NPL

Company Registration No.
02937881

NPL Management Ltd
Report and Financial Statements

31 December 2018

NPL MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Company Registration No: 02937881 (England and Wales)

NPL MANAGEMENT LIMITED

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NPL MANAGEMENT LIMITED

COMPANY INFORMATION

Directors	Sir D Grant (Non-Executive) Dr P A Thompson Dr P J A Howarth (Non-Executive) Prof. Sir J R McDonald (Non-Executive) Dr M R Sené Ms B Sutcliffe (Non-Executive) Professor G M Lu (Non- Executive) Mr N J Perry (Non- Executive) Ms P J Holt Dr S Hurst (Non-Executive)
Company Secretary	Andy Armstrong
Address	National Physical Laboratory Hampton Road Teddington Middlesex TW11 0LW
Banker	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP
Auditor	Deloitte LLP Statutory Auditor St Albans United Kingdom

NPL MANAGEMENT LIMITED

DIRECTORS' REPORT

Our vision is to deliver extraordinary impact from excellent science and engineering as an exemplary national laboratory and in 2018 we made great progress towards this.

We delivered impact across a wide range of industry sectors in 2018. We led an industrial engagement with major industries for the second National Quantum Technologies Programme and our Advanced Quantum Metrology Laboratory is now at an advanced stage, to provide world-leading facilities and capabilities to enable frontier research in the field. We continued to support businesses both small and large through the Analysis for Innovators (A4I) programme which generated 53 projects last year, helping companies like Adaptix develop an innovative new technology which could revolutionise medical imaging, and Precision Products UK to better understand their chrome plating process and make major efficiency improvements. Our Measurement Services grew by 12% in the last year and our NPL*Time*® service continued to grow and support more companies in the Finance sector. We reached a significant milestone in our quest to commercialise our diabetic foot ulcer device, with the formation of a subsidiary – Celsius Health Limited.

Our science achievements last year included our publication in *Science* describing laser-based techniques to develop an innovative method of detecting underwater earthquakes, using undersea communication cables. We launched our new Metrology for Medical Physics Centre (MEMPHYS) to support rapid acceleration for the development and implementation of innovative early diagnostic and therapeutic technologies. This new approach will see NPL focus on tackling some of the world's biggest health challenges, from supporting the diagnosis and treatment of diseases such as cancer and dementia, to drug efficacy evaluation. We continue to demonstrate leadership in a wide range of scientific fields, with the creation of eight new Visiting Professor positions, one new NPL Fellow, two Royal Society of Chemistry Awards, and a new Fellow of the Royal Academy of Engineering.

Of course, the highlight of 2018 came at the international General Conference on Weights and Measures in Versailles, Paris, in November when 60 countries voted unanimously to revise the International System of Units (SI), fixing fundamental constants such as the Planck and Boltzmann constant such that all SI units will now be defined in terms of constants that describe the natural world. Scientists working at NPL, over many decades, made pivotal scientific contributions as part of this worldwide collaboration, for example the late Bryan Kibble who developed the Watt balance, internationally recognised as a critical contribution to the revision, in fact the community has since renamed it the Kibble balance.

We continue to strive to be an exemplary National Laboratory. Our relationship with our strategic partners, the University of Strathclyde and the University of Surrey, has enabled the Postgraduate Institute (PGI) to grow to well over 200 students. And as a values-led organisation I am very proud that our increasingly diverse and international workforce continues to deliver impact that is global in nature and that is more important for us than ever. NPL is the first non-university to achieve the Institute of Physics' Juno Practitioner status and we signed up for four Daphne Jackson fellowships in 2018 to support and mentor female researchers back into their STEM careers after breaks. Our outreach activities take science and measurement out to the community; last year organising over 300 activities, training 215 staff as STEM ambassadors, and engaging with 73,228 people (we like to be precise) to promote STEM careers, and increase public engagement with science.

All of this means that we will continue to maximise the impact our work has on the UK economy and quality of life. This means seizing new opportunities and responding rapidly and effectively to our customers' needs, delivering our work efficiently and continuing to play a leading role in the international metrology community. We aim to further enhance our impact by taking the lead on national challenges where measurement has a key role to play; continuing to develop products and services that our customers can benefit from; and extending our presence across the UK to enable more companies to benefit from our expertise.

Details of future developments, financial risk management and employee involvement, can be found in the Strategic Report and form part of this report by cross-reference.

Directors

The current directors of the company are shown on page one. The changes in directors during the year and subsequent to year end are as follows:

	Appointed	**Resigned**
Ms P Holt	26 September 2018	
Dr S Hurst	12 November 2018	

Ms N Anson	6 April 2018
Mr P Hadley	12 November 2018

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:

D Grant

Sir David Grant
Chair

Dr Peter Thompson
Chief Executive Officer

NPL MANAGEMENT LIMITED

GOVERNANCE STATEMENT

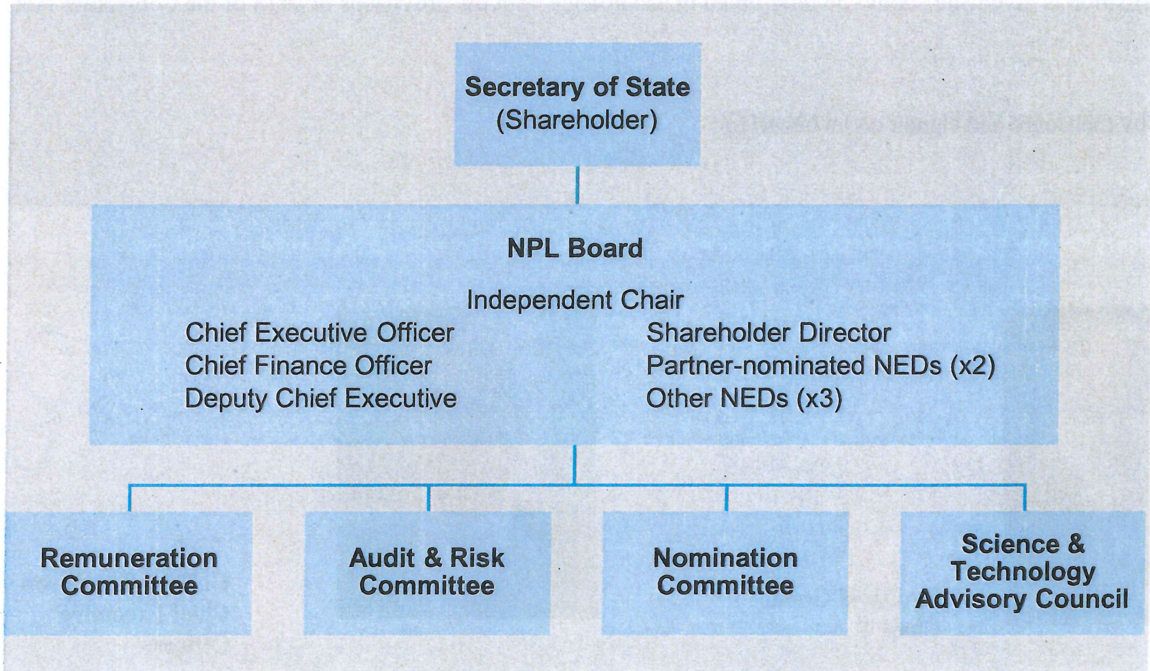
SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of NPL policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

THE PURPOSE OF THE GOVERNANCE STATEMENT

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

THE GOVERNANCE FRAMEWORK



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

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

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

Board attendance

2018 Board members	Feb	May	July	Sep	Nov	
Sir David Grant (Chair)	✓	✓	✓	✓	✓	5/5
Dr Peter Thompson	✓	✓	✓	✓	✓	5/5
Nicola Anson	✓					1/1
Penny Holt				✓	✓	2/2
Paul Hadley	✓	✓	✓	✓		4/4
Steph Hurst					✓	1/1
Dr Paul Howarth	✓	✓	✓	✓	✓	5/5
Prof G.Q. Max Lu	✓	✓	-	✓	-	3/5
Prof Sir Jim McDonald	✓	-	-	✓	✓	3/5
Nigel Perry	✓	✓	✓	✓	✓	5/5
Dr Martyn Sené	✓	✓	✓	✓	-	4/5
Brigid Sutcliffe	✓	✓	✓	✓	✓	5/5

Nicola Anson resigned on 6 April, and Paul Hadley resigned on 12 November. Penny Holt was appointed on 26 September and Steph Hurst was appointed on 12 November.

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

The Audit 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 plays a key role in the appointment process for Board members and for making recommendations to the Board.

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

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

BOARD EFFECTIVENESS & COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board's composition includes:

- three Executive Directors. This includes the Chief Executive Officer (CEO) the Deputy CEO and the Chief Finance Officer.
- each of the strategic partners. The University of Surrey (Prof G. Q. Max Lu) and University of Strathclyde (Sir Jim McDonald) were offered and have each taken up a seat on the Board to facilitate the delivery of the strategic alliance.
- an independent Chair (Sir David Grant)
- other Non-Executive Directors comprising a BEIS representative (Paul Hadley & Steph Hurst), Paul Howarth (the Chair of the STAC), Nigel Perry (the NED to challenge commercial activity) and Brigid Sutcliffe (the Chair of the Audit Committee).

The NPLML Board Chair led a board effectiveness survey in 2018 and several recommendations were made, including: agreeing reserved matters, improved governance around sub-committees, appointing a Senior Independent Director, and an extra board meeting to cover strategic planning. These were approved by the Board for implementation in 2019. The Audit Committee also undertakes an annual evaluation of its effectiveness and implements the recommendations arising from that evaluation process.

THE RISK AND INTERNAL CONTROL FRAMEWORK

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

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

TAX COMPLIANCE (ALEXANDER REVIEW)

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

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

GOVERNANCE RISKS IN 2018

The NPL Executive Team maintains a strategic risk register and reviews its risk landscape monthly at an Executive Governance meeting. This approach ensures strategic risk is identified, assessed and monitored.
The most significant risks in 2018 were:

Strategic Risk: Cyber Security - NPL is exposed to cyber security threats and sustains either physical, informational, financial or reputational damage.

NPL was subject to a malware attack in 2018 for which incident response was instigated. The incident was contained within 5 days and subsequent actions confirmed that all infected devices and PC/Laptops had been cleared and where safe to reconnect to the network.

As a result of this attack, NPL has accelerated its response to cyber-security threats, a robust action plan has been implemented in order to mitigate the risks including employing a full time Cyber Security specialist and implementing robust controls based on three pillars: people, processes and technology. This three-pronged approach will help NPL to defend itself from both organised attacks and common internal threats, such as accidental breaches and human error.

Strategic Risk: Serious Accident or Incident - A major Health, Safety or Environmental occurrence adversely affecting staff, neighbours, the general public or the local environs as a direct result of an unsafe act or omission by NPL

Building on crisis and emergency response teams started in 2017, NPL has continued to develop both the crisis management and site emergency response structures and training with the support of Eddistone Ltd, carrying out a number of individual role trainings as well as scenario sessions throughout 2018.

The success of the structure and process for the crisis and site emergency teams has led to a changing of the definition of the HSES strategic risk in September of 2018.

Reviewing audit findings, project delivery delays and a number of near misses has highlighted the lack of robustness in the way NPL holistically assess significant physical changes to equipment and real estate. One of the key deliverables of HSES, QA and CI teams for 2019 will be the implementation of a robust physical change process, driving fully landscaping potentially new assets and projects to changes to current asset changes, both science and estates.

Strategic Risk: Brexit - Uncertainty leads to economic and political disruption

We have taken a risk-based approach to the delivery of the EU Exit project, through a small team coordinating a wider project team across the business. A monthly report is provided to the executive NPL Governance committee outlining key messages, activities, red flags in line with EU exit being identified as strategic risk. In addition to this, we are using the Corporate Change governance under Transformation for deeper dives when required.

P. Thompson

Dr Peter Thompson
Accounting Officer

Date: 9 May 2019

NPL MANAGEMENT LIMITED

STRATEGIC REPORT

Principal activities and future prospects

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

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

Review of the year and future outlook

The directors consider the results for the year to be encouraging, particularly as the economic environment remained difficult in 2018. The directors remain confident that the Company will sustain its underlying level of performance by continuing to operate efficiently and growing revenue from sources other than its main contract with BEIS.

As shown in the Company's profit and loss account on page 17, for the year ended 31 December 2018 the Company's turnover increased by 7.3% to £95.7m (2017: increase of 1.0% to £89.2m). The Company made a loss before tax of £5.0m (2017: profit before tax of £1.4m). The decrease in profitability for the year ended 31 December 2018 was in part due to planned investments in various transformation programmes, including the commencement of a project to introduce a new ERP system, as well as due to a decision to accelerate recruitment to support future revenue growth in 2019 and beyond. As a result, turnover per employee for the year ended 31 December 2018 declined to £104k (2017: £116k).

As shown in the Company's balance sheet on page 20, net assets decreased to £79.0m at 31 December 2018 (2017: £84.9m), as a result of the operating loss during the year.

An important measure of the Company's health is utilisation of our staff on turnover generating services. During the year this was 76.3% (2017: 75.7%) of scientists' bookable time.

Maintaining a high level of customer satisfaction is important for the Company's success, especially within our Measurement Services business. The aggregate measure for customer satisfaction for the year to 31 December 2018 amounted to 89.6% compared with 87.6% for the year ended 31 December 2017.

Events after the balance sheet date

There have not been any significant events since the balance sheet date.

Dividends

No dividends have been paid or declared in the year. The directors do not recommend a final dividend (2017: £nil).

Financial risk management

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

The Company receives the majority of its revenue from UK Government departments and so is not exposed to significant credit risk. The Company transferred to BEIS on 1 January 2015, and BEIS assumes full ownership for the long term. The 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.

Environment

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

Employee involvement

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

All communication channels are intended to be two-way, with feedback from employees being strongly encouraged by a leadership team who value their views and ideas.

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.

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

Maintaining regular two-way communication with employees in 2018 was critical as NPL continued its transformation programme, designed to enable NPL to deliver greater impact from science. A key focus in 2018 has been involving the wider leadership team in the shaping of the change programme as it evolves so that we continue to build good understanding among the workforce as to the role each plays in achieving our 5 year plan and the key performance targets which NPL has set.

We have also implemented an appropriate governance framework (using the well-established Managing Successful Programmes approach) to ensure appropriate monitoring, management and coordination of the programme.

NPL remains committed to celebrating the success of employees through its values award scheme and some 137 employees were rewarded during 2018 for demonstrating outstanding behaviours and achievements.

Culture and working environment

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

We offer flexible working to all our employees including part time working which enables our employees to balance successful careers with outside commitments.

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

Diversity and Inclusion

We are a proud employer of a diverse and inclusive workforce, offering support to all, through an increasing range of diversity and inclusion activities, such as our diversity and inclusion task force, who are individuals who bring together people from across the organisation to promote employee diversity and inclusivity. There are several interest groups including: LGBT+; Mental Health; Faith & Religion; Dyslexia & Neurodiversity; Age; Ethnicity; and Disability. The task force shares best practice, reports on progress and benchmarks diversity performance, with the support of bodies such as the Association for Innovation, Research and Technology Organisations (AIRTO), the Institute of Physics (Project Juno) and Stonewall. NPL joined Stonewall as a Diversity champion in 2015, participating in their annual Workplace Equality Index for the equality of LGBT+ community at NPL, and have made considerable progress since taking part. We also took part in the MIND wellbeing Index in 2018, to benchmark and robustly assess where the gaps lie between NPL's approach to workplace wellbeing and staff perceptions. The index will help us find out where we are doing well and where we could improve our approach to mental health in the workplace.

We appointed a Diversity and Inclusion Manager in May 2018 to bring together and build upon existing projects and networks, and to create a brand-new Diversity and Inclusion strategy at NPL.

In 2018, NPL became a member of the business disability forum, who provide pragmatic support by sharing expertise, advice and providing training, best practice and networking opportunities. NPL also signed up to the disability confident scheme level 1 committed employer to support a positive change through inclusive and accessible recruitment practices and supporting our existing employees.

In 2018, NPL designed and launched a new Diversity and Inclusion e-learning module for all staff. 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.

In 2018, we rolled out new recruitment training to build on the other existing initiatives that focus on unconscious bias. Our 'Select the Best' training supports a clear understanding, as well as the necessary skills and experience, to identify the very best candidates through NPL's values, as well as an objective, consistent, ethical and legal selection process. NPL has introduced a new Applicant Tracking System, which supports all of our ongoing initiatives and enables us to capture voluntarily-given anonymised diversity information. This enables us to monitor our progress and understand where the gaps may be.

Our Values in Action (expected values-based behaviours required in our organisation) have been embedded across our people processes – including recruitment, performance management, recognition and promotion – and we will continue to reinforce our values as central to everything we do.

We continue to invest in our talent at NPL. Some of this investment has been specifically targeted to support our STEM agenda with the following initiatives in 2018:

- A programme of external coaching for female scientists, at Senior Research Scientist and Principal Research Scientist level, with the purpose of supporting their continued professional and career development into our most senior roles.

- The Springboard Women's Development Programme, which focuses on personal and career development. The workshops attracted a record number of delegates for NPL and received fantastic feedback. The participants reported that they experienced a strong cohort experience which enabled them to expand their networks across NPL.

- Unconscious bias training for line managers

- NPL launched its Career Pathways to enable everyone across the organisation to plan and enrich their careers. These make information about career options transparent to all and highlight many of the opportunities available. In addition, they contain case studies of several women across NPL who have successfully navigated their careers and currently work at all levels of the organisation, including the most senior roles.

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

NPL remains an active member and supporter of the Institute of Physics' Project Juno. Project Juno was set up to tackle the under-representation of women in physics. We will continue to understand and improve the working culture at NPL and would like to progress to the next level of Juno Champion by focusing on career progression and flexible working.

Our Apprenticeship programme continues to flourish across the entire organisation, in addition to inspiring our future scientists and engineers. The gender split of Apprentice recruits to date is 44% females and 56% males, and we have sponsored five female Apprentices for further education in STEM subjects.

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. Three fellowships started in 2018, two of the fellowships are female.

NPL's Outreach programme has been running for 11 years and delivers an exciting programme of activity which supports the STEM agenda. It is a critical platform for connecting with potential talent from diverse backgrounds and experiences. Its focus on children and young adults provides an opportunity for NPL to engage with females early in their education and to inspire their continued interest in STEM subjects. In 2018, NPL's Outreach programme saw interactions with approximately 51,000 students, 7,000 teachers and 15,000 members of the public. We have recruited and trained 215+ staff as Science Ambassadors to specialise in and advocate our outreach activities. We also encourage and support our staff to work in the community, and undertake science public engagement.

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Dr P Thompson

Director

Date: 9 May 2019

NPL MANAGEMENT LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of NPL Management Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for our 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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following maters 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.

We have nothing to report in respect of these matters.

Use of our report

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

Jonathan Gooding

Jonathan Gooding FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
St Albans, United Kingdom
14 MAY 2019

NPL MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £000s	2017 £000s
Turnover	3	95,723	89,187
Cost of sales		(69,472)	(58,287)
Gross Profit		**26,251**	**30,900**
Administrative expenses		(31,731)	(29,762)
Operating (loss) profit		**(5,480)**	**1,138**
Interest receivable and similar income	6	1,097	698
Interest payable and similar charges	7	(655)	(393)
(Loss) profit before taxation	5	**(5,038)**	**1,443**
Tax on (loss) profit	8	(225)	(277)
(Loss) profit for the year		**(5,263)**	**1,166**

All activities are derived from continuing operations.

NPL MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £000s	2017 £000s
(Loss) profit for the financial year		(5,263)	1,166
Other comprehensive income			
Pension scheme actuarial (losses) gains	16	(866)	6,435
		(866)	6,435
Tax on other comprehensive income – deferred tax	8	147	(1,044)
Other comprehensive (loss) profit net of taxation		(719)	5,391
Total comprehensive (loss) profit for the year		**(5,982)**	**6,557**

NPL MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £000	Share premium reserve £000	Retired benefit obligation reserve £000	Profit and loss account £000	Total £000
Balance at 1 January 2017	-	**59,000**	**(11,749)**	**(5,845)**	**41,406**
Profit for the year	-	-	-	1,166	1,166
Actuarial gain on pension employment scheme (Note 16)	-	-	6,435	-	6,435
Tax charge on net actuarial gains (Note 8)	-	-	(1,044)	-	(1,044)
Total comprehensive income	-	-	5,391	1,166	6,557
Issue of share capital	-	37,000	-	-	37,000
Balance at 31 December 2017	-	**96,000**	**(6,358)**	**(4,679)**	**84,963**
Loss for the year	-	-	-	(5,263)	(5,263)
Actuarial loss on pension employment scheme (Note 16)	-	-	(866)	-	(866)
Tax charge on net actuarial gains (Note 8)	-	-	147	-	147
Total comprehensive loss	-	-	(719)	(5,263)	(5,982)
Balance at 31 December 2018	-	96,000	(7,077)	(9,942)	78,981

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 2018

	Notes	2018 £000s	2017 £000s
Non-current assets			
Tangible assets	9	43,463	39,309
Deferred tax	10	8,648	7,713
Retirement benefit asset	16	40,711	40,734
Current assets			
Debtors: amounts falling due within one year	11	27,576	27,705
Cash at bank and in hand		16,742	13,247
Creditors: amounts falling due within one year	12,13	(38,773)	(30,316)
Net current assets		**5,545**	**10,636**
Total assets less current liabilities		**98,367**	**98,392**
Creditors: amounts falling due after more than one year			
Loans due after more than one year	18	(19,386)	(13,429)
Net assets		**78,981**	**84,963**
Capital and reserves			
Share capital	14	-	-
Share premium reserve	15	96,000	96,000
Retirement benefit obligation reserve		(7,077)	(6,358)
Profit and loss account		(9,942)	(4,679)
Shareholders' funds		**78,981**	**84,963**

The financial statements of NPL Management Limited (company number 02937881) were approved by the Board of Directors and authorised for issue on 9 May 2019. 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 2018

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 19. 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. The Company is also a qualifying entity for the disclosure exemptions relating to the requirements of Section 11 Paragraphs 11.39 to 11.48A as the equivalent disclosures required by the FRS are included in the consolidated financial statements of the Group in which the Company is consolidated.

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

b. Going Concern

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

The Company's revenues are 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. Risk is therefore limited. The Company recognises the uncertainties posed by the UK's future exit from the European Union and continues to update its risk assessment on an ongoing basis. The risks of continued access to EU funded grants has, however, been mitigated by the government's announcement that it will guarantee the funding for EU projects entered into before the UK leaves the EU.

The directors note that on 1 January 2015 ownership of the Company and assets transferred to the government. The Sectary of State announced the government's intention that NPL will continue to perform services for BEIS regardless of this change in ownership. We note also that the Company remains at the heart of the UK Measurement Strategy. The directors also have a good level of visibility of contracted levels of revenue. In addition, BEIS made an additional £37m investment in NPL in March 2017, following an investment of £59m in March 2016. The pension deficit has now been eliminated, it is an asset of £40.7m at the end of 2018. 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.

The directors considered the following uncertainties in arriving at their conclusions on going concern. Firstly, with effect from 1 January 2015 there has been no requirement for BEIS to provide a minimum commitment to the Company to contract future NMS activity. However, since the Company was transferred into BEIS ownership on 1 January 2015 and remains the UK's National Measurement Institute, significant work continues to be contracted for 2018-19, and a new 5 year business plan has been agreed. In addition, BEIS have signed a contract with a strategic partnership to maintain the Company as a going concern and appropriately capitalised. Secondly, the directors considered cash flow for the twelve months following approval of these financial statements. The cash flow forecast and latest management accounts give confidence that the company can pay its debts as they fall due. An independent review of the Company covenant carried out as part of the triennial revaluation of the defined benefit pension scheme in 2016 concluded that this covenant had strengthened.

1. Accounting policies (continued)

c. Turnover

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.

d. 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.

e. Research and development

Research and development is carried out by the Company under contracts with BEIS. Accordingly, research expenditure and development expenditure are expensed as incurred and included in cost of sales.

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.

1. Accounting policies (continued)

g. Taxation (continued)

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

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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

h. Leasing

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

i. Financial assets

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

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

Loans and receivables

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

De-recognition of financial assets

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

j. Financial liabilities

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

1. Accounting policies (continued)

j. Financial liabilities (continued)

Other financial liabilities

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

De-recognition of financial liabilities

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

Equity instruments

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

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.

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 8)
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 2018, and the growth in its orderbook and sales funnel.

Timing of revenue recognition (note 3)
NPL is required to make an assessment about the timing and quantum of revenue recognised. NPL's revenue recognition policy requires forecasts to be made about the outcomes of its long-term contracts, including requiring judgements to be made on the cost forecasts of delivering those contracts. Further, for contracts which span the balance sheet date, consideration is required concerning the stage of completion of that contract.

Recognition of pension scheme asset (note 16)
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.

3. Turnover

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

	2018 £000s	2017 £000s
National Measurement System	56,113	54,859
Non National Measurement System	39,610	34,328
Total	**95,723**	**89,187**

All turnover arose in the United Kingdom (2017: all turnover arose in the United Kingdom).

4. Information regarding directors and employees

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

	2018 No.	2017 No.
Average number of full-time equivalent employees during the year		
Technical staff	672	579
Administration	245	190
	917	**769**

Their aggregate remuneration comprised:

	2018 £000s	2017 £000s
Wages and salaries	36,133	30,174
Social security costs	3,925	3,299
Other pension costs	7,183	6,354
	47,241	**39,827**

Directors' remuneration

	2018 £000s	2017 £000s
Directors' emoluments		
Emoluments (excluding pension contribution)	523	509
Pension contributions	55	80
	578	**589**

	2018 £000s	2017 £000s
Highest paid director's remuneration		
Aggregate of emoluments	193	188
Pension contributions	14	14
	207	**202**

	2018 No.	2017 No.
Number of directors who:		
Are members of a defined benefit pension scheme	-	-
Are members of a money purchase scheme	5	5

5. (Loss) profit before taxation

(Loss) profit before taxation is stated after charging:

	2018 £000s	2017 £000s
Depreciation of tangible assets	6,487	4,944
Operating lease rentals		
-Plant and machinery	61	64
Rental costs	14,236	13,766
Loss on disposal of property, plant and equipment	40	48
Research and development expense	36,273	31,859

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

	2018 £000s	2017 £000s
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	56	45
Fees payable to the Company's auditor for other services	-	3
Total fees	**56**	**48**

6. Interest receivable and similar income

	2018 £000s	2017 £000s
Bank interest receivable	6	2
Interest on defined benefit pension scheme	1,091	696
	1,097	**698**

7. Interest payable and similar charges

	2018 £000s	2017 £000s
Bank loan interest	655	393

8. Taxation

The tax charge comprises:

	2018 £000s	2017 £000s
Analysis of tax charge for the period		
Current tax		
UK corporation tax at 19% (2017: 19.25%	-	-
Total current tax charge	-	-
Deferred tax		
Origination and reversal of timing differences	272	226
Adjustment in respect of prior periods	(47)	51
Total deferred tax charge (credit)	**225**	**277**
Tax on (loss) profit	**225**	**277**

	2018 £000s	2017 £000s
Tax relating to other comprehensive income		
Current tax		
UK corporation tax at 19% (2017: 19.25%)	-	-
Deferred tax		
Origination and reversal of timing differences	(147)	1,044
Tax relating to other comprehensive income	**(147)**	**1,044**

8. Taxation (continued)

The tax charge recognised for the year ended 31 December 2018 is lower than the United Kingdom corporation tax rate of 19% (2017: 19.25%). The reasons for this are set out below.

	2018 £000s	2017 £000s
Reconciliation of tax charge		
(Loss) profit before tax	(5,038)	1,443
Tax on (loss) profit at standard corporation tax rate of 19% (2017: 19.25%)	(957)	278
Effects of:		
Expenses not deductible for tax purposes	58	28
Other differences	-	14
R&D expenditure credits	-	64
RDEC credit	-	(128)
Amounts relating to other comprehensive income	(165)	1,239
Deferred tax posted directly	147	(1,044)
Deferred tax not recognised	1,077	-
Adjustments to tax charge in respect of previous periods – deferred tax	(47)	-
Adjust opening and closing tax rates	112	(174)
Tax charge for the year	**225**	**277**

The standard rate of tax applied to reported (loss) profit is 19% (2017: 19.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016.

9. Tangible assets

	Technical equipment £000	Furniture & fittings £000	Office equipment £000	Total £000s
Cost				
At 1 January 2018	58,390	129	4,770	63,289
Additions	9,983	-	734	10,717
Transfers	193	-	(193)	-
Disposals	(354)	-	-	(354)
At 31 December 2018	68,212	129	5,311	73,652
Depreciation				
At 1 January 2018	19,484	129	4,367	23,980
Charge for the year	6,123	-	400	6,523
Disposals	(314)	-	-	(314)
At 31 December 2018	25,293	129	4,767	30,189
Net book value				
At 31 December 2018	42,919	-	544	43,463
At 31 December 2017	38,906	-	403	39,309

10. Deferred tax asset

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

	2018 £000s	2017 £000s
Recognition of deferred tax		
Accelerated capital allowances	3,953	2,843
Short term timing differences	(5,517)	(4,289)
Tax losses carried forward and other deductions	7,435	7,395
Other	2,777	2,152
Total deferred tax asset	**8,648**	**8,101**
Movement in deferred tax asset:		
Asset at 1 January	8,101	8,752
Deferred tax charge in the Profit and Loss Account for the year	(225)	(277)
Deferred tax credit/(charge) in the Statement of Comprehensive Income	147	(1,044)
Deferred tax on RDEC tax asset	625	670
Deferred tax asset at 31 December	**8,648**	**8,101**

10. Deferred tax asset *(continued)*

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

	2018 £000s	2017 £000s
Within one year	-	388
More than one year	8,648	7,713
	8,648	**8,101**

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

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 17% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 17%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

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

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 2018, and the growth in its order book and sales funnel.

There are £1,077k unrecognised deferred tax assets at 31 December 2018 (2017: none).

11. Debtors

	2018 £000s	2017 £000s
Amounts falling due within one year		
Trade debtors	12,471	11,329
Amounts recoverable on contracts	5,939	7,254
Other debtors	433	104
Prepayments	3,616	3,105
RDEC tax asset	5,117	5,525
Deferred tax asset (see note 10)	-	388
	27,576	**27,705**

12. Creditors: amounts falling due within one year

	2018 £000s	2017 £000s
Bank loans (see note 18)	1,801	1,541
Trade creditors	5,333	7,106
Other creditors	10,925	7,943
Accruals	6,113	5,376
Contract deferred income	12,134	7,482
Other taxes and social security	1,507	868
Provisions for liabilities (see note 13)	960	-
	38,773	**30,316**

Within deferred income is £9,141k (2017: £6,421k) of grant income from BEIS to fund the purchase of some capital equipment. There are no unfulfilled conditions and contingencies attached to this grant income.

13. Provisions for liabilities

The other provisions balance is made up as follows:

	2018 £000s	2017 £000s
Opening balance	-	119
Increase in provisions	960	-
Provisions released	-	(119)
Closing balance	960	-

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

14. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
57 Ordinary shares of £1 each	57	57

15. Share premium reserve

	Share premium £'000
Balance at 1 January 2018 and 31 December 2018	96,000

16. Employee benefits

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 a their Normal Retirement Age of 60. No other post-retirement benefits are provided. The Scheme is a funded scheme.

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

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2017 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	
	2018	2017
Key assumptions used:		
Discount rate	2.9%	2.6%
Rate of salary increases	3.2%	3.3%
Rate of increase in pensions in payment	2.3%	2.4%
Rate of increase in deferred pensions	3.2%	3.3%
Inflation (RPI)	3.2%	3.3%

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

	Valuation at	
	2018 years	2017 years
Retiring today:		
Males	28.9	28.8
Females	31.1	30.9
Retiring in 15 years:		
Males	30.3	30.2
Females	32.6	32.5

16. Employee benefits (continued)

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

	2018 £	2017 £
Current service cost	2,650	2,650
Net interest gain	(1,091)	(696)
Plan introductions, changes, curtailments and settlements	245	369
	1,804	2,323

Recognised in other comprehensive income		
Total cost (income) relating to defined benefit scheme	866	(6,435)

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

	2018 £	2017 £
At 1 January	216,649	169,775
Interest income	5,632	5,341
Return on plan assets (excluding amounts included in net interest cost)	(11,257)	4,115
Contributions from the employer	2,647	40,001
Contributions from scheme participants	43	46
Benefits paid	(2,500)	(2,260)
Admin expenses paid from plan assets	(245)	(369)
At 31 December	210,969	216,649

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

	2018 £	2017 £
At 1 January	175,915	173,154
Service cost	2,650	2,650
Interest expense	4,541	4,645
Benefits paid	(2,500)	(2,260)
Settlement payments from employer	43	46
Effect of change in assumptions	(10,391)	(2,320)
At 31 December	170,258	175,915

Net asset recognised in the balance sheet	**40,711**	**40,734**

16. Employee benefits (continued)

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

	Fair value of assets	
	2018	2017
	£	£
Cash and cash equivalents	170	625
Equity instruments	21,135	24,248
Debt instruments	174,583	163,208
Real Estate	4,278	4,025
Other assets	10,803	24,543
	210,969	**216,649**

17. Financial commitments

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

	2018 £000s	2017 £000s
Within one year	31	63
Between one and five years	734	17
	765	80

In respect of the premises and accommodation services, the Company paid base rent of approximately £14,200k in 2018 to BEIS (2017: £13,766k).

18. Bank loans

	2018 £000s	2017 £000s
Within one year	1,801	1,541
Between one and two years	1,865	1,328
Between two and five years	6,004	4,273
In over five years	11,517	7,828
	21,187	**14,970**

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 over a 10 year term. The rate of interest is fixed at 3.5%.

19. 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

20. 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.

The total remuneration for key management personnel for the year totalled £578k (2017: £589k), being remuneration disclosed in note 4.