

NPL MANAGEMENT LIMITED

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NPL MANAGEMENT LIMITED

COMPANY INFORMATION

Directors

Sir D Grant (Non-Executive)
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
Ms B Sutcliffe (Non-Executive)
Professor G M Lu (Non- Executive)
Ms P J Holt
Dr S Hurst (Non- Executive) (resigned 14 Aug 2020)
Ms L Dunsby (Non- Executive) (appointed 1 Oct 2020, resigned 11 Feb 2021)
Ms C Quinn (Non- Executive) (appointed 12 Nov 2020)
Prof. G Reid (Non- Executive) (appointed 1 Jan 2021)
Ms H Wallace (Non- Executive) (appointed 11 Feb 2021)

Company Secretary

Rebecca Hunter (appointed 13 Feb 2020)

Address

National Physical Laboratory
Hampton Road
Teddington
Middlesex
TW11 0LW

Banker

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

Auditor

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

NPL MANAGEMENT LIMITED

DIRECTORS' REPORT

NPL's number one priority during 2020 was to ensure that all our staff remained safe and secure during the Covid-19 pandemic. Our focus was on prioritising our people and supporting them to navigate their working lives in a pandemic. We introduced a robust approach and numerous activities on positive mental health and wellbeing. We created a portal and regularly communicated and promoted the varied offering from our mental health first aiders, free virtual wellness classes, published mental health webinars and acknowledged the often conflicting needs of different NPL staff.

As a national laboratory we continued to provide critical services to support the UK's infrastructure and vital healthcare provision throughout the pandemic. This work included: healthcare services to support the NHS and the medical supply chain industry; radiation measurements to allow the medical sterilisation industry to operate; calibrating instruments used in cancer treatment; provision of timing services on behalf of the government, for example to facilitate reliable high-speed financial trading; and provision of environmental monitoring, declared as critical by the Environment Agency.

We were also able to rapidly transfer resources to support the UK's Covid-19 response, including responding to the government's UK Ventilator Challenge to encourage manufacturers to re-purpose their assembly lines and support new designs to meet anticipated demand. NPL answered the challenge by designing the PocketVent, a unique, fan-based ventilator, smaller than a laptop, costing less than £1000, compared with the cheapest commercially available ventilator at £8k or the more usual £25k. The design was so successful that the team, consisting of predominately apprentices and early-career scientists, was awarded the President's Special Award for Pandemic Service by the Royal Academy of Engineering.

NPL used its wealth of experience and scientific capabilities to help increase the availability of PPE, initially by signposting new manufacturers of PPE and medical devices to relevant standards and assisting with the interpretation of standards to provide clarity on the requirements for conformity. NPL also provided testing support to organisations bringing new face masks and publicly worn face coverings to the market; resulting in the safe introduction of large quantities of PPE to the UK market, and the safe introduction of highly novel products that satisfy niche requirements.

The NPL-led Measurement for Recovery programme, was developed in 2020 to help UK companies gain access to the expertise and resource of the UK's leading measurement science experts, to help them recover and grow in the challenging economic environment resulting from the Covid-19 pandemic. During 2020 over 400 companies applied from across the UK, the majority of which were small or micro entities, and projects were set up to support over 280 of these companies. Within the year 102 of these projects were completed, with 67% of companies involved expecting to see increased sales; 57% of companies expecting to secure more investment for their project from internal or external sources and 27% of companies expecting to see reduced costs.

In response to the pandemic NPL also made its catalogue of measurement related e-learning courses available free of charge, allowing industry and academia to freely invest in their workforce whilst they were 'working from home' - nearly 10,000 new learners registered for e-learning and there was a 99% satisfaction rate in the training experience. We also assisted home-schooling by making our Virtual Physics Laboratory (VPLab) educational software available for secondary school pupils and teachers; over 19,500 simulation downloads were made by students to use at home.

The Postgraduate Institute for Measurement Science (PGI) celebrated its fifth anniversary in 2020. The PGI was created as part of the establishment of the Strategic Partnership between NPL, the University of Strathclyde, and the University of Surrey and the Department for Business, Energy and Industrial Strategy (BEIS). Since its inception the PGI has helped develop the next generation of world-class measurement scientists, with the number of students steadily increasing to over 200 researchers this year. Over 140 students have graduated, 43% of which have moved into industrial roles or research, and the PGI had made significant contributions to the scientific community, collectively publishing over 350 papers since its inception.

During 2020 NPL published the results of its extensive Technology and Measurement Foresighting programme, which identified major trends in technology and measurement that would impact industry and our society, as well as how we live over the next 15 years. NPL is now sharing these findings with UK Government, national measurement institutes from around the world as well as using it to shape our future research strategy.

In 2020, we undertook work for 352 new customers who had never previously used NPL. New areas of business introduced in 2020 included: new data science services to the healthcare sector in response to Covid-19; quantum information processing; quantum materials and a sensor testing service. In addition, we launched new services for testing innovations in PPE manufacturing and a new traceable reference radiation dosimetry service for MRI-LinAc, a cutting-edge cancer treatment modality that sets new standard for personalised radiotherapy.

NPL MANAGEMENT LIMITED

DIRECTORS' REPORT

We are also aware of the impact of our own operations and are committed to meeting our objectives in a sustainable way. Our ongoing initiatives to reduce energy consumption are discussed in the sustainability report on pages 18-20.

Working from home was a new experience, particularly for scientists and engineers used to working in a laboratory environment. Nonetheless we continued our groundbreaking research, with 534 papers appearing in peer-reviewed scientific journals including 'Measurement Science and Technology', 'Metrologia' and 'Nature Communications'. To deliver all this incredible work, we need amazing people, who are supported and enabled to 'give it their all'. At NPL we have over 1,000 scientists, engineers and skilled professionals who work together to deliver our exceptional science and engineering work. 2020 saw awards in the Queen's Birthday and New Year Honours list to: Andy Morris, who received an MBE for his services to the Manufacturing and supply of Personal Protection Equipment during the Covid-19 response; and Fiona Auty, who received a Medal of the Order of the British Empire (BEM), for her services to Science and Engineering Communication.

Patrick Gill received the Rumford Medal from the Royal Society for his outstanding contribution to the development of optical atomic clocks of exquisite precision. Whilst Alexander Shard received the Royal Society of Chemistry (RSC) Industrial Analytical Science Award for his pioneering work on accurate surface chemical analysis; and Richard Brown received the RSC Theophilus Redwood Award, for excellence in theoretical and practical aspects of chemical measurement leading to the recent redefinition of the mole.

Diversity and Inclusion has remained a priority throughout 2020, with a number of initiatives undertaken. Alongside our work prioritising the wellbeing of a remote workforce, we have launched a number of key projects this year, including the launch of a new two-way mentoring programme for senior leaders and individuals from underrepresented groups within NPL. The scheme is designed to encourage perspective sharing and to support inclusive conversations to build allyship across the organisation, as well as support career development. In 2020 NPL also ran its first Navigator programme, a work and personal development programme for men, that compliments the successful Springboard program for women. The first cohort attracted 24 men from across the organisation.

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.

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

Directors

The current directors of the company are:

Sir D Grant (Non-Executive)

Dr P A Thompson

Mr N J Perry (Senior Independent Non- Executive)

Prof. Sir J R McDonald (Non-Executive)

Dr M R Sené

Ms B Sutcliffe (Non-Executive)

Professor G M Lu (Non- Executive)

Ms P J Holt

Ms C Quinn (Non- Executive)

Prof. G Reid (Non- Executive)

Ms H Wallace (Non- Executive)

NPL MANAGEMENT LIMITED

DIRECTORS' REPORT

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:



Sir David Grant
Chair

A handwritten signature in black ink, appearing to read 'P. Thompson'.

Dr Peter Thompson
Chief Executive
Officer

NPL MANAGEMENT LIMITED

GOVERNANCE STATEMENT

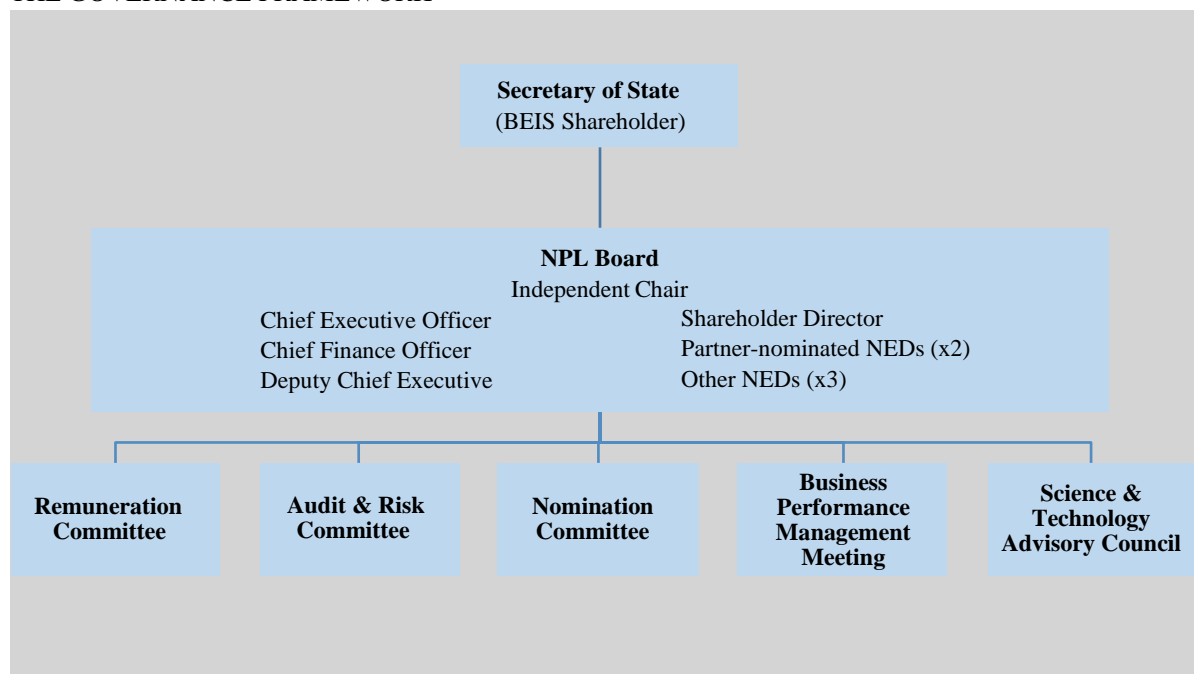
THE PURPOSE OF THE GOVERNANCE STATEMENT

The Governance Statement, for which I take personal responsibility, is intended to give a clear understanding of the dynamics of the business and the compliance and configuration of its control structure. It explains how NPL has complied with the principles of good governance and reviews the effectiveness of its governance arrangements¹.

SCOPE OF RESPONSIBILITY

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

THE GOVERNANCE FRAMEWORK



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

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

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

NPL MANAGEMENT LIMITED

GOVERNANCE STATEMENT

NPL Board: The Board ensures that NPL is working within a framework of effective governance arrangements. These governance arrangements enable risk to be appropriately assessed and managed. The Board also provides support, independent constructive challenge and strategic leadership to the NPL Executive Team. The Board is led by an independent, non-executive Chair, Sir David Grant. The Senior Independent Director is Nigel Perry².

The Board's composition during 2020 includes:

- an independent Chair (Sir David Grant)
- a senior independent Director (Mr Nigel Perry)
- a BEIS Shareholder Representative (Dr Stephanie Hurst, succeeded by Ms Louise Dunsby);
- 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: Dr Paul Howarth (the Chair of the STAC), Brigid Sutcliffe (the Chair of the Audit and Risk Committee) and, latterly, Ms Catherine Quinn.
- 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).

The Science and Technology Advisory Council (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.

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

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

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

The Business Performance Meeting (BPM) was established in September 2019 to succeed the NPL Governance Committee and meets 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.

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

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

NPL MANAGEMENT LIMITED

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NPL BOARD AND BOARD COMMITTEE ATTENDANCE

2020 Board Members	March	May	September	November	Total
Sir David Grant (Chair)	✓	✓	✓	✓	4/4
Mr Nigel Perry (SID)	✓	✓	✓	✓	4/4
Dr Paul Howarth	✓	✓	✓	✓	4/4
Ms Brigid Sutcliffe	✓	✓	✓	✓	4/4
Dr Stephanie Hurst/Ms Louise Dunsby	✓	✓		✓	3/3
Ms. Catherine Quinn				✓	1/1
Prof G.Q. Max Lu		✓	✓	✓	3/4
Prof Sir Jim McDonald	✓	✓	✓	✓	4/4
Dr Peter Thompson	✓	✓	✓	✓	4/4
Dr Martyn Sené	✓	✓	✓	✓	4/4
Ms Penny Holt	✓	✓	✓	✓	4/4

2020 Board Committee Members	Rem Com	Audit & Risk	Nom Com	BPM	STAC*
Sir David Grant (Chair)	2/2		1/1		
Mr Nigel Perry (SID)	2/2	4/4	1/1		
Dr Paul Howarth	2/2	3/4	1/1		2/2
Ms Brigid Sutcliffe	2/2	4/4	1/1		
Dr Stephanie Hurst/Ms Louise Dunsby	2/2	**	1/1		
Ms. Catherine Quinn	1/1		0/1		
Prof G.Q. Max Lu	2/2		1/1		
Prof Sir Jim McDonald	2/2				
Dr Peter Thompson		4/4		11/12	
Dr Martyn Sené				12/12	
Ms Penny Holt		4/4		11/12	
Dr JT Janssen				9/12	
Dr Robin Hart				10/12	
Ms Jodene Young				10/12	
Mr, Alan Brewin				10/12	
Dr Penny Owen				12/12	

* The Science Technology Advisory Council (STAC) met twice in 2020. Paul Howarth chaired the Council, with members comprising 13 independent and distinguished members from across industry, academia and international laboratories. Biographies of all members of the STAC can be found on NPL's website at <https://www.npl.co.uk/about-us/people/stac>

** Dr Stephanie Hurst/Ms Louise Dunsby deputised their membership on the Audit and Risk Committee to an alternative BEIS shareholder representative.

NPL MANAGEMENT LIMITED

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NPL BOARD BUSINESS

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

- Minimising operational disruption and protecting its employees during the Covid-19 pandemic
- Preparing for the end of the 2020 Brexit transition period
- Consideration of the latest NPL Health and Safety Reports
- Reports from the Board's Committees on their activities and from Celsius Health Ltd Board meetings
- Financial and business performance, including the five-year Capital Plan
- Updates from the BEIS Shareholder on relevant activity in Central Government
- Review and scrutiny of the NPL Strategic Risk Register, including internal and external risks and mitigations to business performance
- Authorisations of spend over £3m
- NPL's values

A further meeting of the Board was held during July 2020 to focus expressly on strategic planning.

BOARD EFFECTIVENESS

The performance of the Board was evaluated using a questionnaire, the results of which were presented to and discussed by the Board. This led to the continuation of Board calls in the months when there was no formal Board meeting focusing on financial performance, with new initiatives including:

- One-to-one appraisals by the Chair of the NEDs
- Informal meetings between the Chair and NEDs collectively
- Considering a skills audit leading to recruitment of another NED if necessary
- Preparing guidance notes for presenters, to ensure that items and papers are introduced briefly to allow maximum time for discussion
- Colour-coding on the agenda to identify and protect priority items
- Including in the terms of reference for the Board the role and function of Executive Team members' presence when requested to attend.

In terms of the Board's membership, experienced and capable candidates were successfully recruited and inducted to replace leavers, including an additional NED to enhance the range, depth and diversity of perspective.

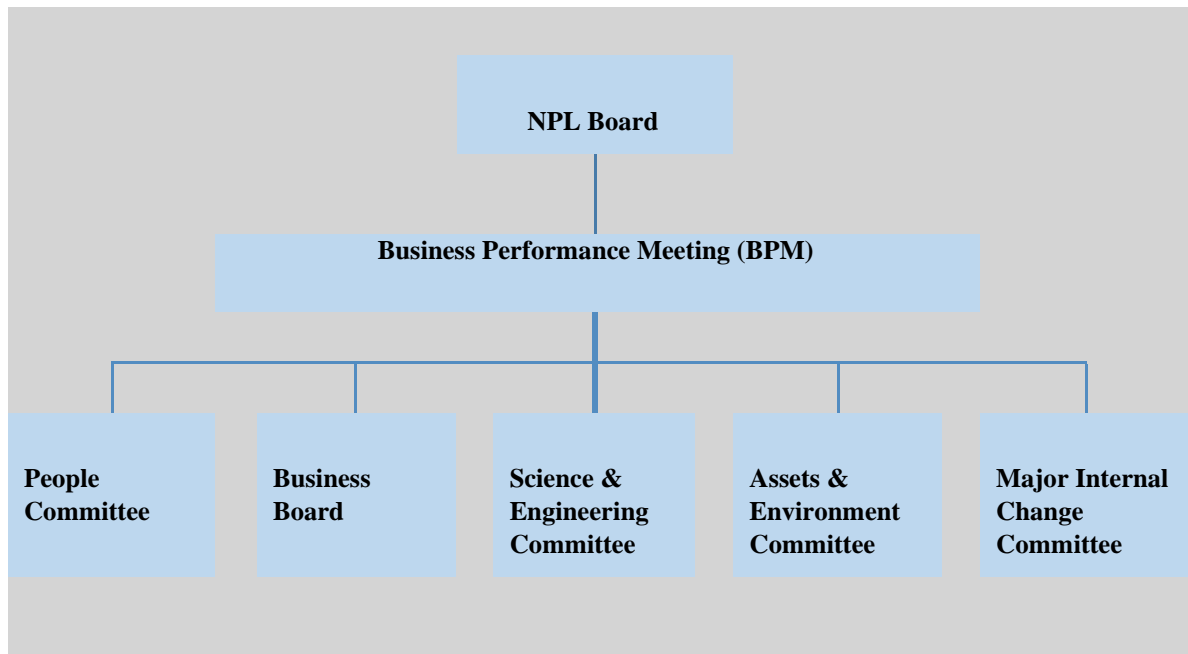
EXECUTIVE MANAGEMENT EFFECTIVENESS

Following the delivery of NPL's internal governance transformation project the previous year, the benefits now assisted the Board in effectively managing the additional unprecedented challenges of the Covid-19 pandemic on NPL's staff and operations, whilst preparing for the end of the Brexit transitional period. For example, all Board and Sub-Committee meetings after February 2020 were successfully conducted remotely by videoconference.

Further improvements continued to be made, including evolving the Transformation Board into the Major Internal Change Committee to better reflect its scope and focus, and reviewing NPL's risk policy and procedures to ensure they are fully up to date. The Board and Sub-Committee structure now comprises the following:

NPL MANAGEMENT LIMITED

GOVERNANCE STATEMENT



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 2020 no conflict of interests was declared that required specific mitigating actions.

THE INTERNAL CONTROL FRAMEWORK

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

TAX COMPLIANCE (ALEXANDER REVIEW)

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

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

NPL MANAGEMENT LIMITED

GOVERNANCE STATEMENT

RISK MANAGEMENT

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

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. A review of NPL's risk policy and procedures to ensure they are fully up to date was also commenced and its recommendations will be considered in 2021.

The most significant risks in 2020 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.
- A major cybersecurity incident
- Risk of workforce engagement and wellbeing due to Covid-19.
- The machinery of research and innovation funding being incompatible with NPLML strategy.



Dr Peter Thompson
Accounting Officer

Date: 24 May 2021

NPL MANAGEMENT LIMITED

STRATEGIC REPORT

Principal activities and future prospects

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

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

Review of the year and future outlook

The directors consider the results for the year to be encouraging, particularly during a year so significantly impacted by the pandemic. On 23 March 2020 we moved to extensive home working for all staff, with the exception of those performing essential services to the UK government and the NHS in particular. Recognising the extent to which our services are relied upon by both government and industry meant that we quickly put in place the safety measures required to increase the number of staff able to work on site in order to support our customers. As the UK's national measurement institute, NPL also played a role in both the fight against the virus (supporting face mask testing and the development of low cost ventilators, for example) and in supporting UK industry recover from the crisis throughout the pandemic (through the introduction of the Measurement for Recovery programme).

As shown in the Company's profit and loss account on page 25, for the year ended 31 December 2020 the Company's turnover increased by 2.3% to £104.0m (2019: increase of 6.2% to £101.6m). The Company made a loss before tax of £2.5m (2019: loss before tax of £7.2m). The loss for the year ended 31 December 2020 was due to planned investments in our ongoing programme of transformation which is expected to deliver operational efficiencies in 2021 and beyond. Despite having to adapt to new ways of working as a result of the pandemic, which included limiting the number of staff that were able to access our laboratories at any one time, turnover per employee for the year ended 31 December 2020 decreased only slightly to £100k (2019: £103k).

As shown in the Company's balance sheet on page 28, net assets increased to £85.0m at 31 December 2020 (2019: £68.9m), following the receipt of £15.45m of cash in connection with the equity injection totalling £19.4m agreed in March 2020 (£9.55m of which was provided to ensure that the Company had sufficient cash reserves to operate effectively during and beyond the COVID 19 crisis, with a further £9.85m to fund the investments required to progress NPL's planned digital modernisation programme by addressing legacy IT issues). The residual £3.95m associated with the £19.4m March 2020 equity investment is scheduled to be received during 2021.

An important measure of the Company's health is utilisation of our staff on revenue generating services. Inevitably, utilisation levels were adversely impacted in 2020 by disruption caused by the pandemic, particularly in the first few months. Consequently, full year utilisation rates dropped to 69.5% of scientists' bookable time in 2020 (2019: 76.3%).

In August 2019, NPL switched to using the Net Promoter Score to track customer satisfaction. The NPL Net Promoter Score (NPS) for the year of 2020 is 78. This compares favourably to a score of 69 for 2019.

Dividends

No dividends have been paid or declared in the year. The directors do not recommend a final dividend (2019: £nil).

Section 172(1) Statement

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

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster business relationships with suppliers, customers and others;

NPL MANAGEMENT LIMITED

STRATEGIC REPORT

- The impact of the Company's operations on the community and environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between shareholders of the Company

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

The directors fulfil their duties partly through a governance framework that delegates day to day decision making to the Company's executive management and employees and details of this can be found in our Governance Statement on pages 6 to 11. 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 2020 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.

In addition to the quarterly scheduled Board meetings, monthly Board teleconferences were held throughout 2020, 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 2020 an entire Board Meeting focused on scenario planning for 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 page 11. The directors review the Company's strategic risk register at each board meeting.

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

Our People

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

Further details of how we engage with our staff, our culture and working environment, approach to diversity and inclusion and the actions we are taking to encouraging women into Science, Technology, Engineering, and Mathematics (STEM) can be found on pages 16 to 17.

Our Business Relationships

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

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

The Directors also receive information updates on a variety of topics throughout the year that indicate and inform how stakeholders have been engaged. This information is provided from each of the sub committees outlined in the Governance Report on page 10.

The Community and Environment

Our world-leading measurement solutions are critical to business and government, accelerating research and innovation, improving quality of life and enabling trade. We seek to ensure that our cutting-edge measurement science has a positive impact in the real world. As part of the Board's ongoing review of NPL's strategy, in 2017 the Company re-focused around delivering impact across four key sectors, one of which is Energy and the Environment. The Sustainability Report on page 18 discusses some of the recent work that NPL has been leading in this arena with regard to the proposed TRUTHS satellite mission.

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

During 2019 a "Green Team" was established comprising representatives from across the business with the express purpose of focusing on actions that we can take to improve recycling and reduce our carbon footprint. This team's progress was inevitably impacted by the move to remote working for much of 2020, but plans are in place to re-focus efforts in this regard in 2021 as we look to capitalise on some of the changes in working practices over the last year, including for example a review of our travel policy.

High standards of business conduct

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

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

Our shareholder

NPL is 100% owned by BEIS and a BEIS shareholder representative 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 continues to champion a strong employee voice as central to employee engagement and well-being at NPL, with feedback strongly encouraged by a leadership team who value employee views and ideas. We maintain a number of communication channels designed to inform employees of factors affecting the business, including quarterly all employee communication sessions with the CEO and other key personnel and monthly team meetings with senior line management. An employee engagement forum, co-chaired by our Employee Engagement and Internal Communications managers, also exists to ensure that employee feedback is pro-actively sought. We ensure all line managers are fully briefed and able to consolidate information before communicating with their teams, through twice monthly Leaders Briefings. This enables information to be consistent, timely and, importantly, put in context for individual teams. During 2020 we complimented this with regular Blogs and Vlogs from the CEO and Executive team to re-enforce key messages and support employees to feel connected and valued (especially while being physically remote from the organisation and their colleagues).

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All communication channels are two-way. The speed at which our digital ways of working have progressed due to the events of 2020 have provided the opportunity to expedite a modern way to collaborate, share information and receive feedback. Microsoft Office 365 and digital channels such as Microsoft Teams and Yammer are now central to collaboration and involvement, with many historic systems e.g. Ask NPL (an employee led discussion forum) moving to the platform in 2020. A recent implementation of Icebreaker, an MS Bot designed to randomly generate coffee catch ups is another example of how digital tools are fostering involvement and connectivity at NPL.

In 2017 NPL launched ThymoMetrics, a platform to support employee engagement which aims to provide a simple, easy to use system for employees to have their voices heard at NPL. ThymoMetrics provides a cutting edge, 'Real Time' way to measure employee engagement and mood.

The platform is available all day, every day for employees to feedback their feelings regarding the organisation and/or communicate questions, concerns or suggestions that may be on their mind. The platform also allows NPL to seek feedback on and engage in targeted, yet anonymous discussions with employees on such topics as the quality of leadership, and the salary and benefits structure. The full functionality and adaptability of ThymoMetrics in 2020 ensured we were able to regularly check in with employees and focus resources in the areas which would make the most difference to people when they most needed it.

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

NPL remains committed to celebrating the success of employees through its values award scheme, ensuring this continued through 2020. 361 employees were rewarded during 2020 for demonstrating outstanding behaviours and achievements and over 500 on the spot thank yous were given for demonstrating Values in Action during everyday work.

Culture and working environment

NPL recognises that none of our actions will succeed without the right culture and working environment. This has been particularly important to maintain during 2020 to ensure connectivity and togetherness, despite remote locations and ways of working. The NPL Values and Values in Action not only 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) which is important to reflect both internally with colleagues and externally with customers and partners. How we do things matters and at the heart of this is an environment that is truly inclusive, underpinned by respect at all time.

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

We were able to take this further in 2020, actively engaging with employees to learn from the ways of working through national lockdowns and understand what they wanted from NPL in the future. Acknowledging the need to change as a result of experiences in 2020, led to a programme of work which implemented its first initiatives in November 2020 which provide greater choice and flexibility over where we work and more time to focus without meetings, two things conceptualized and developed as a direct result of employee feedback.

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), such as our Diversity and Inclusion Task Force. The Task Force brings together people from across NPL to promote inclusive working practices and ensure that diverse views are represented in the formulation of key strategic objectives. Members of the D&I Task force lead several interest groups with NPL Executive sponsorship, including LGBT+; Mental Health; Faith & Religion; Dyslexia & Neurodiversity; Age; 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. The task force shares best practice, reports on progress and benchmarks diversity performance, with the support of external bodies. As such we hold a number of accreditations, including Practitioner status as part of

NPL MANAGEMENT LIMITED

STRATEGIC REPORT

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 2021, NPL will be reviewing our progress to date and identifying new actions to support our aspiration to progress to the level of Juno Champion and partaking in the 2021 Stonewall Workplace equality Index.

NPL's Diversity and Inclusion e-learning module continues to run with c.90 employees completing it in 2020, taking the total to nearly 600. Its aim is to inform staff about the importance of diversity at NPL, compliance with the Equality Act (2010) and support their knowledge on protected characteristics and unconscious bias.

We 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 2020 include:

- As our organisational awareness of unconscious bias grows, we continue to enhance our approach to managing bias in our performance and promotion processes. Following a live bias assessment of our performance management activities by Pearn Kandola in 2020, we will be implementing amendments to our processes as well as reinforcing the strengths identified to continue to evolve our approach.
- We seek to support all staff in developing skills and progressing their careers. At NPL we have run three successful cohorts of the Springboard Women's development programme and in 2020, NPL ran its first Navigator programme, a work and personal development programme for men. The first cohort attracted 24 men from across the organisation. Going forwards NPL will alternate between programs, offering a Springboard program in 2021.
- A key activity for NPL in 2020, was the launch of Discover, a two-way mentoring programme, for senior leaders and individuals from underrepresented groups within NPL. In addition to providing advice and career support for mentees, the scheme is designed to encourage perspective sharing and to support inclusive conversations to build allyship across the organisation. The scheme covers a range of diversity and inclusion themes extending beyond protected characteristics alone, to help continue to evolve our diversity and inclusion activities.

Encouraging diverse communities into Science, Technology, Engineering, and Mathematics (STEM)

NPL are committed to attracting diverse talent to work for our organisation and remain committed to supporting and promoting awareness of STEM and inspiring future generations of NPL scientists and researchers.

Our Outreach programme is in its 13th year of operation and remains a critical platform for connecting with potential talent from diverse backgrounds and experiences and the continued focus on children and young adults enables NPL to engage with those early in their education, inspiring their continued interest in STEM subjects.

Outreach activities have remained a key activity during the COVID pandemic, supporting learning at home through a range of activities such as Measurement at Home and the Virtual Physical Laboratory, as well as continuing to deliver presentations and outreach activities remotely.

Significant reductions in audience availability from March 2020 reduced engagement numbers, and in response to the COVID19 situation, we developed new virtual activities and ways to engage. STEM Outreach sector activity was 10% of normal at the best of times, so we were delighted that our annual figures approached 50% of 'normal': 30,000 people interacted through 118 activities supported by 55 staff of which 49% were female. 2020 highlights were:

- free access to a Virtual Learning Environment version of Virtual Physics Laboratory during lockdowns for teachers to use remotely (400% increase in new user sign ups) and to set homework using simulations of practicals (about 20,000 student downloads).
- launch of a series of online activities 'Measurement at Home' comprising 10 modules of instructions/videos/worksheets/reports on school curriculum measurement science fashioned to be accessible to all ages, with associated online workshops.
- a virtual version of our annual water rocket challenge in collaboration with UKSA.
- webinars and workshops attracting as many as 1600 viewers from 32 schools with 600 comments in the live chat at a single event.

NPL MANAGEMENT LIMITED

STRATEGIC REPORT

Other ways we are working to attract a broader range of people into science includes a review of the content of our job adverts and careers site materials for inclusive language, re-writing some of our resources to achieve gender neutrality in language when reaching out to potential candidates. We have partnered with Vercida.com, diversity and inclusion recruitment experts, to expand our reach to groups that are under-represented at NPL. Since undertaking this in 2020, we have seen a 13% increase in unique female visitors through Glassdoor, above industry averages in attracting candidates from different faiths and sexual orientations

We continue to support Daphne Jackson Trust Fellowships, which offer STEM professionals the opportunity to return to research following a career break of two years or more. At NPL, we currently have four fellowships in place.

We also 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 54% males and 46% females. We currently have 21 Apprentices across 4 different programmes, filling our talent pipelines for the future.



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Dr P Thompson

Director
Date: 24 May 2021

NPL MANAGEMENT LIMITED

SUSTAINABILITY REPORT

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

As the UK's National Metrology Institute, NPL recognises the importance of ensuring decision-makers who rely on information derived from measurement can trust the science and the provenance of the resultant information. We have remained open throughout the pandemic to ensure our critical work continues. By advising policy makers working to mitigate the impact of climate change we are ensuring the UK is still maintaining progress towards its net zero target.

Our experts have pioneered techniques to collect data from the world around us, and accurately monitor how it changes over time and in response to different factors. Through robust measurement, we provide confidence in environmental data which enables effective action to be taken. Metrological tools and principles are already used within the Global Climate Observing System (GCOS) and the quality assurance framework of the EU's Copernicus Climate Change Service (C3S).

Space-based sensors offer a unique opportunity to capture global data on climate over time. However, as we generate more and more data, we also need to ensure that the data collected is trusted and reliable. Having reliable data from earth observation (EO) systems is critical to achieving international targets, such as those set out in the Paris Agreement. "TRUTHS" is a climate mission conceived at NPL that will enable in-flight calibration of EO satellites. The mission will help deliver improved confidence in EO data gathered from space and the forecasts driven by this data.

Our scientists and engineers work on the development and deployment of low carbon technologies that would help support the energy transition away from fossil fuels. This includes testing and validation of the performance of fuel cells, batteries and photovoltaics as well as reducing the measurement uncertainties for solutions such as carbon capture, usage and storage. Each of these will play a part in ensuring the UK reaches net zero by 2050.

In the countdown to the UK hosting COP26 in November 2021, NPL will continue to work with all parties to support climate action, provide scientific excellence and help lower emissions.

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 will focus 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.

Environmental report for the year 1 January 2020 to 31 December 2020.

Change in Emissions during 2020

Notwithstanding our ongoing initiatives to reduce energy consumption, our reported emissions were lower in 2020 due to the significant restrictions to our operations caused by the Covid-19 pandemic and associated lockdowns. This is reflected in unusually low emissions in several Scope 1, 2 and 3 categories for which we have reported emissions, namely:

- Scope 1 – owned transport reduced by 77.6%
- Scope 2 – electricity (market-based) reduced by 1.9%
- Scope 3 – business travel reduced by 73.3% and waste reduced by 30.8%

Quantification and Reporting Methodology

We have used the Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance March 2019 and the UK Government Greenhouse Gas Reporting Factors 2019 and 2020.

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

NPL MANAGEMENT LIMITED

SUSTAINABILITY REPORT

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.

Operational scopes

We have measured our Scope 1, 2 and 3 emissions. Where we have not estimated a % for exclusions, it is because we have not carried out this estimation yet.

SCOPE 1 (in tCO₂e)	2020	Exclusions %¹	% of activity data that is estimated	2019
Gas consumption (gross CV)	3,861	0	0	3,807
Owned transport	17	0	0	76
Fugitive emissions	4	0	0	1
Total Scope 1 (tCO₂e)	3,882	0	0	3,884

SCOPE 2 (in tCO₂e)	2020	Exclusions %	% of activity data that is estimated	2019
Electricity (market based) ²	3,729	0	0	3,803
Total Scope 2 (tCO₂e)	3,729	0	0	3,803

SCOPE 3 (in tCO₂e)	2020	Exclusions %	% of activity data that is estimated	2019
Business travel	20	0	0	75
Transmission and distribution losses	415	0	0	415
Water and wastewater	41	0	0	43
Waste	36	0	0	52
Total Scope 3 (tCO₂e)	512	0	0	585
Total Emissions (tCO₂e)	8,123	0	0	8,272

Note 1 - Specific exclusions, % this represents for relevant scope (excluding geographic exclusions)

Note 2 - Location based electricity emissions were 4,830 tCO₂e during 2020 (2019: 5,312 tCO₂e)

Commitment

Our emissions reduction commitment is to look for ways to reduce our Scope 1, 2 and 3 emissions on an ongoing basis wherever reasonably possible. Over time, we expect the compound effect of these reductions to become increasingly significant.

We will commence science activity in our newly completed Advanced Quantum Metrology Laboratories in the next few months. The building achieved a BREEAM “Very Good” sustainability rating and benefits from rainwater recycling, a ground source heat pump and Photovoltaic array, all of which will offset the impact of the building on the environment.

NPL MANAGEMENT LIMITED

SUSTAINABILITY REPORT

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.

2020 Intensity ratio: 8,123 tCO₂e/1,010 FTE = 8.04 tCO₂e per FTE (2019: 8.36 tCO₂e per FTE)



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Dr P Thompson

Director
Date: 24 May 2021

NPL MANAGEMENT LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

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

Opinion

We have audited the financial statements of NPL Management Limited (the 'company') for the year ended 31 December 2020 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

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

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 21, 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.

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;

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

- 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 (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 10 June 2021

NPL MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000s	2019 £000s
Turnover	3	104,007	101,627
Cost of sales		(72,474)	(75,235)
Gross profit		31,533	26,392
Administrative expenses		(33,879)	(34,036)
Operating loss		(2,346)	(7,644)
Interest receivable and similar income	6	850	1,224
Interest payable and similar charges	7	(1,001)	(802)
Loss before taxation	5	(2,497)	(7,222)
Tax on loss	8	789	(622)
Loss for the year		(1,708)	(7,844)

NPL MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000s	2019 £000s
<i>Loss for the financial year</i>		(1,708)	(7,844)
<i>Other comprehensive income</i>			
Pension scheme actuarial losses	18	(2,030)	(2,641)
		(2,030)	(2,641)
Tax on other comprehensive income – deferred tax	8	387	449
Other comprehensive loss net of taxation		(1,643)	(2,192)
Total comprehensive loss for the year		(3,351)	(10,036)

NPL MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share premium reserve £000	Retired benefit obligation reserve £000	Profit and loss account £000	Total £000
Balance at 1 January 2019	96,000	(7,077)	(9,942)	78,981
Loss for the year	-	-	(7,844)	(7,844)
Actuarial loss on pension employment scheme (Note 18)	-	(2,641)	-	(2,641)
Tax charge on net actuarial losses (Note 8)	-	449	-	449
Total comprehensive income	-	(2,192)	(7,844)	(10,036)
Balance at 31 December 2019	96,000	(9,269)	(17,786)	68,945
Loss for the year	-	-	(1,708)	(1,708)
Actuarial loss on pension employment scheme (Note 18)	-	(2,030)	-	(2,030)
Tax charge on net actuarial gains (Note 8)	-	387	-	387
Issue of Share Capital	19,400	-	-	19,400
Total comprehensive loss			(1,708)	
Balance at 31 December 2020	115,400	(10,912)	(19,494)	84,994

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 2020

	Notes	2020 £000s	2019 £000s
Fixed assets			
Intangible assets	9	468	-
Tangible assets	10	47,320	43,772
Current assets			
Debtors: amounts falling due within one year	12	37,018	30,723
Cash at bank and in hand		24,544	8,670
Debtors due after more than one year	13	11,648	9,565
Creditors: amounts falling due within one year	14	(44,744)	(38,394)
Net current assets		28,466	10,564
Total assets less current liabilities		76,254	54,336
Creditors: amounts falling due after more than one year			
Loans due after more than one year	20	(28,040)	(23,612)
Provision for liabilities	15	(1,010)	(1,044)
Net assets excluding retirement benefit asset		47,204	29,680
Retirement benefit asset	18	37,790	39,265
Net assets including retirement benefit asset		84,994	68,945
Capital and reserves			
Share capital	16	-	-
Share premium reserve	17	115,400	96,000
Retirement benefit obligation reserve		(10,912)	(9,269)
Profit and loss account		(19,494)	(17,786)
Shareholders' funds		84,994	68,945

The financial statements of NPL Management Limited (company number 02937881) were approved by the Board of Directors and authorised for issue on 24 May 2021. 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 2020

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 2020 the defined pension scheme was an asset of £37.8m (2019: £39.3m).

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.

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

b. Going Concern (continued)

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

c. Turnover

Turnover from contracts

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

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

Grant income

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

d. Research and development

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

e. Intangible assets

Intangible assets relate to software development costs that have future economic benefit to NPL.

NPL MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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%

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 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.

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

De-recognition of financial liabilities

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

Equity instruments

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

k. Employee benefits

Defined benefit schemes

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

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

Defined contribution schemes

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

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.

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

2. Critical accounting judgements and sources of estimation uncertainty

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

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

Critical judgements in applying the Company's accounting policies

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

Recoverability of deferred tax assets (note 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 2020, 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.

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:

	2020	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
Fair value of plan assets	264,263	264,263	264,263	264,263	264,263	264,263
Defined benefit obligation	(226,473)	(238,156)	(215,578)	(218,169)	(234,044)	(235,199)
Net defined benefit asset	37,790	26,107	48,685	46,094	30,219	29,064

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

3. Turnover

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

	2020	2019
	£000s	£000s
National Measurement System	57,321	56,951
Non National Measurement System	46,686	44,676
Total	104,007	101,627

All turnover arose from the provision of services in the United Kingdom (2019: all turnover arose in the UK). Turnover includes Grant income of £24,251k (2019: £18,891k).

4. Information regarding directors and employees

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

	2020	2019
	No.	No.
Average number of full-time equivalent employees during the year		
Technical staff	774	732
Administration	268	253
	1,042	985

Their aggregate remuneration comprised:

	2020	2019
	£000s	£000s
Wages and salaries	42,482	40,994
Social security costs	4,650	4,474
Other pension costs	8,243	7,693
	55,375	53,161

Directors' remuneration

	2020	2019
	£000s	£000s
Directors' emoluments		
Emoluments (excluding pension contribution)	527	522
Pension contributions	68	56
	595	578

	2020	2019
	£000s	£000s
Highest paid director's remuneration		
Aggregate of emoluments	213	206
Pension contributions	16	14
	229	220

	2020	2019
	No.	No.
Number of directors who:		
Are members of a defined benefit pension scheme	-	-
Are members of a money purchase scheme	4	4

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

5. Loss before taxation

Loss before taxation is stated after charging:

	2020	2019
	£000s	£000s
Depreciation of tangible assets	8,008	7,702
Operating lease rentals		
-Plant and machinery	681	665
Rental costs	15,124	14,717
Loss on disposal of property, plant and equipment	25	227
Research and development expense	38,041	39,835
Exchange losses/(gains)	(197)	530

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

	2020	2019
	£000s	£000s
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	48	44
Fees payable for grant auditing services	74	138
Total fees	122	182

6. Interest receivable and similar income

	2020	2019
	£000s	£000s
Bank interest receivable	2	10
Net interest on defined benefit pension scheme	848	1,214
	850	1,224

7. Interest payable and similar charges

	2020	2019
	£000s	£000s
Other loans	1,001	802

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

8. Taxation

The tax charge comprises:

	2020	2019
	£000s	£000s
Analysis of tax charge for the period		
<i>Current tax</i>		
UK corporation tax at 19% (2019: 19%)	-	-
Total current tax charge	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	(614)	405
Adjustment in respect of prior periods	443	217
Effect of tax rate change on opening balance	(618)	-
Total deferred tax (credit)/charge	(789)	622
Tax on loss	(789)	622
Tax relating to other comprehensive income		
<i>Current tax</i>		
UK corporation tax at 19% (2019: 19%)	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	(387)	(449)
Tax relating to other comprehensive income	(387)	(449)

NPL MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2020****8. Taxation (continued)**

The tax charge recognised for the year ended 31 December 2020 is higher than the United Kingdom corporation tax rate of 19 % (2019: 19%). The reasons for this are set out below.

	2020	2019
	£000s	£000s
Reconciliation of tax charge		
Loss before tax	(2,497)	(7,222)
Tax on loss at standard corporation tax rate of 19% (2019: 19%)	(475)	(1,372)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	62	17
Other differences	10	1
Income not taxable for tax purposes	(31)	(593)
Temporary differences not recognised	-	411
Amounts relating to other comprehensive income	(387)	(502)
Deferred tax posted directly	387	449
Deferred tax not recognised	(256)	1,779
Adjustments to tax charge in respect of previous periods – deferred tax	443	217
Adjust opening and closing tax rates	(961)	215
Adjustments to brought forward values	419	-
Tax charge for the year	(789)	622

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

9. Intangible assets

	Computer Software 2020 £000
Cost	
At 1 January 2020	-
Additions	468
At 31 December 2020	<u>468</u>

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

10. Tangible assets

	Assets in the course of construction £000	Technical equipment £000	Furniture & fittings £000	Office equipment £000	Total £000s
Cost					
At 1 January 2020	8,156	67,746	129	5,409	81,440
Additions	519	10,746	-	316	11,581
Transfers	84	(84)	-	-	-
Disposals	-	(235)	-	(23)	(258)
At 31 December 2020	<u>8,759</u>	<u>78,173</u>	<u>129</u>	<u>5,702</u>	<u>92,763</u>
Depreciation					
At 1 January 2020	-	32,452	129	5,087	37,668
Charge for the year	-	7,725	-	283	8,008
Disposals	-	(211)	-	(22)	(233)
At 31 December 2020	<u>-</u>	<u>39,966</u>	<u>129</u>	<u>5,348</u>	<u>45,443</u>
Net book value					
At 31 December 2020	<u>8,759</u>	<u>38,207</u>	<u>-</u>	<u>354</u>	<u>47,320</u>
At 31 December 2019	<u>8,156</u>	<u>35,294</u>	<u>-</u>	<u>322</u>	<u>43,772</u>

11. Investments in subsidiaries, joint ventures and associates

Details of undertakings

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

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
Celsius Health Limited	NPL, Hampton Road, Teddington, TW11 0LW	Ordinary	100%	100%

The investment in Celsius Health Limited is held at £1 (2019: £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 2020

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

	2020	2019
	£000s	£000s
Amounts falling due within one year		
Trade debtors	11,798	12,194
Amounts owed by group undertaking	1	1
Amounts recoverable on contracts	10,039	7,495
Other debtors	4,056	140
Prepayments	3,380	3,402
RDEC tax asset	7,744	7,491
	37,018	30,723

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

13. Deferred tax asset

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

	2020	2019
	£000s	£000s
Recognition of deferred tax		
Accelerated capital allowances	5,197	4,648
Short term timing differences	(6,884)	(6,431)
Tax losses carried forward and other deductions	8,560	7,482
Other	4,775	3,866
Total deferred tax asset	11,648	9,565
<i>Movement in deferred tax asset:</i>		
Asset at 1 January	9,565	8,648
Deferred tax charge/(credit) in the Profit and Loss Account for the year	789	(622)
Deferred tax credit/(charge) in the Statement of Comprehensive Income	387	449
Deferred tax on RDEC tax asset	907	1,090
Deferred tax asset at 31 December	11,648	9,565

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

13. Deferred tax asset (continued)

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

	2020	2019
	£000s	£000s
Within one year	-	-
More than one year	11,648	9,565
	11,648	9,565

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 £2,654k of unrecognised deferred tax assets at 31 December 2020 (2019: £2,910k).

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £2,171k.

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

14. Creditors: amounts falling due within one year

	2020	2019
	£000s	£000s
Other loans (see note 20)	2,605	2,194
Trade creditors	6,963	6,636
Other taxes and social security	4,754	2,530
Other creditors	8,303	7,642
Accruals	6,558	7,397
Contract deferred income	15,561	11,995
	44,744	38,394

Within other creditors is £7,548k (2019: £6,975k) 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:

	2020	2019
	£000s	£000s
Opening balance	1,044	960
Increase in provisions	183	253
Provisions released	(217)	(169)
Closing balance	1,010	1,044

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

	2020
	£
Allotted, called up and fully paid	
At 1 January 2020	57
Share issue	19
At 31 December 2020 (76 Ordinary shares at £1 each)	76

On 31st March 2020, 19 shares were allotted, with a nominal value of £1 each, for consideration of £19.4m.

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.

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

17. Share premium reserve

	Share premium £'000
Balance at 1 January 2020	96,000
Premium arising on the issue of equity shares (note 16)	<u>19,400</u>
Balance at 31 December 2020	<u>115,400</u>

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 £6,054k (2019: £5,502k). Contributions totaling £791k (2019: £758k) 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 actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2020 by independent qualified actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	Valuation at	
	2020	2019
Key assumptions used:		
Discount rate	1.4%	2.1%
Rate of salary increases	3.0%	3.0%
Rate of increase in pensions in payment	2.7%	2.2%
Rate of increase in deferred pensions	3.0%	3.0%
Inflation (RPI)	3.0%	3.0%

Mortality assumptions:

The assumed life expectations on retirement at age 60 are:

	Valuation at	
	2020 years	2019 years
Retiring today:		
Males	28.4	28.4
Females	30.5	30.5
Retiring in 20 years:		
Males	29.8	29.8
Females	32.0	31.9

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

18. Employee benefits (continued)

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

	2020	2019
	£000s	£000s
Current service cost	2,454	2,262
Net interest gain	(848)	(1,214)
Admin expenses paid from plan assets	331	347
	1,937	1,395
Recognised in other comprehensive income:		
Total cost relating to defined benefit scheme	2,030	2,641

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

	2020	2019
	£000s	£000s
At 1 January	234,230	210,969
Interest income	4,907	6,098
Return on plan assets (excluding amounts included in net interest cost)	26,244	18,584
Contributions from the employer	2,492	2,590
Contributions from scheme participants	38	39
Benefits paid	(3,317)	(3,703)
Admin expenses paid from plan assets	(331)	(347)
	264,263	234,230

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

	2020	2019
	£000s	£000s
At 1 January	194,965	170,258
Service cost	2,454	2,262
Interest expense	4,059	4,884
Benefits paid	(3,317)	(3,703)
Settlement payments from employer	38	39
Effect of experience adjustments	-	993
Effect of change in assumptions	28,274	20,232
	226,473	194,965
At 31 December	226,473	194,965
Net asset recognised in the balance sheet	37,790	39,265

NPL MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2020****18. Employee benefits (continued)**

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

	Fair value of assets	
	2020	2019
	£000s	£000s
Cash and cash equivalents	1,577	112
Equity instruments	30,666	23,647
Debt instruments	217,997	192,082
Real estate	6,107	5,505
Other assets	7,916	12,884
	264,263	234,230

19. Financial commitments

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

	2020	2019
	£000s	£000s
Within one year	483	744
Between one and five years	725	1,170
	1,208	1,914

In respect of the premises and accommodation services, the Company paid base rent of approximately £15,124k in 2020 to BEIS (2019: £14,717k).

20. Other loans

	2020	2019
	£000s	£000s
Within one year	2,605	2,194
Between one and two years	2,698	2,272
Between two and five years	8,684	7,313
In over five years	16,658	14,027
	30,645	25,806
Less amounts due within one year	(2,605)	(2,194)
	28,040	23,612

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

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

NPL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 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 Group.

23. Capital commitments

The Company had capital commitments relating to scientific equipment of £6,310k at 31 December 2020 (2019: £3,735k).