perry (Senior Independent Non-Executive)  
Dr P J A Howarth (Non-Executive) (resigned 4 Jan 2021)  
Prof. Sir J R McDonald (Non-Executive)  
Dr M R Sené (resigned 31 Dec 2021)  
Dr R Hart (appointed 1 Jan 2022)  
Ms B Sutcliffe (Non-Executive)  
Ms L Dunsby (Non- Executive) (resigned 11 Feb 2021)  
Prof. G M Lu (Non-Executive)  
Ms P J Holt  
Ms C Quinn (Non- Executive)  
Ms H Wallace (Non- Executive) (appointed 11 Feb 2021)  
Sir D Grant (Chair) (resigned 30 Sept 2021)

**NPL MANAGEMENT LIMITED**  
**DIRECTORS' REPORT (continued)**

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***Disclosures to 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:



Prof. Graeme Reid  
Chair



Dr Peter Thompson  
Chief Executive  
Officer



**NPL MANAGEMENT LIMITED**  
**GOVERNANCE STATEMENT**

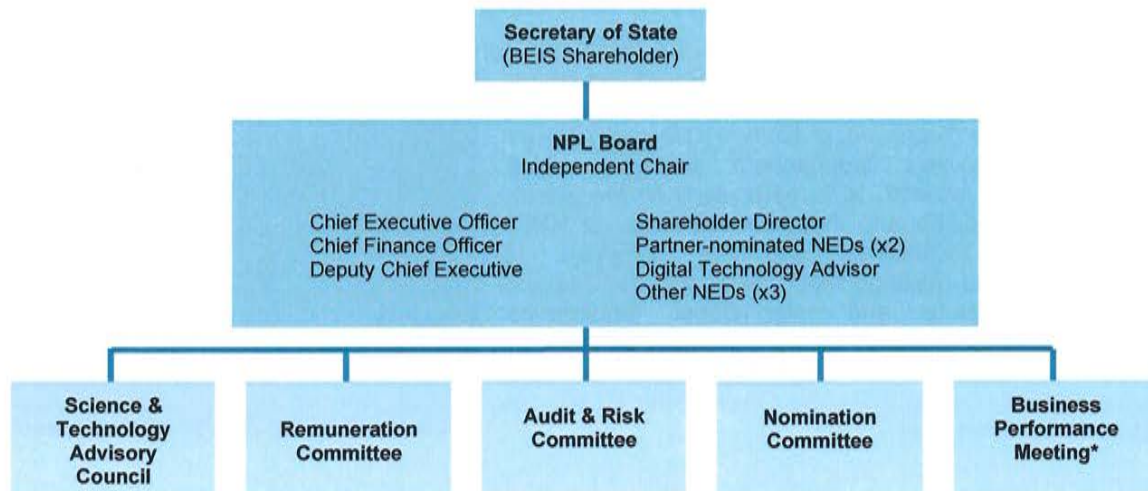
*The purpose of the governance statement*

The Governance Statement gives a clear description and illustration of the composition and organisation of NPL’s governance structures, explaining its control and decision-making structure. NPL is not required to comply with the provisions of the UK Corporate Governance Code (‘The Code’) but does aim to adhere to the principles where relevant and practicable. The statement explains how NPL has complied with the principles of good governance and how the Board has acted on its responsibility for the appropriate and effective governance of NPL.

*Statement of responsibility*

As NPL’s Accountable Person, 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. 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 and departmental assets. This is in accordance with the responsibilities assigned to me in HM Treasury’s Managing Public Money. The NPL Board of Directors is responsible for the wider governance of NPL.

*The governance framework*



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

*The NPL Board and its Committees*

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

*BEIS 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 for Science, Research and Innovation (SRI). The Secretary of State and the Minister for SRI are answerable to Parliament for all matters relating to NPL and hold ministerial policy responsibility for NPL.

## NPL MANAGEMENT LIMITED

### GOVERNANCE STATEMENT

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#### *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 provides support, independent constructive challenge and strategic leadership to the NPL Executive Team. The Board is led by an independent, non-executive Chair. In 2021 the incumbent Chair, Sir David Grant, was succeeded by Professor Graeme Reid (from 1<sup>st</sup> October 2021). The Senior Independent Director remained Nigel Perry.

#### *The Board's composition includes:*

- an independent Chair (Sir David Grant, succeeded by Professor Graeme Reid)
- a senior independent Director (Mr Nigel Perry)
- a BEIS Shareholder Representative (Ms Louise Dunsby, succeeded by Ms Harriet Wallace in February 2021)
- representation from each of NPL's Strategic University Partners: The University of Surrey (Prof G. Q. Max Lu) and University of Strathclyde (Sir Jim McDonald)
- other Non-Executive Directors: Brigid Sutcliffe (the Chair of the Audit and Risk Committee) and Ms Catherine Quinn (the Chair of the Remuneration Committee)
- three Executive Directors: The Chief Executive Officer (CEO and also Chair of the Celsius Health Board, Dr Peter Thompson), the Deputy CEO (Dr Martyn Sené) and the Chief Finance Officer (CFO, Ms Penny Holt)
- A senior civil servant acting as NPL's digital and technology advisor who is not appointed as a Board Director, but supports the Board and attends Board meetings (Mr Dan Rodenhurst)

#### *The Science and Technology Advisory Council (STAC):*

The STAC provides independent strategic advice, challenge and support to NPL, particularly on the quality, international standing and industrial relevance of NPL's science and technology. Members comprise 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>. During 2021 the Chair of the STAC was Professor Graeme Reid.



*The Remuneration Committee (Rem Com):* The Rem Com approves the remuneration and incentives for employees and, in particular, for the Executive Directors in accordance with its terms of reference. Ms Catherine Quinn was appointed as Chair of the Rem Com in January 2021, succeeding the NPL Board Chair, to strengthen compliance with good governance practices.

*The Audit and Risk Committee:* The ARC 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. During 2021 the Audit & Risk Committee was chaired by Ms Brigid Sutcliffe.

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

*The Business Performance Meeting (BPM):* The BPM has continued to meet monthly. The BPM membership comprises the NPL Executive and is NPL's business and operational decision-making forum, providing direction and leadership to the organisation.

**NPL MANAGEMENT LIMITED**  
**GOVERNANCE STATEMENT**

*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. The Celsius Health Board has met six times in 2021. Celsius Health Ltd is a wholly owned subsidiary of NPLML (NPL Management Ltd).

***NPL Board and Board Committee attendance***

<i>2021 Board Members</i>	Position	NPL Board	Rem Com	ARC	Nom Com	STAC*
<b><i>Sir David Grant<sup>1</sup></i></b>	NPL Board Chair	3/3	1/1			
<b><i>Graeme Reid<sup>2</sup></i></b>	NED and then NPL Board Chair	4	3		1	2
<b><i>Mr Nigel Perry</i></b>	Senior Independent Director	4	3	4	1	
<b><i>Ms Brigid Sutcliffe</i></b>	Non-Executive Director	4	3	4	1	
<b><i>Ms Catherine Quinn</i></b>	Non-Executive Director	4	3	4	1	
<b><i>Ms Louise Dunsby / Ms Harriet Wallace<sup>3</sup></i></b>	Shareholder Director	4	3	4	1	
<b><i>Prof G.Q. Max Lu</i></b>	Partner-nominated Non-Executive Director	4	3		1	
<b><i>Prof Sir Jim McDonald</i></b>	Partner-nominated Non-Executive Director	4	2/3			
<b><i>Dr Peter Thompson</i></b>	Chief Executive Officer	4	3	4	1	
<b><i>Dr Martyn Sené<sup>4</sup></i></b>	Deputy CEO	4				
<b><i>Ms Penny Holt</i></b>	Chief Finance Officer	4		4		
<b><i>Mr Dan Rodenhurst</i></b>	Board Advisor	3/4	2/3		1	
<b><i>Total Number of Meetings</i></b>		<b>4</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>2</b>

<sup>1</sup> Sir David Grant resigned on 30 September 2021, <sup>2</sup> Professor Graeme Reid was appointed as NPL Board Chair on 1 October 2021, <sup>3</sup> Ms Harriet Wallace succeeded Ms Louise Dunsby on 11 February 2021, <sup>4</sup> Dr Martyn Sené resigned on 31 December 2021

## NPL MANAGEMENT LIMITED

### GOVERNANCE STATEMENT

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#### *NPL Board business*

During the year the NPL Board met four times for full Board meetings and eight times across the months when there was no formal full Board meeting. The Board held wide ranging discussions on subjects of key importance to NPL, including:

- Consideration of the latest Health and Safety Reports, including NPL's response to Covid-19
- Reports from the Board's Committees on their activities and from Celsius Health Board meetings
- Financial and business performance, including the five-year Capital Plan
- Reports on the activity of the NPL People Committee
- 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
- Equality, Diversity & Inclusion
- NPL's values

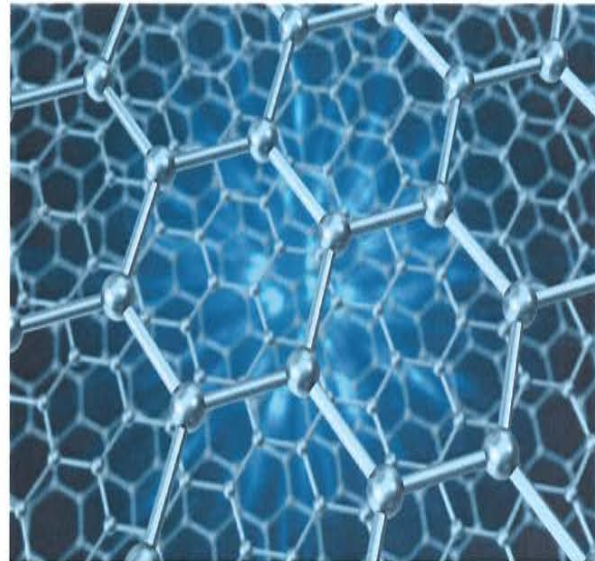
#### *Board effectiveness*

The recommendations from the 2020 Board evaluation continued to be implemented. These recommendations were reviewed following the appointment of the new NPL Board Chair and considered to be still relevant and important to maintain. Monthly Board calls have continued in the months when there was no formal Board meeting to focus on financial performance and new or evolving strategic risks.

In line with best governance practices, one of the NEDs, Ms Catherine Quinn, was appointed to the role of Chair of the Remuneration Committee from January 2021, succeeding the NPL Board Chair in this role.

In December 2021, the NPL Board discussed and agreed high-level plans for undertaking an external Board evaluation in 2022.

Focus has been given throughout 2021 to succession planning for the Board, with a number of appointments due to reach the end of their term in early 2022. The Nom Com and the NPL Board have given careful thought and consideration to the desired expertise and talent required to support NPL in the delivery of its objectives and to ensure the ongoing effectiveness of the NPL Board.



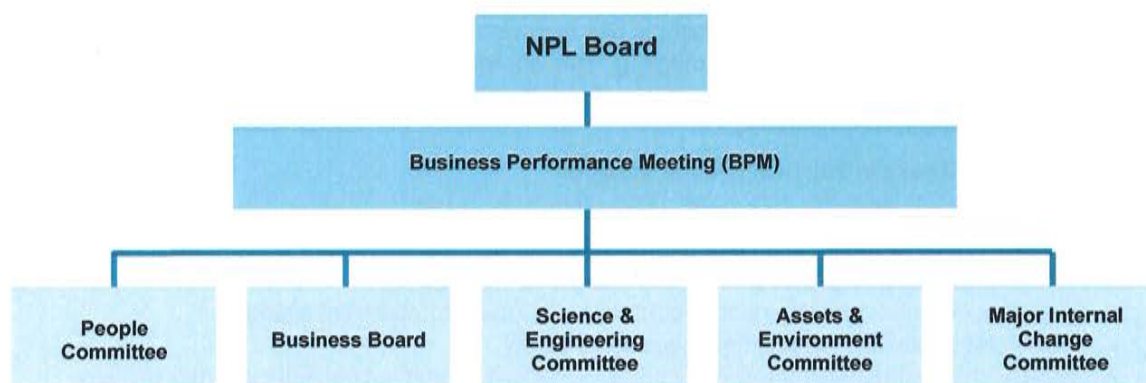
#### *Executive Management Effectiveness*

I have primary responsibility for the day-to-day management of the business and discharges my responsibilities through his Executive Leadership Team. The Executive Leadership Team meets formally on a monthly basis at the Business Performance Meeting and also meets monthly for an Executive Strategy Day.

The Executive-level governance structure comprises the following:

**NPL MANAGEMENT LIMITED**  
**GOVERNANCE STATEMENT**

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Sub-committees of the BPM report into the BPM monthly through written reports and verbal updates, ensuring good information flow between the committees; the appropriate escalation of risk and opportunity; and holistic decision making with clear accountabilities.

In December 2021 the NPL Executive Directors commenced a review of the Committees and governance of the Business Performance Meeting (BPM), which would continue into 2022.

#### ***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 of 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 2021 no conflict of interest 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)***

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.

#### ***Quality assurance***

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

#### ***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.

Risk management has matured significantly through 2021 as new approaches and a new Risk Policy were introduced across the organisation, standardising the ways in which risks are considered and reported with new risk management templates and guidance on holding risk and opportunity discussions at every level of NPL. NPL's approach to risk aligns with the Government's Orange Book on the principles and concepts of risk management.

## NPL MANAGEMENT LIMITED

### GOVERNANCE STATEMENT

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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 risks in 2021 were in the areas of:

- 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.
- Risk of workforce engagement and wellbeing due to Covid-19.
- Talent acquisition, development and retention to support national challenges.
- Economic shock challenging financial sustainability
- Supply chain challenges impacting capital procurement and successful customer delivery.
- The machinery of research and innovation funding being incompatible with NPLML strategy.
- A major cybersecurity incident.

#### *NPL's COVID-19 response*

As the Covid-19 pandemic continued throughout 2021, NPL consistently aligned with government guidelines to drive health and safety approaches on site and across laboratory operations. Governance around NPL's Covid-19 response continued to be led through the Coronavirus Task Force, with the NPL Board and all staff being updated on NPL's approach and changing guidance through regular communications. A Readiness Plan was developed and delivered as a risk mitigation measure to facilitate a safe and smooth return to more on-site laboratory activity through 2021.

A simple set of priorities, focusing on keeping people safe and secure, enabled and empowered leadership in decision making throughout 2021 and led to high levels of staff engagement and a strengthened sense of purpose across NPL.



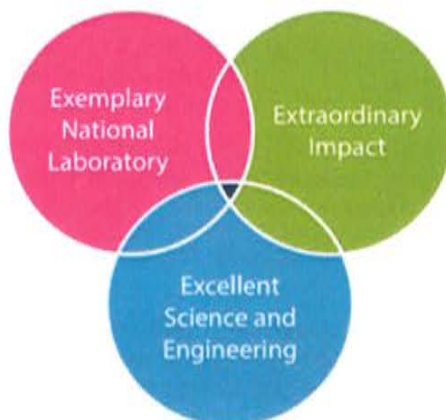
**Dr Peter Thompson**  
Accounting Officer

Date: 24 May 2022



*Mission, vision and values*

Throughout 2021 our high-quality science and engineering continued to deliver on our mission to provide the measurement capability that underpins the UK's prosperity and quality of life.



Our vision continues to be to deliver extraordinary impact from excellent science and engineering as a world-leading and exemplary national laboratory.



We are committed to providing a progressive and inclusive working environment that promotes wellbeing and flexible ways of working, enabling our values to flourish and our people to thrive and be their authentic selves, wherever they are working.



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

Throughout 2021 NPL continued to provide the services that both industry and government rely on, while also supporting government in both the fight against the virus (by providing essential calibration of sterilised medical devices and supporting face mask testing, for example) and in supporting UK industry recover from the pandemic (through our Measurement for Recovery programme).

As shown in the Company's profit and loss account on page 31, for the year ended 31 December 2021 the Company's turnover increased by 13.6 % to £118.2m (2020: increase of 2.3% to £104.0m), despite the continued challenges of another year of the pandemic.

The Company made a profit before tax of £3.6m (2020: loss before tax of £2.5m). The profit for the year ended 31 December 2021 was largely due to improved efficiencies realised. Turnover per employee for the year ended 31 December 2021 increased by 10% to £110k (2020: £100k).

As shown in the Company's balance sheet on page 34, net assets increased to £101.1m at 31 December 2021 (2020: £85.0m).

An important measure of the Company's financial health is the utilisation of our staff on revenue generating activities. Utilisation levels improved in 2021, particularly as the effects of the pandemic decreased. Consequently, full year utilisation rates increased to 72.4 % of scientists' bookable time in 2021 (2020: 69.5%).

The NPL Net Promoter Score (NPS) for the year of 2021 is 85. This compares favourably to a score of 78 for 2020.

Since year end NPL have secured a contract to lead the newly created [Advanced Machinery and Productivity Institute \(AMPI\)](#). The funding secured will be used to drive innovation for the UK's advanced machinery manufacturers, creating the new machines and engineers needed to manufacture tomorrow's technologies.

### *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. Details of this can be found in our Governance Statement on pages 9 to 14.

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 quarterly scheduled Board meetings in 2021 our primary 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, security and wellbeing of our staff.



## NPL MANAGEMENT LIMITED

### STRATEGIC REPORT

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In addition to the quarterly scheduled Board meetings, monthly Board teleconferences were held throughout 2021, focused specifically on NPL's financial performance. The actions being taken to minimise disruption caused by the pandemic and our plans to support Government's response to the pandemic.

Each year the Board also undertakes an in depth review of the Company's strategy and in July 2021 an entire Board Meeting focused on NPL's strategy refresh and our plans to support government's national priorities in 2021 and beyond.

#### *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 pages 9-14. The directors review the Company's strategic risk register at each scheduled quarterly 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 has assumed 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 to the terms of that arrangement are anticipated. In March 2022, BEIS confirmed the associated funding arrangements for NPL for the period through to March 2025.

#### *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.

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 Mathematics (STEM) can be found on pages 18-20.

#### *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 pages 9-14.

#### *The Community and Environment*

NPL is an active participant in the community, through our extensive outreach activities (described on page 20) as well as through the match funding we make available to employees raising sponsorship for charity or by encouraging staff to volunteer for local community projects for which special paid leave is available.

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 Sustainability Report on page 22 discusses some of the recent work that NPL has been leading in this arena.

The Company also recognises the importance of its own 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 2021 we established a newly formed ESG directorate focused specifically on driving future environmental, societal and governance initiatives.

#### *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. For example, during 2021 NPL introduced a new anti-fraud policy and has since rolled out mandatory online fraud awareness training to all staff.

This above regular review of frameworks, policies and procedure, 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 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.

#### *Employee involvement*

NPL's leadership team continue to encourage and champion a strong employee voice to ensure feedback is central to employee engagement and wellbeing. Our quarterly all employee communication sessions led by the CEO and other key personnel along with monthly team meetings led by line managers continue. In addition to fully briefing our line managers monthly, we have strengthened this approach and added a further session with Extended Leaders designed to focus in on specific topics being cascaded to ensure they are engaged and confident to communicate these with their teams. This continues to support information dissemination to be consistent, timely and importantly, put in context for individual teams. Our popular Blogs and Vlogs from the CEO and Executive team continue and work to re-enforce key messages and aims to support employees to feel connected and valued.

Two-way communications is important with our Microsoft Office 365 and digital channels such as Microsoft Teams and Yammer playing a pivotal role in enabling collaboration and involvement across a hybrid workforce. Following the move of Ask NPL (an employee led discussion forum) to the Microsoft Office 365 platform in 2020, our intranet has now been migrated to SharePoint providing a significantly more modern and user-friendly platform for employees to find information.

The use of ThymoMetrics (our employee engagement platform providing a simple, always on system for employees to have their voices heard at NPL) is ever popular, with participation rates reaching 77% in 2021.

The platform remains 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 wellbeing. We continue to use the platform to highlight specific issues and look for organisational and local solutions.



Throughout 2021 1,447 comments were received through ThymoMetrics, with the top themes relating to wellbeing and our engagement on NPL strategy.

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

NPL continues to celebrate the success of employees through its values award scheme. In 2021, 363 employees were rewarded for demonstrating outstanding behaviours and achievements and a further 1,322 on the spot thank yous for demonstrating Values in Action during everyday work were presented.

### *Culture and working environment*

The NPL Values and Values in Action continue to inform employees of how we expect people to act at NPL but also provides a feeling of what kind of organisation NPL is. Through demonstration of our values, individuals can feel what is like to be a part of NPL (wherever they're based). How we do things matters and at the heart of this is an environment that is truly inclusive and always underpinned by respect.

Throughout 2021, NPL maintained focus on connectivity and togetherness, with employee health, safety and wellbeing baked into our culture as a top priority. We moved forward with testing our hybrid ways of working and continued to seek feedback and learn lessons to improve and maintain inclusivity. This has added to our flexible working opportunities and aims to give employees more choice over where they work and better enable individuals to balance their careers with other commitments. Our experiment of keeping Wednesday afternoons free of internal meetings, allowing dedicated time to focus has also proved popular and valuable to both employees and the business. This initiative was confirmed as a permanent arrangement in 2021.

### *Diversity and Inclusion*

In an organisation where the impact of our work is vital to our success, ensuring diversity in our staff continues to be the key to inspiring creativity, accelerating the impact of our work and unlocking new ways of working. NPL's goal to attract, engage and retain a diverse workforce where people feel they belong and can contribute their whole self at work, remains a priority.

We have a range of initiatives that demonstrate our commitment to diversity and inclusion (D & I). Across the organisation we have several staff-led interest groups within NPL, each has an Executive sponsor and has met regularly throughout the year, including LGBTQ+; Mental Health First Aiders; Faith & Religion; Neurodiversity; Ethnicity; and Disability. These interest groups provide both support to and gather input from across the organisation to ensure that our work is informed by a range of perspectives. This year we also appointed a new Diversity and Inclusion Business Partner based within Human Resources, who is responsible for developing, implementing, and monitoring NPL's diversity and inclusion strategy.

NPL holds a number of accreditations, including Practitioner status as part of the Institute of Physics project Juno scheme, which recognises action taken to address the underrepresentation of women in physics and encourage better practice for men and women. We are also a Stonewall Diversity Champion and a Disability Confident Committed employer. In 2022, NPL will be reviewing our progress to date and identifying new actions to support our aspiration to progress towards becoming a Disability Confident Employer and partaking in the 2022 Stonewall Workplace equality Index.

Over the last year we have continued to raise awareness and discuss a wide range of diversity and inclusion topics, sharing over 50 internal news stories and blogs that have raised awareness of our in-

house activities, celebrated key events such as international women's day and LGBTQ+ history month and shared staff experiences and perspectives. Over the year a number of our staff -led groups have seen an increase in membership.

We continue to invest in supporting diverse talent at NPL and ensuring that all our staff feel able to progress. Some of examples of this this in 2021 include:

- To support Mental Health, we launched a new internal microsite providing tailored resources to help ease access to support, raise awareness and provides practical resources and guidance. To continue the discussion, we also introduced wellness action plans, to provide a practical framework to help individuals and their line managers support their mental health. A further 55 line managers also received mental health awareness training.
- Working in partnership with our staff-led networks, we developed and launched a new disability and long-term condition policy alongside new resources to help staff better understand disability, including practical resources for line managers. The new policy includes new elements such as introducing tailored workplace adjustment plans for staff with disabilities and the introduction of disability leave.
- We worked closely with our Ethnicity group to develop, deploy and analyse the findings of NPL's first dedicated survey on ethnicity and race and are using these inputs to develop an action plan for NPL.
- We have undertaken a range of activities related to accessibility over the course of the year including developing resources to raise awareness of accessibility features, creation of a new accessibility advice SharePoint page and development of an accessibility checklist for content creation.
- As stated in our disability and long-term condition policy, NPL encourages applications from candidates with disabilities and will make adjustments where possible at all stages of the recruitment process. All job adverts and recruitment communications highlight our commitment and ability to make adjustments. As a member of the Disability Confident Scheme, NPL will offer an interview to disabled candidates who meet the minimum criteria of the role.

### *Encouraging Science, Technology, Engineering, and Mathematics (STEM)*

NPL's Outreach programme delivers an exciting range of activities to support the STEM agenda.

The ongoing pandemic significantly reduced audience availability and physical meetings, dominating the nature and numbers of our delivery, with 353 staff (a third of normal level) enabling mostly online activities. Nevertheless, they achieved a respectable 'reach' of about 80,000 people through 122 interventions. Our workforce provided good diversity in presenters, with 38% female and 9% non-white. Some 2021 highlights were:

- VPLab Virtual Learning Environment modules available free of charge to schools during lockdown (30,000 downloads).
- 6 'Measurement at Home' online activities created comprising instructions/videos/worksheets/reports on school curriculum measurement science fashioned to be accessible to all ages, with associated online workshops.
- NPL Water Rocket Challenge in July was the year's first physical event with 14 school teams.
- On a health-themed World Metrology Day, 4,520 students from 95 schools attended assemblies comprising careers/science talks, a virtual lab tour and a hands-on workshop.
- Aligned to COP26, 19,324 people in 623 classrooms attended assemblies and workshops, and over 200 students entered our Schools Climate Change Poster Challenge.
- 6 Christmas-related fun measurement investigations educated 4,980 students in 63 schools in a seasonal online show.

**NPL MANAGEMENT LIMITED**  
**STRATEGIC REPORT**

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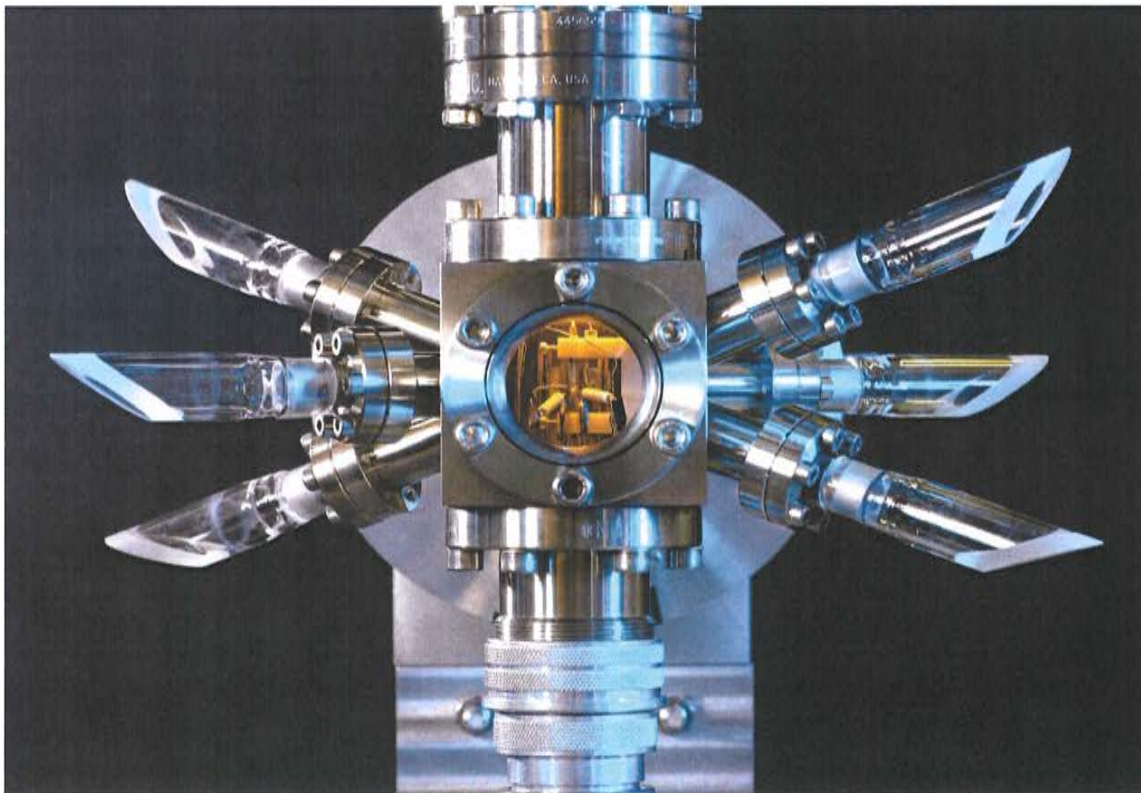
We continue to invest in apprenticeships across NPL and have recruited over 100 Apprentices since re-starting the programme in 2013. The gender split of the Apprentice recruits to date is 57% males and 43% females. We currently have 22 Apprentices across 4 different programmes, filling our talent pipelines for the future.



Dr P Thompson

Director

Date: 24 May 2022



*NPL's contribution to the UK's target to achieve net zero by 2050*

As the UK's National Metrology Institute, NPL has a vital role in ensuring that climate data used to inform policy and decision-making is reliable, ensuring the UK continues to make progress towards its net zero target. We have remained open throughout the Covid-19 pandemic to ensure our critical work continues, for example, continuing to monitor fugitive emissions at key sites in the UK.



Our experts pioneer techniques to accurately collect data from the world around us and monitor how it changes over time and in response to different factors. Robust measurement provides confidence in environmental data which enables effective action to be taken. Our scientists also support the design of ongoing climate monitoring programmes through participation in expert groups such as the Copernicus mission, ensuring that metrological tools and principles are built into systems from the beginning and we have contributed to the Environment Agency's Chief Scientist annual review, where our framework for monitoring methane was cited for helping a range of industries reduce their methane emissions.

Space-based sensors are an important tool for capturing global data on climate over time, essential to monitoring global progress and achieving internationally agreed targets. However, as we generate more and more data, we also need to ensure that the data collected is trusted and reliable, starting with calibration of sensors. With funding from the UK Space Agency, NPL is supporting a joint British and French mission dedicated to monitoring atmospheric carbon dioxide and providing highly accurate measurements of the order of 1 ppm. This accuracy derives from pre-flight characterisation and calibration of the sensors and interrogation of the data collected with external references on the ground.

Alongside work to understand climate change, we support the development and deployment of low carbon technologies to help support energy transition away from fossil fuels. This includes testing and validation of the performance of fuel cells, batteries and photovoltaics, developing a hydrogen fuel quality monitoring system and supporting innovative approaches to solutions such as carbon capture, usage and storage. Through our Measurement for Recovery programme, we have provided measurement expertise to over 600 UK companies, helping them to accelerate innovation in a range of industries. It was estimated that 23% of the Measurement for Recovery applications aligned with the Net Zero and Green Recovery classification, supporting companies working in energy and environment sectors, including technologies to reduce the use of plastic drums and recycle food waste.

We are also aware of the impact of our own operations and are committed to meeting our objectives in a sustainable way. To do this we are focused on reducing our environmental impact, acting in a positive way in our dealings with our staff, customers and suppliers and maximising our contribution to society.

*NPL's Measurement for our Planet Campaign*

COP26 was a great opportunity to raise awareness of NPL's role in understanding and mitigating climate change. As part of our involvement with COP26, NPL:

- Ran live-streamed and in-person 'Ask the experts' sessions on the Space4Climate exhibition stand

- Participated in Space4Climate video content on two key projects: TRUTHS and MicroCarb
- Were invited by the Department of International Trade to mark Science and Innovation Day by talking about metrology's role in climate change in the UK Pavilion.

Our Outreach programme encouraged engagement in climate action:

- NPL ran three Measurement at Home online activities to tie in with COP26, encouraging public understanding of the challenges and solutions
- Two online live assembly broadcasts with Q&A featuring three NPL scientists engaged 10,334 secondary and 4,712 primary students
- Online measurement workshops for primary schools reached 4,278 students in 137 classrooms
- A Climate Change Poster Challenge generated 198 entrants from 20 schools nationally.

Our Measurement for our Planet campaign shone a light on how we're delivering solutions for climate science, emissions measurement and supporting innovation that will drive the decarbonisation of industry:

- 'Our 'Creating Policy Impact from Science' webinar aimed at government audiences had 87 attendees.
- Our 'Measurement for Climate Action' webinar had 387 attendees tuning in from 20 countries, and featured key voices from the international climate community. Providers and end-users of climate science data heard how metrology can support climate action by providing improved confidence in data.
- Our Post Graduate Institute and partner institutes (including DARE-UK) delivered an online seminar as part of the COP26 Universities Network Innovation Showcase, with 128 participants registering. The discussion session included Airbus, Ricardo and the Met Office.
- Seven seminars were run in different parts of Government.

### *NPL's Internal Initiatives through 2021*

Across the NPL estate a number of initiatives were introduced in 2021 to positively contribute to the mitigation of climate change:

- We upgraded our infrastructure to include energy efficiency measures, such as using LEDs across the site and moving to sensor-based light switching, toilets and taps to reduce water waste.
- We instigated a plastic free approach to food services with biodegradable cutlery and appropriate waste disposal to maximise recycling.
- The food waste from our canteen is recycled to produce power, bio-fuel and nutrient-rich digestate that can be used as fertiliser. The spent coffee grounds are available for any NPL gardeners to collect.
- We encouraged the use of sustainable transport wherever possible, especially cycling and walking to work. We installed electric car charging ports.
- Our business travel policy allowed only business critical travel.
- We switched our Defined Contribution default fund so that our people know their pension funds are invested with the environment and our planet in mind. We also included a fully green fund in our portfolio available to our employees as a self-select fund.
- We continued our active approach to nurturing and protecting trees and woodlands on our site to nurture biodiversity and created a wildflower meadow next to our on-site car park.

**NPL MANAGEMENT LIMITED**  
**SUSTAINABILITY REPORT**

*Environmental report for the year 1 January 2021 to 31 December 2021*

NPL reports against the metrics and data requirements of the central government Greening Government Commitments (GGCs), which sets out the actions UK government departments and their partner organisations will take to reduce their impacts on the environment in the period 2021 to 2025. An aggregate of the data, pulling together GGC reporting from relevant partner organisations, is published by BEIS in its Annual Report and Accounts.

In NPL's 2020 Annual Report and Accounts, environmental reporting followed the Streamlined Energy and Carbon Reporting (SECR) requirements. In discussion with our Board and BEIS, as NPL's sole shareholder, it has been agreed that NPL will report against the Greening Government Commitments going forward. This is consistent with other BEIS subsidiaries and will provide additional insights alongside the SECR guidance.

*Change in emissions in 2021*

Ongoing actions to reduce emissions, coupled with the continued impact of the pandemic throughout 2021, contributed to the following reductions in emissions in 2021:

- Scope 1 – reduced by 2.6%
- Scope 2 – reduced by 1.0%
- Scope 3 – reduced by 21.0%

	2021	2020
<b>Scope 1</b>		
Gas Consumption (Gross CV)	3,767	3,861
Vehicles (owned, hired or leased)	29	37
Fugitive emissions	3	4
<b>Total Scope 1 (tCO2e)</b>	<b>3,799</b>	<b>3,902</b>
<b>Scope 2</b>		
<b>Location based</b>		
Electricity	4,784	4,830
<b>Total Scope 2 (tCO2e)</b>	<b>4,784</b>	<b>4,830</b>
<b>Scope 3</b>		
Business travel (rail and air)	5	63
Transmission and distribution losses	423	415
Water and wastewater	10	41
Waste	3	36
<b>Total Scope 3 (tCO2e)</b>	<b>441</b>	<b>555</b>
<b>Total emissions (tCO2e)</b>	<b>9,024</b>	<b>9,288</b>

*Note 1: In accordance with GGC guidance, the scope 1 Vehicles figures reported above cover owned, hired and leased vehicles. In 2020, under SECR, we reported on own vehicles only.*

*Note 2: Market based electricity emissions were 2,913 tCO2e in 2021 (3,729 tCO2e in 2020).*

*Note 3: In accordance with GGC guidance the scope 3 Business travel figures reported above cover rail and air travel. In 2020, under SECR, we reported on rail travel only.*



### *Intensity Measurement*

We have chosen full time equivalent staff numbers to demonstrate our intensity ratio. NPL's intensity ratio will be high in comparison with many organisations as our laboratory-based operations by their nature require space for scientific plant and machinery.

2021 Intensity ratio: 9,024tCO<sub>2</sub>e/1,044 FTE = 8.64 tCO<sub>2</sub>e per FTE (2020: 8.04 tCO<sub>2</sub>e per FTE).

### *Responsible Procurement*

NPL aims to embed responsible procurement into all aspects of its procurement activities – incorporating sustainability, Social Value, responsible sourcing and supply chain transparency. The Procurement Team is continually improving its understanding of sustainability and Social Value to ensure that it reduces where possible any negative impacts of its procurement activities and maximises the value it can bring to the environment and society. Through its membership of the London Universities Purchasing Consortium (LUPC), NPL is an affiliated member of Electronics Watch, the independent monitoring organisation which helps public sector entities to work together to meet their responsibility to protect the labour rights and safety of workers in global electronics supply chains. This also enables us to have access to guidance, resources and contract clauses to support responsible procurement.

### *Reducing environmental impacts from Information Communication Technology (ICT) and digital*

NPL has followed the guidance for HMG Greening Government ICT Assessment and has made significant strides towards increasing digital ways of working and reducing the footprint of ICT infrastructure. New virtual server infrastructure has been installed and is operational across the NPL Estate; and PC and network backups are in the process of migrating to Cloud services to move away from the use of Tapes. In addition, the move has been made away from physical telephony handsets to telephony integration into Microsoft Teams.

### *Quantification and Reporting Methodology*

We calculated our emissions from electricity using both the location-based and market-based approaches and we have included our location-based emissions in our total emissions calculation. The emissions using the market-based approach are lower due to our current supplier's (EDF) fuel mix, which includes a high percentage of nuclear-generated electricity.

### *Organisational boundary*

We have used the operational control approach and reported emissions from our Teddington estate only. We have allocated working areas outside our control in the Universities of Huddersfield, Strathclyde and Surrey, but their carbon impact is minimal.

### *Energy usage*

NPL has consumed 43,099,082 in kWh of gas and electricity in 2021.



**NPL MANAGEMENT LIMITED**  
**SUSTAINABILITY REPORT**

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*Commitment*

Our emissions reduction commitment is to look for ways to reduce our emissions in line with the targets of the Greening Government Commitments on an ongoing basis wherever reasonably possible. Over time, we expect the compound effect of these reductions to become increasingly significant.



Dr P Thompson  
Director  
Date: 24 May 2022

## NPL MANAGEMENT LIMITED

### DIRECTORS' RESPONSIBILITIES STATEMENT

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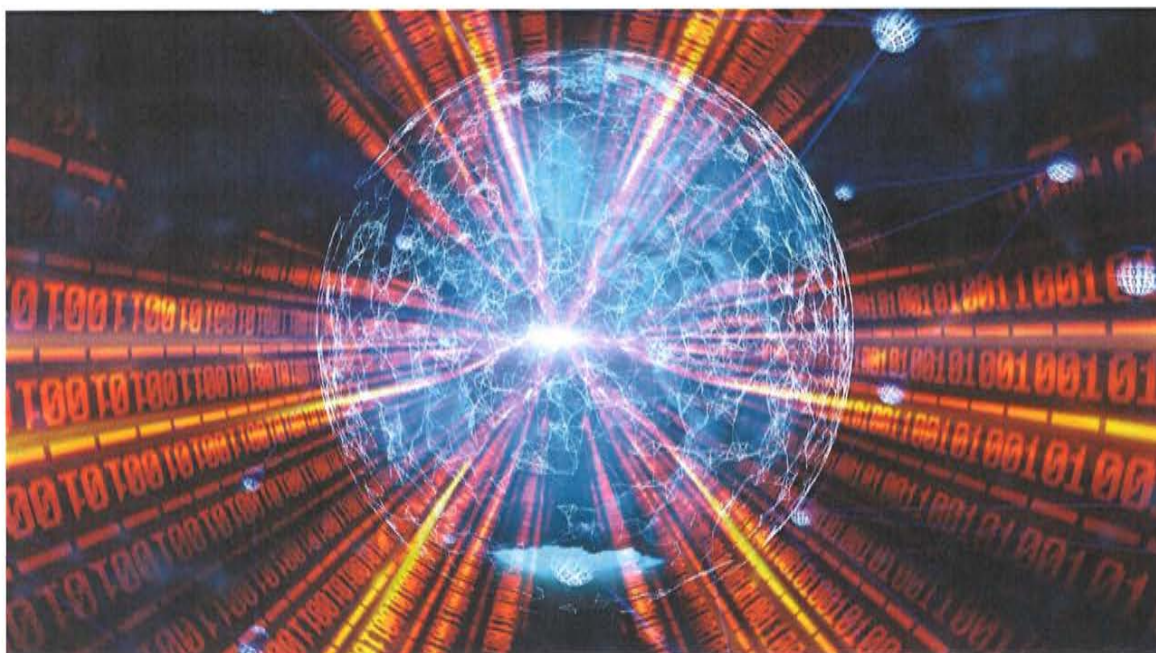
The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

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.



## Opinion

We have audited the financial statements of NPL Management Limited (the 'company') for the year ended 31 December 2021 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet and notes to the financial statements, including 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 2021 and of its profit 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*

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

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

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

## *Other information*

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

*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 set out on page 27, 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.

*The extent to which the audit was considered capable of detecting irregularities, including fraud*

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

## NPL MANAGEMENT LIMITED

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

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However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

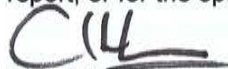
As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, tax compliance regulations and pension law. We have performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, evaluating advice received from external tax advisors and confirmed that the company continues to make pension contributions in line with the agreed contribution schedule.

The audit engagement team identified the risk of management override of controls and revenue cut-off as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included, but were not limited to, testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and reviewing managements stage of completion calculations on a sample of contracts at the balance sheet date.

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 BA FCA (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Third Floor

One London Square

Cross Lanes

Guildford

GU1 1UN

Date 20 June 2022

**NPL MANAGEMENT LIMITED**  
**PROFIT AND LOSS ACCOUNT**

*For the year ended 31 December 2021*

	Notes	2021 £000s	2020 £000s
Turnover	3	118,192	104,007
Cost of sales		(76,072)	(72,474)
<b>Gross profit</b>		<b>42,120</b>	<b>31,533</b>
Administrative expenses		(37,975)	(33,879)
<b>Operating profit/(loss)</b>		<b>4,145</b>	<b>(2,346)</b>
Interest receivable and similar income	6	545	850
Interest payable and similar charges	7	(1,111)	(1,001)
<b>Profit/(Loss) before taxation</b>	5	<b>3,579</b>	<b>(2,497)</b>
Tax on loss	8	2,339	789
<b>Profit/(Loss) for the year</b>		<b>5,918</b>	<b>(1,708)</b>

**NPL MANAGEMENT LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2021*

	Notes	2021 £000s	2020 £000s
<b>Profit/(Loss) for the financial year</b>		<b>5,918</b>	<b>(1,708)</b>
<b>Other comprehensive income</b>			
Pension scheme actuarial gains/(losses)	18	13,636	(2,030)
		<b>13,636</b>	<b>(2,030)</b>
Tax on other comprehensive income – deferred tax	8	(3,409)	387
<b>Other comprehensive income/(loss) net of taxation</b>		<b>10,227</b>	<b>(1,643)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>16,145</b>	<b>(3,351)</b>



**NPL MANAGEMENT LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

*For the year ended 31 December 2021*

	Share premium reserve	Retired benefit obligation reserve	Profit and loss account	Total
	£000	£000s	£000s	£000s
<b>Balance at 1 January 2020</b>	96,000	(9,269)	(17,786)	68,945
<b>Loss for the year</b>	-	-	(1,708)	(1,708)
Actuarial loss on pension employment scheme (Note 18)	-	(2,030)	-	(2,030)
Tax charge on net actuarial loss (Note 8)	-	387	-	387
Issue of Share Capital	19,400	-	-	19,400
<b>Total comprehensive loss</b>			<b>(1,708)</b>	
<b>Balance at 31 December 2020</b>	115,400	(10,912)	(19,494)	84,994
<b>Profit for the year</b>	-	-	5,918	5,918
Actuarial gain on pension employment scheme (Note 18)	-	13,636	-	13,636
Tax charge on net actuarial gains (Note 8)	-	(3,409)	-	(3,409)
<b>Total comprehensive income</b>			<b>5,918</b>	
<b>Balance as at 31 December 2021</b>	<b>115,400</b>	<b>(685)</b>	<b>(13,576)</b>	<b>101,139</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 2021*

	Notes	2021 £000s	2020 £000s
<b>Fixed Assets</b>			
Intangible assets	9	2,250	468
Tangible assets	10	54,644	47,320
		<b>56,894</b>	<b>47,788</b>
<b>Current Assets</b>			
Stock		20	-
Debtors: Amounts falling due within one year	12	31,706	37,018
Cash at bank and in hand		26,802	24,544
<b>Debtors due after more than one year</b>	<b>13</b>	<b>11,830</b>	<b>11,648</b>
<b>Creditors: Amounts falling due within one year</b>	<b>14</b>	<b>(46,412)</b>	<b>(44,744)</b>
<b>Net Current Assets</b>		<b>23,946</b>	<b>28,466</b>
<b>Total Assets less current liabilities</b>		<b>80,840</b>	<b>76,254</b>
<b>Creditors: Amounts falling due</b>			
Loans due after more than one year	20	(29,926)	(28,040)
Provision for liabilities	15	(1,156)	(1,010)
<b>Net assets excluding retirement benefit asset</b>		<b>49,758</b>	<b>47,204</b>
Retirement benefit assets	18	51,381	37,790
<b>Net Assets including retirement benefit asset</b>		<b>101,139</b>	<b>84,994</b>
<b>Capital and reserves</b>			
Share capital	16		-
Share Premium reserve	17	115,400	115,400
Retirement benefit obligation reserve		(685)	(10,912)
Profit and loss account		(13,576)	(19,494)
<b>Shareholders' funds</b>		<b>101,139</b>	<b>84,994</b>

The financial statements of NPL Management Limited (company number 02937881) were approved by the Board of Directors and authorised for issue on *26<sup>th</sup> May* 2022. 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 2021

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#### 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 21. 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.

As the UK's national measurement institute, the Company remains at the heart of the UK Measurement Strategy and, since January 2015, the Company has been wholly owned by BEIS.

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. Consequently, the directors have a good level of visibility of contracted levels of revenue.

Furthermore, as the UK's national measurement institute, the Company has a key role to play in supporting UK industry recover from the COVID 19 pandemic.

Since returning to government ownership in 2015, BEIS has made investments in NPL of £59m in March 2016 and £37m in March 2017 in order to eliminate the Company's defined benefit pension deficit. Consequently, at 31 December 2021 the defined pension scheme was an asset of £51.4m (2020: £37.8m).

In March 2020 BEIS made two further equity investments in the Company, an investment of £9.55m to provide the Company with the sufficient cash reserves to operate effectively during and beyond the 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.

## NPL MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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) Intangible assets

Intangible assets relate to software development costs that have future economic benefit to NPL. Intangibles will not be amortised until ready for use and will be based on useful life thereafter.

#### f) 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%
- *Assets in course of construction (not depreciated until ready for use).*

#### 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

## NPL MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

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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.

#### *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 the 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 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.

#### *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.

## NPL MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### *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 benefit*

##### *Defined benefit scheme*

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 scheme*

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.

#### *l) 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.

## *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:

## NPL MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

#### *Recoverability of deferred tax assets (note 13)*

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 2021, 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 intangible assets (note 9)*

Intangible assets relate to pre-implementation software development costs that have future economic benefit to NPL. Future economic benefits are deemed to justify the value of the underlying asset.

#### *Recognition of pension scheme asset (note 18)*

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:

	2021	Minus 0.25% Discount rate	Plus 0.25% Discount rate	Minus 0.25% Inflation rate	Plus 0.25% Inflation rate	Mortality- 1-year age rating
<b>Fair value of plan assets</b>	273,065	273,065	273,065	273,065	273,065	273,065
<b>Defined benefit obligation</b>	(221,684)	(232,590)	(211,489)	(214,037)	(229,723)	(230,180)
<b>Net defined benefit asset</b>	51,381	40,475	61,576	59,028	43,342	42,885

### *3. Turnover*

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

	2021 £000s	2020 £000s
National Measurement System	62,240	57,321
Non-National Measurement System	55,952	46,686
<b>Total</b>	<b>118,192</b>	<b>104,007</b>

**NPL MANAGEMENT LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

All turnover arose from the provision of services in the United Kingdom. (2020: all turnover arose in the UK). Turnover includes Grant income of £26,311k (2020: £24,251k).

**4. Information regarding directors and employees**

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

	2021 No.	2020 No.
<b>Average number of full-time equivalent employees during the year</b>		
Technical Staff	775	752
Administration	269	258
<b>Total</b>	<b>1,044</b>	<b>1,010</b>

Their aggregate remuneration comprised:

	2021 £000s	2020 £000s
Wages and salaries	44,548	42,482
Social Security costs	4,897	4,650
Other pension costs	8,791	8,243
	<b>58,236</b>	<b>55,375</b>

**Directors' remuneration**

	2021 £000s	2020 £000s
<b>Directors' emoluments</b>		
Emoluments (excluding pension contribution)	542	527
Pension contributions	63	68
<b>Total</b>	<b>605</b>	<b>595</b>

**Highest paid Directors' remuneration**

	2021 £000s	2020 £000s
Aggregate of emoluments	210	213
Pension contributions	16	16
<b>Total</b>	<b>226</b>	<b>229</b>



**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

*Number of directors who:*

	<b>2021 No.</b>	<b>2020 No.</b>
Are members of a defined benefit pension scheme	-	-
Are members of a money purchase scheme	4	4
<b>Total</b>	<b>4</b>	<b>4</b>

**5. Profit/(loss) before taxation**

Profit/(loss) before taxation is stated after charging:

	<b>2021 £000s</b>	<b>2020 £000s</b>
Depreciation of tangible assets	7,671	8,008
Operating lease rentals		
- Plant and machinery	483	681
Rental costs	15,500	15,124
Loss on disposal of property, plant and equipment	14	25
Research and development expense	41,030	38,041
Exchange losses/(gains)	228	(197)

The analysis of auditor's remuneration is as follows:

	<b>2021 £000s</b>	<b>2020 £000s</b>
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	54	48
Fees payable for grant auditing services	197	74
<b>Total fees</b>	<b>251</b>	<b>122</b>

**6. Interest receivable and similar income**

	<b>2021 £000s</b>	<b>2020 £000s</b>
Bank interest receivable	-	2
Net interest on defined benefit pension scheme	545	848
<b>Total</b>	<b>545</b>	<b>850</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2021

7. *Interest payable and similar charges*

	2021 £000s	2020 £000s
Other loans	1,111	1,001
<b>Total</b>	<b>1,111</b>	<b>1,001</b>

8. *Taxation*

The tax charge/(credit) comprises:

	2021 £000s	2020 £000s
<b>Analysis of tax charge for the period</b>		
<b>Current tax</b>		
UK corporation tax at 19% (2020: 19%)	-	-
<b>Total current tax charge</b>	<b>-</b>	<b>-</b>

<b>Deferred tax</b>		
Origination and reversal of timing differences	(267)	(614)
Adjustment in respect of prior periods	75	443
Effect of tax rate change on opening balance	(2,147)	(618)
<b>Total deferred tax (credit)</b>	<b>(2,339)</b>	<b>(789)</b>
<b>Tax on loss</b>	<b>(2,339)</b>	<b>(789)</b>

**Tax relating to other comprehensive income**

<b>Current tax</b>		
UK corporation tax at 19% (2020: 19%)	-	-

<b>Deferred tax</b>		
Origination and reversal of timing differences	3,409	(387)
<b>Tax relating to other comprehensive income</b>	<b>3,409</b>	<b>(387)</b>

Under Finance Act 2021, which was substantively enacted on 24 May 2021, it was announced that the main rate of corporation tax would increase to 25% from 1 April 2023. Therefore, the deferred tax balances at 31 December 2021 have been calculated accordingly at 25% except where the timing differences are expected to unwind before 31 March 2023.

## NPL MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

The tax charge recognised for the year ended 31 December 2021 is lower than the United Kingdom corporation tax rate of 19% (2020: 19%). The reasons for this are set out below.

	2021 £000s	2020 £000s
<b>Reconciliation of tax charge/(credit)</b>		
Profit/(loss) before tax	3,579	(2,497)
Tax on profit/(loss) at standard corporation tax rate of 19% (2020: 19%)	680	(475)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	5	62
Other differences	-	10
Income not taxable for tax purposes	(134)	(31)
Amounts relating to other comprehensive income	2,591	(387)
Deferred tax posted directly	(3,409)	387
Deferred tax not recognised	(542)	(256)
Adjustments to tax charge in respect of previous periods – deferred tax	75	443
Timing differences not recognised in the computation	296	-
Adjust opening and closing tax rates	(1,901)	(961)
Adjustments to brought forward values	-	419
<b>Tax charge/(credit) for the year</b>	<b>(2,339)</b>	<b>(789)</b>

#### 9. Intangible assets

Cost	Computer Software 2021 £000s
At 1 January 2021	468
Additions	1,782
<b>At 31 December 2021</b>	<b>2,250</b>

Intangible assets relate to the costs involved in developing a new Finance and ERP software system.

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Tangible assets

	Assets in the course of construction £000s	Technical equipment £000s	Office equipment £000s	Total £000s
<b>Cost</b>				
At 1 January 2021	8,759	78,173	5,831	92,763
Additions	3,373	11,191	445	15,009
Transfers	(248)	248	-	-
Disposals	-	(133)	-	(133)
<b>At 31 December 2021</b>	<b>11,884</b>	<b>89,479</b>	<b>6,276</b>	<b>107,639</b>
<b>Depreciation</b>				
At 1 January 2021	-	39,966	5,477	45,443
Charge for the year	-	7,488	183	7,671
Disposals	-	(119)	-	(119)
<b>At 31 December</b>	<b>-</b>	<b>47,335</b>	<b>5,660</b>	<b>52,995</b>
<b>Net book value</b>				
At 31 December 2021	11,884	42,144	616	54,644
At 31 December 2020	8,759	38,207	354	47,320

11. Investments in subsidiaries, joint ventures and associates

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	
			2021	2020
Celsius Health Limited	NPL Hampton Road Teddington TW11 0LW	Ordinary	100%	100%

The investment in Celsius Health Limited is held at £1 (2020: £1).

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

## NPL MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

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.

#### 12. Debtors

	2021 £000s	2020 £000s
<b>Amounts falling due within one year</b>		
Trade debtors	10,686	11,798
Amounts owed by group undertaking	1	1
Amounts recoverable on contracts	9,095	10,039
Other debtors	96	4,056
Prepayments	2,752	3,380
RDEC tax asset	9,076	7,744
<b>Total current tax charge</b>	<b>31,706</b>	<b>37,018</b>

The amounts owed by 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.

#### 13. Deferred tax asset

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

	2021 £000s	2020 £000s
<b>Recognition of deferred tax</b>		
Accelerated capital allowances	6,550	5,197
Short term timing differences	(12,010)	(6,884)
Tax losses carried forward and other deductions	11,264	8,560
Other	6,026	4,775
<b>Total deferred tax asset</b>	<b>11,830</b>	<b>11,648</b>
<i>Movement in deferred tax asset:</i>		
Asset at 1 January	11,648	9,565
Deferred tax charge/(credit) in the Profit and Loss Account for the year	2,339	789
Statement of Comprehensive Income	(3,409)	387
Deferred tax on RDEC tax asset	1,252	907
<b>Deferred tax asset at 31 December</b>	<b>11,830</b>	<b>11,648</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	2021 £000s	2020 £000s
Within one year	-	-
More than one year	11,830	11,648
<b>Total</b>	<b>11,830</b>	<b>11,648</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.

There are £2,111k of unrecognised deferred tax assets at 31 December 2021 (2020: £2,654k).

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

	2021 £000s	2020 £000s
Other loans (see note 20)	2,781	2,605
Trade creditors	7,528	6,963
Other taxes and social security	3,433	4,754
Other creditors	16,447	8,303
Accruals	6,832	6,558
Contract deferred income	9,391	15,561
<b>Total</b>	<b>46,412</b>	<b>44,744</b>

Within other creditors is £15,661k (2020: £7,548k) of grant income from BEIS to fund the purchase of some capital equipment.

**15. Provisions for liabilities**

The other provisions balance is made up as follows:

	2021 £000s	2020 £000s
Opening balance	1,010	1,044
Increase in provisions	211	183
Provisions released	(65)	(217)
<b>Closing balance</b>	<b>1,156</b>	<b>1,010</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

**16. Share capital**

<b>Allotted, called up and fully paid</b>	<b>2021 No</b>
At 1 January 2021 Share Issue (76 Ordinary shares at £1 each)	76
<b>At 31 December 2021</b>	<b>76</b>

**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. All shares rank equally.

**17. Share premium reserve**

	<b>Share Premium 2021 £'000s</b>
<b>Balance at 1 January and 31 December 2021</b>	<b>115,400</b>

**18. 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 £6,595k (2020: £6,054k). Contributions totaling £766k (2020: £791k) 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 5 April 2019, 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. As the Scheme was fully funded on the statutory funding basis as at 5 April 2019 no deficit contributions are required to be made to the Scheme.

The most recent comprehensive triennial valuation of the Scheme was carried out at 5 April 2019. The company has employed an independent actuary to approximately update this valuation, as required by FRS102, allowing for differences between the actuarial assumptions used by the Scheme for funding purposes and those adopted by the company to measure the Scheme's assets on the financial statements, as well as adjustment for benefits paid by the Scheme.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2021

Year	Valuation at	
	2021	2020
<b>Key assumptions used:</b>		
Discount rate	1.8%	1.4%
Rate of salary increases	3.4%	3.0%
Rate of increase in pensions in payment	3.2%	2.7%
Inflation (RPI)	3.4%	3.0%
Inflation (CPI)	3.1%	2.7%

*Mortality assumptions:*

The assumed life expectations on retirement at age 60 are:

Year	Valuation at	
	2021	2020
<b>Retiring today:</b>		
Males	28.4	28.4
Females	30.6	30.5
<b>Retiring in 15 years:</b>		
Males	29.8	29.8
Females	32	32

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

	2021 £000s	2020 £000s
Current service cost	2,753	2,454
Net interest gain	(545)	(848)
Admin expenses paid from plan assets	232	331
	<b>2,440</b>	<b>1,937</b>

Amounts recognised in other comprehensive income in respect of the defined benefit scheme are as follows:

	2021 £000s	2020 £000s
<b>Total (gain)/cost relating to defined benefit scheme</b>	(13,636)	2,030



**NPL MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	<b>2021 £000s</b>	<b>2020 £000s</b>
At 1 January	264,263	234,230
Interest income	3,689	4,907
Return on plan assets (excl. amounts incl. in net interest costs)	6,703	26,244
Contributions from employer	2,395	2,492
Contributions from scheme participants	39	38
Benefits paid	(3,792)	(3,317)
Admin expenses paid from plan assets	(232)	(331)
<b>At 31 December:</b>	<b>273,065</b>	<b>264,263</b>

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

	<b>2021 £000s</b>	<b>2020 £000s</b>
At 1 January	226,473	194,965
Service cost	2,753	2,454
Interest expense	3,144	4,059
Benefits paid	(3,792)	(3,317)
Settlement payments from employer	39	38
Effect of change in assumptions	(6,933)	28,274
<b>At 31 December:</b>	<b>221,684</b>	<b>226,473</b>
<b>Net Asset recognised in the balance sheet</b>	<b>51,381</b>	<b>37,790</b>

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

Year	<b>Fair value of assets</b>	
	<b>2021 £000s</b>	<b>2020 £000s</b>
Cash and cash equivalents	14,854	1,577
Equity instruments	26,695	30,666
Debt instruments	212,238	217,997
Real estate	7,017	6,107
Other assets	12,261	7,916
<b>Total</b>	<b>273,065</b>	<b>264,263</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**19. Financial commitments**

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

	2021 £000s	2020 £000s
Within one year	350	483
Between one and five years	909	725
<b>Total</b>	<b>1,259</b>	<b>1,208</b>

In respect of the premises and accommodation services, the Company paid base rent of approximately £15,500k in 2021 to BEIS (2020: £15,124k).

## NPL MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

#### 20. Other Loans

	2021 £000s	2020 £000s
Within one year	2,781	2,605
Between one and two years	2,879	2,698
Between two and five years	9,269	8,684
In over five years	17,778	16,658
Less amounts due within one year	(2,781)	(2,605)
<b>Total</b>	<b>29,926</b>	<b>28,040</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%.

#### 21. 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

#### 22. 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 100% owned Group.

#### 23. Capital commitments

The Company had capital commitments relating to scientific equipment of £6,287k at 31 December 2021 (2020: £6,310k).



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