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Jeff Llewellyn  
Chief Executive

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## Annual Report and Accounts 2005-2006

National Weights and Measures Laboratory

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## Introduction by the Chief Executive

**Welcome to NWML's 'new format' Annual Report and Accounts, which includes, for the first time, a Management Commentary. I have set out below what, for me, have been the highlights of a demanding year and the future challenges we face.**

I am delighted to report that the past year has been an excellent one for the Laboratory. We have attained eleven out of our twelve Ministerial targets for the year and have generated a surplus of £193,000, which is £191,000 ahead of our Business Plan target. We achieved 98% of our legal metrology programme milestones – the highest percentage ever, and 97% of our customers were either satisfied or very satisfied with our service. We have successfully taken on the new function of enforcement of the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) Regulations and have established ourselves as respected regulators in this area. And we have done all this with fewer staff. The Management Commentary section of this Report presents our performance in more detail.

Since April 2005, after the review of NWML carried out by Alison Brimelow, we have been following the new course set – concentrating on 'organic growth' of our core business. We have thus seen significant growth coming from the new work on RoHS and an increase in our Training and Consultancy business. During the year savings of nearly £250,000 were made through cost reductions and greater operational efficiency.

On 13 March 2006 I was very pleased to sign a Memorandum of Understanding with Ofgem to transfer responsibility for regulation of gas and electricity meters to NWML with effect from 1 April 2006. This will bring greater coherence to legal metrology in the UK, particularly after implementation of the Measuring Instruments Directive (MID), and will provide a single point of reference for industry. Adrian Rudd joined NWML, from Ofgem, on 1 April 2006 as Director of our new Utilities Directorate, and will have responsibility for the work on gas and electricity meters.

NWML's top priority this year has been the implementation of the MID. We issued a consultation document on the draft implementing Regulations in August 2005 and have been working since then to finalise the Regulations. We are confident that the Directive will be fully implemented in the UK no later than the commencement date set by the European Commission, which is 30 October 2006.

Throughout the year NWML has continued to be an active player in global legal metrology through the International Organisation of Legal Metrology (OIML) and within Europe through the European Co-operation in Legal Metrology (WELMEC).

Within the UK, as in previous years, we have enjoyed an excellent partnership with LACORS, the Trading Standards Institute and many local authority trading standards departments. We have made a considerable contribution to the Government's 'Better Regulation' agenda. The Laboratory's Legislation Team made a major input to the development of DTI's Regulation Simplification Plan, which is designed to reduce the regulatory burden on industry. To date, some twenty-four Weights and Measures Statutory Instruments have been identified as candidates for simplification or removal. 'Better Regulation' will continue to be a central theme of our work for the coming year.

Our success has been achieved at a time of considerable change and uncertainty for the laboratory. At the outset of the year, work began on the implementation of the Hampton Report recommendation that NWML should form part of a new Consumer and Trading Standards Agency (CTSA). In December the Chancellor announced in his pre-budget Report his decision not to establish the CTSA. NWML will instead be integrated into a strengthened and refocused OFT.

On 28 February 2006 the Permanent Secretary announced the establishment, from 1 April 2006, of the new Office of Science and Innovation (OSI), created by the merger of the former Innovation Group with the Office of Science and Technology. NWML will therefore be part of OSI until its merger with OFT is completed. Wherever we may be located organisationally, however, our

priority will continue to be to improve our standard of service to customers and stakeholders and to deliver our mission of championing innovation and excellence through fair, accurate and legal measurement. Our work will continue in support of DTI's stated purpose to create the conditions for business success and help the UK respond to the challenge of globalisation.

Finally I would like to pay tribute to NWML's staff for their outstanding performance throughout what has been a very unsettled year.

Dr Jeff Llewellyn

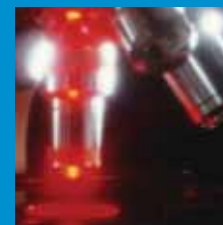
Date: 29 June 2006

Chief Executive and Accounting Officer

"Throughout the year NWML has continued to be an active player in global legal metrology".

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# Directors' Report



## NWML's Mission

**NWML champions innovation and excellence through fair, accurate and legal measurement.**

## NWML's Vision

**NWML will provide a strong focus for weights and measures regulation in the UK and will retain its authority and status as a national and international centre of excellence for legal metrology within the organisation created by the merger with OFT.**

## History and statutory background

NWML has been an Executive Agency of the Department of Trade and Industry since April 1989 and a net running cost Agency since April 1996. NWML currently reports into DTI's Office of Science and Innovation.

NWML is responsible for ensuring measurement in the UK is fair, accurate and legal, a role which has an important economic impact. The majority of NWML's work arises from the Agency's statutory responsibilities, and the Secretary of State is accountable to Parliament on all matters relating to NWML.

## Principal activities

Weights and measures transactions make a valuable contribution to the UK economy - well in excess of £100bn of goods are sold by measure each year in the retail sector alone. Consumers rely on the confidence of a system of correct weights and measures. Similarly, businesses need to know that they are trading in a fair marketplace.

## NWML ensures fair, accurate and legal measurement by the following principal activities:

- Preparing weighing and measuring legislation under the UK Weights & Measures Act and EEC Act 1972 to protect the consumer and competitiveness of the marketplace
- Representing the UK in the European Community and in the International Organisation for Legal Metrology and developing recommendations and agreements that help companies trade to common standards across borders

- Maintaining traceability in trade measurement via mass, length and volume standards and using them to verify local authority standards on a five year cycle
- Achieving conformity of weighing and measuring instruments in use for trade to directives and standards by providing a type approval service.

## NWML's work formally contributes to two of the Department of Trade and Industry Business plan objectives:

Objective 2: Promote effective transfer of knowledge to improve UK innovation performance and accelerate business exploitation of science and new and existing technologies.

Objective 3: Extend competitive markets by developing free and fair markets across Europe and throughout the world, and by placing empowered and protected consumers at the heart of an effective competition regime.

(Source:- DTI Business Plan 2005-2008 Our route to prosperity for all.)

NWML is one of the measurement institutes belonging to DTI's National Measurement System (NMS) which delivers world class measurement science and technology.

The NMS supports innovation in industry generally, by enabling the benefits of new products and processes to be measured, and specifically, by stimulating new product development in the instrument sector.

NWML has carried out a succession of three year programmes under written agreement for the NMS, and 2005-06 was the first year of the current two year programme. This programme accounts for 75% of NWML's income.

NWML also realises income from the range of weighing and measuring related services that we offer:

### Type approval

A service to manufacturers of weighing and measuring equipment, ensuring that a weighing or measuring instrument is suitable for use for trade or complies with requirements in a Directive or Act.

### Calibration

A service to manufacturers, local authorities and anyone requiring to prove the accuracy of their standards by means of a process of determining the

error associated with a reference standard and uncertainty.

## Training

Teaching in a range of metrology related subjects, explaining the concepts and practicalities of the science of measurement, and associated legislation.

## ISO 9001 certification

Certification of management systems to the international standard ISO 9001-2000, so that manufacturers can demonstrate robust management systems and can be used by manufacturers to gain legal approvals.

## Self verification

National verification conducted by a manufacturer, installer or repairer who has been granted an approval by the Secretary of State to undertake such activities (subject to the requirements and conditions of the approval). NWML grants approvals on behalf of the Secretary of State.

You can read the highlights of the year and future plans for these services on pages 9-15.

## Basis of Accounts and Audit Arrangements

The accounts cover the activities of the National Weights and Measures Laboratory for the year ended 31 March 2006. They have been prepared in accordance with the direction given by the Treasury in pursuance of Section 7 of the Government Resources and Accounts Act 2000. They have been audited by the Comptroller and Auditor General.

## Auditors

The Comptroller and Auditor General has been appointed under statute to perform the statutory audit and report to Parliament. A notional charge of £18,500 has been made in the 2005/06 accounts in respect of this. In addition audits were made during 2005/06 by DTI's internal audit. A charge to cover all internal audit services of £11,600 was made and is included in the DTI overheads.

## Disclosure of relevant audit information by Directors

As far as we are aware, there is no relevant audit information of which NWML's auditors are unaware, and we have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that NWML's auditors are aware of that information.

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## Directors' Report (continued)

### Management

The Executive Team performs the senior management of NWML. Its function is to produce a long-term business strategy for the laboratory, with the objective of ensuring a successful business, which meets the requirements and needs of all the laboratory's stakeholders.

The Executive Team comprises the following personnel:

Dr Jeff Llewellyn, Chief Executive

Mike Koch, Director Special Projects (Director, Strategic Development to 23 October 2005)

Iain MacGregor, Director, Finance and Resources

Martin Birdseye, Director, Regulation

Richard Sanders, Director, Services

Niall Boyle, Director, Communications (appointed 24 October 2005)

### Steering Board 2005/06

The Board's key responsibilities are to consider the Agency's strategic forward look; its strategic priorities, high level objectives and targets; and its new ways of working.

#### Chair

Miss Alison Brimelow CBE

#### Members

Mrs Margaret Carmichael, Consultant (until 2 May 2005)

Mr Peter Douglas, Chief Executive of Regents College

Mr Roger Quince, Managing Director, Granat Park (until 27 June 2005)

Mr Peter Mason, Finance and Resource Management Directorate, DTI

Ms Sharon Coe, Consumer and Competition Directorate 5, DTI

Ms Rolande Anderson, Deputy Director General, Innovation Group, DTI (until 21 December 2005)

Mr R Burrows (from 1 October 2005)

Dr Jeff Llewellyn, Chief Executive and Director, NWML

### Audit Committee

The Audit Committee is an advisory body to the NWML Steering Board with no executive powers. Its main functions are to ensure propriety and accountability of public funds through improving and promoting financial reporting and discipline. Meetings are generally held 3 times a year.

The committee members are:

Mr Peter Douglas, Chief Executive of Regents College (Chair)

Mr Roger Quince, Managing Director, Granat Park (until 27 June 2005)

Mr R Burrows (from 1 October 2005)

Dr Jeff Llewellyn, Chief Executive and Director, NWML

### Staffing and recruitment at NWML

NWML involves all members of staff in the delivery of the objectives set out in the Corporate Plan. The main channels of internal communication include feedback from the Executive Team meetings, office circulars, a staff newsletter and all staff meetings. Staff are helped to realise their potential through training. NWML have been awarded the Investors in People award as recognition of its commitment to staff.

NWML is fully committed to providing equal opportunity for all staff. NWML follows Civil Service guidelines providing that all eligible people must have equality of opportunity for employment and advancement on the basis of their suitability for the work. There is no discrimination on the basis of age, disability, gender, marital status, sexual orientation, race, colour, nationality, ethnic or national origin or religion. NWML has formed an equal opportunities working group to support new initiatives in this area.

An average of forty-seven staff were employed by NWML during 2005-06, down from forty-nine during 2004-05. NWML ensures that recruitment is carried out on the basis of fair and open competition and that selection is on merit in accordance with the Civil Service Commissioners' (CSC) Recruitment Code. Recruitment systems are subject to regular internal audit. Vacancies are advertised in local/national press, websites, job centres and internally.

There were two successful external recruitment exercises during 2005-06:

- Part-time Receptionist/Administrator **Range 2** (female)

- Part-time Administrator **Range 2** (female). (0 ethnic minority, 0 disabled persons).

During 2005-06 there was one exception to the CSC rules.

NWML has identified a need to plan for future staffing requirements, as up to sixteen staff could potentially retire in the next three years. Following an audit of skills a staffing strategy is currently being produced that addresses both the possible reduction in staff and the need to maintain expertise and experience. In parallel with this a Knowledge Management project is under way to identify how the experience and expertise of staff can be captured before they leave.

### Pension Liabilities

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover present and past employees. The costs of contributions for currently employed staff are charged through the Income and Expenditure Account. There is no liability for future benefits; this is a charge to the PCSPS.

### Creditors payment, policy and performance

NWML settles its own accounts with payments made every two weeks: 97% of invoices were paid within 30 days of receipt of invoice. Invoices were settled within an average of 9 days.

In November 1998, the Late Payment of Commercial Debts (Interest) Act came into force, providing small businesses with a statutory right to claim interest from large businesses (and all public sector bodies) on payments that are more than 30 days overdue. Amended legislation (the Late Payment of Commercial Debts Regulations 2002) came into force on 7 August 2002 providing all businesses, irrespective of size, with the right to claim statutory interest for the late payment of commercial debts. No interest has been paid to trade creditors under this Act during 2005/06.

### Future Developments

NWML will continue to operate on a net running cost Agency basis under the Science and Innovation Group of DTI, until final decisions are made regarding how NWML will be integrated within the OFT. NWML will continue to provide a strong focus for weights and measures regulation in the UK and will retain its authority and status as a national and international centre of excellence for legal metrology within the organisation created by the merger with OFT.

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# Organisational Structure



## NWML organisation chart

(from 1 April 2005)



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# Highlights of the Year

As the Chief Executive mentioned on page 5, 2005-06 was a very successful year for NWML. The following 2 pages give details of some projects that we consider to be particular highlights. These exclude the notable achievements of the business teams, as they are addressed separately on pages 11-15.

## Knowledge Transfer

One of the themes of NWML's DTI legal metrology programme is knowledge transfer, and NWML's communications team carries out a range of activities under this heading. It affords UK industry and other stakeholders direct access to the technological and regulatory expertise developed in other areas of the work programme. During 2005-06, two key mechanisms for communicating with stakeholders were updated and improved: the website, and the enquiry line.

### The NWML website: [www.nwml.gov.uk](http://www.nwml.gov.uk)

The NWML website was given a cleaner, more modern look and feel in September 2005. The site still contains the wealth of weights and measures information as before, but the structure and navigation of the site have been simplified, and the search facility has been improved. Some features include:

- Dedicated search facility in the legislation section, making it possible to find legislation material by document type and by subject (includes regulations, consultation documents, notes for guidance, regulatory impact assessments, reports, etc)
- A new online booking facility for training courses which is proving to be a popular tool for our web users
- FAQ section which is compiled from the questions stakeholders ask NWML on a daily basis, and is updated to reflect developments in legal metrology.

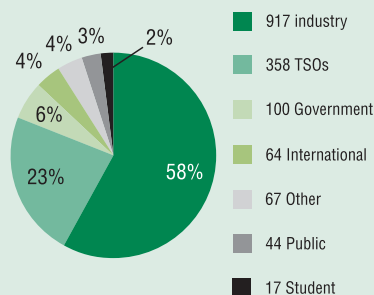
Verbal feedback suggests that stakeholders much prefer this new, simplified site. The new website is underpinned by a content management system which is managed in house by the communications team, making it quicker and more efficient to update.

## New Enquiry Line System

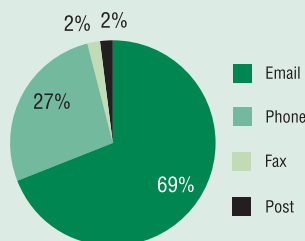
NWML receives many enquiries each month, and over the last 18 months we have introduced an enquiry line system to enable us to deal with all enquiries in a more efficient manner.

The new system logs all enquiries, their responses, the time taken to answer each enquiry and the member of staff who responded.

A reporting facility in the system allows us to report on the enquiries NWML receives. During 2005, NWML received a total of 1567 enquiries, which can be broken down as follows:



The average time taken to answer enquiries was 53 minutes. The pie chart below shows the way in which the enquiries were received.



## Comparing the enquiries logged in 2005 to those in 2004 when NWML was using a more cumbersome paper based system, indicates there has been a 37% reduction in the time spent answering enquiries, and there has been an 11% increase in the number of enquiries logged.

Overall the enquiry line has helped NWML provide its stakeholders with a more efficient knowledge transfer service. It also allows us to produce more useful reports to the National Measurement System and gives us a clearer picture of the issues affecting NWML's wide range of stakeholders.

The enquiry line and website are two of NWML's mechanisms for communicating with its stakeholders. Other communication channels include attending exhibitions, organising events, producing the NWML newsletter (NWML NOW), and other useful NWML literature (guidance notes, consultation documents, etc). All combine to help maximize the effectiveness of knowledge transfer between NWML and its stakeholders.

Throughout 2005-06 a new website and enquiry line system were also set up to help manufacturers understand the new RoHS (the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment) Regulations. More information on pages 11 and 12.

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# Highlights of the Year (continued)



## Electronic Document & Records Management (EDRM)

In order to comply with the Modernising Government initiative which required that all newly created Government records be stored, managed and retrieved electronically, NWML implemented an electronic records management system at the start of 2005.

During the year, the system has increased administration efficiency for NWML staff and has benefited customers who have requested historical certificate information. These customers received a much quicker response than they would have done with the old paper based system.

The National Archives has awarded NWML the highest available score for implementation of the system, and NWML is placed within the top 33% of departments/agencies whose installation met e-government targets.

The main reason for NWML's EDRM success lies with the EDRM project team's strategy for its implementation. They spent a lot of time analysing NWML's requirements, preparing an electronic inventory of existing records, establishing how other DTI departments were tackling EDRM and comparing competing systems. The implementation involved converting old records and training all staff on how to use the system.

As of March 2006, over 65,000 records were on the system and the number of filing cabinets in NWML has been reduced from 95 to 55. This more efficient use of space has a direct impact on NWML's costs, potentially saving £24k per year, and also saving money on staff time spent searching for records.

## NWML launches sustainable development action plan

Sustainable Development: 'development which meets the needs of the present without compromising the ability of future generations to meet their own needs'.

In response to the UK Government Sustainable Development Strategy, NWML has prepared its own Sustainable Development Action Plan (SDAP), which states that:

"NWML builds social and environmental responsibilities into our policies and operations to sustain the earth and its resources".



NWML's Sustainable Development action plan forms an integral part of NWML's business planning cycle, and has a strategic fit with NWML's core business and activities.

We are committed to understanding and managing the potential impact of our activities and where possible taking action to support the principles of sustainable development. We aim to educate and encourage staff as well as stakeholders to embed sustainable development in their business and home lives.



NWML staff were consulted and involved in the development of the plan, and many 'green' ideas were suggested, some of which have already been implemented, such as making use of a free energy survey by the Carbon Trust, and a reduction in the use of bottled water. A small team of staff have volunteered to seek continuous improvement in this area.

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# Management Commentary

## Operations

NWML prides itself on being one of the best Weights and Measures laboratories in the world. In particular the turnaround times of Type Approval and Calibration services have been reduced significantly over the last ten years. Despite a further tightening of a number of services, NWML met all of its delivery targets for 2005/2006. This was achieved in respect of throughputs that have remained relatively constant over recent years. The decline in Type and Test income has been compensated by an increase in Accredited Certification revenue as NWML prepares itself for the post MID period. NWML has built up a strong reputation as a provider of metrology training and consultancy advice across the whole world.

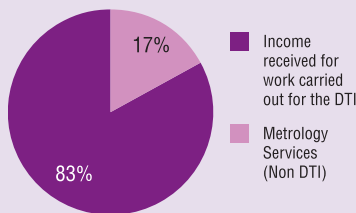
The work that NWML completed for DTI in respect of the legal metrology programme represents the bulk of NWML's activity (about 75%) and was worth £2.7m in 2005/06. The whole programme was completed and 98% of the project milestones within the programme were completed on time.

## Finance

As a net running cost Agency NWML is expected to break even; i.e. our income should cover our total costs. The accounting policies are set out in this Annual Report and Accounts. Fees are set in accordance with the Treasury Fees and Charges Guide. For 2005/06 fees for some statutory services were set out in Statutory Instrument (SI) 2004/1300. New fees which came into effect from 1 April 2006 are the subject of a new SI (SI 2006/604).

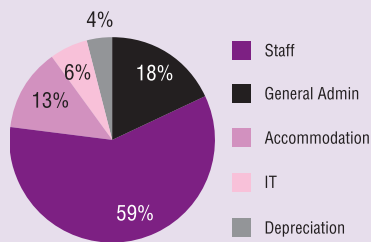
In 2005/2006 NWML made a surplus of £193k. 83% of income came from the DTI (Legal Metrology Programme and RoHS), 17% from other metrology services. Further detail about each of these two income streams is set out over the following pages.

## Overall income



Costs (a total of £3.4m) were well controlled during the year and the major expenditure headings were Staff: 59%, Accommodation: 13%, IT: 6% and Depreciation: 4%. The remaining 18% was spent under a variety of headings, the largest of which was General Admin Expenditure.

## Breakdown of Costs

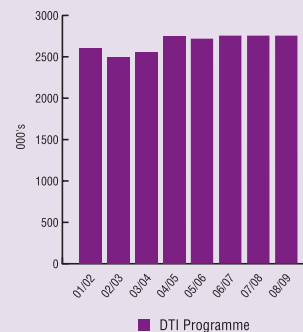


Following a number of years of uncertainty NWML is now concentrating on core activity and organic growth. The scope of work completed by NWML will remain constant and current Business Plan forecasts indicate a modest surplus for each of the next three years.

## DTI Legal Metrology Programme

NWML is one of the measurement institutes belonging to DTI's national measurement system and is currently in the second year of a two year agreement to provide legal metrology advice and services. A series of similar agreements have formed the backbone of NWML's work since it moved to net running cost status in 1996. The programme is divided into seven themes, and a range of projects with associated deliverables are carried out under each theme. The themes are: MID, International Co-operation, Better Regulation, Enforcement & Consumer Protection, Innovation, Provision of Facilities and Knowledge Transfer. NWML completed the programme in full for 2005-06 earning £2.7 million. Subject to possible funding constraints within the DTI and the proposed merger with OFT, NWML expects to negotiate an extension to this Legal Metrology income at roughly the same value as the current programme.

## DTI Programme



## RoHS Service

At the beginning of 2005-06, NWML won a contract from DTI to become, on behalf of the Secretary of State, the enforcement agency in respect of "The Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations 2004". Substances such as cadmium, lead, mercury, hexavalent chromium, polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE) flame retardants are covered under the new regulations.

The RoHS regulations come into force on 1 July 2006 and NWML will be delivering RoHS enforcement when the regulations are fully implemented.

The work associated with this service includes:

- Initial knowledge transfer (KT) to ensure sufficient awareness throughout the Electrical and Electronic Equipment (EEE) sector of the regulations and the enforcement agency's work
- Ensuring the appropriate identification and development of standards and test procedures
- Market surveillance through a quality assurance mechanism
- Market surveillance through testing products for the presence of the hazardous substances and any appropriate follow up action
- Inspection; picking an in-service product and subjecting it to either market surveillance through quality assurance, or testing, or both.

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# Management Commentary (continued)



Since NWML was awarded the contract, the RoHS team has been busy ensuring it has the resources in place to work with EEE (electrical and electronic equipment) producers to ensure compliance with RoHS in the UK.

One of the first milestones associated with the knowledge transfer aspects of the contract was the development of a dedicated RoHS website ([www.rohs.gov.uk](http://www.rohs.gov.uk)) to provide information and help with RoHS compliance and enforcement. A major feature of the website was the development of a decision tree which the NWML team will use as the basis for making enforcement decisions after the regulations come into force. The website provides information about the enforcement of the RoHS regulations and how they impact on UK producers of equipment.

A dedicated enquiry line has been set up and is being run by the RoHS Team. So far, an average of 450 enquiries per month are being received from producers.

The website and enquiry line are two primary mechanisms NWML has provided to help manufacturers understand the regulations. However, Chris Smith, Business Team Manager for RoHS has also been presenting at several RoHS related events throughout the UK with the aim of raising awareness of the requirements of the regulations.

Over the coming months, once the regulations have come into force, NWML will be concentrating on the enforcement aspects of this service. All scheduled work has been completed.

### Metrology Services

Seventeen percent of NWML's income comes from the metrology services we offer: type approval, accredited certification, calibration and metrology training courses. The roles, achievements, income and future plans for these services are detailed over the next few pages.

### Type Approval & Accredited Certification services

With effect from 1 April 2006, NWML's Accredited Certification Body merged with the Type Approval & Testing Team. This formed the Type Approval & Accredited Certification Services Team to help develop NWML's services in preparation for the MID, so that NWML can deliver a one stop shop for UK manufacturers post MID.

#### Type Approval

NWML is responsible for type approval of the seventeen different types of weighing and measuring instruments that are legally controlled in the UK. NWML offers a world class type approval service to satisfy regulatory requirements and to support manufacturers of weighing and measuring instruments who require type approval to get their new and innovative products onto the world market.

The Type Approval strategy is to ensure that:

- NWML is one of the fastest, if not the fastest, type approval body in the world
- NWML is at the forefront of international type approval policy - we take a partnership approach with our manufacturer customers to implement new and innovative methods of approving products and aim to work within required product launch timescales
- Under the forthcoming MID, NWML will be designated as a Notified Body for EC Type Approvals, EC Unit verification and quality assurance plus design examination.

In preparation for the MID, NWML's Type Approval & Accredited Certification Services team has applied to extend its notified body scope. The existing scope (which covers non-automatic weighing instruments) is to be extended to cover the appropriate conformity assessment modules for the following instrument types:

MI – 001 Water meters.

MI – 005 Measuring Systems for liquids other than water.

MI – 006 Automatic Weighing instruments.

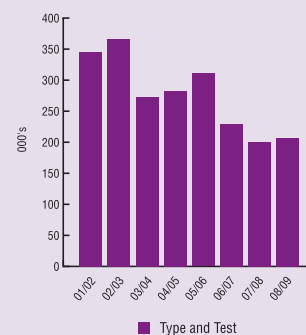
MI – 008 Material Measures (Length & Capacity Serving Measures).

Once NWML's notified body scope is extended, the team will be able to start converting existing EEC and UK national approvals under the MID. Work can also start on approving new designs of instruments and conducting quality system assessments ahead of the MID.

With the coming into force of the MID, it is envisaged there will be a demand to convert existing UK and EEC certificates into MID EC certificates. However, this increase in work will be offset by the fact that manufacturers will no longer need to gain UK approval as is currently required. It is expected the demand to convert existing certificates will diminish in future years. This reduction in the level of income will be balanced by reducing costs, and seeking new markets. The NWML Type Approval and Accredited Certification Services team has already identified new market sectors to promote NWML's certification services, and China will be one of the primary target markets.

### Type Approval service income for last five years and planned income to 08-09

Type and Test



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# Management Commentary (continued)

**NWML at Work:**  
*Shortening half time queues at new Arsenal stadium*



IMI Cornelius, a leading drinks dispenser supplier, has developed a new system called Ultra Flow, designed specifically for event and stadium outlets.

IMI Cornelius submitted this fast flow beer dispense system to NWML for type approval and testing in December 2005, and at the time of writing the certification is being prepared so that the system can be installed and operational in Arsenal's new Emirates stadium, by April 2006.

NWML engineers have been testing the equipment to ensure it complies with the Weights & Measures Act 1985, as intoxicating liquor measuring equipment requires a UK national type approval certificate to enable it to be used for trade purposes in the UK, and NWML is the issuing authority for UK national type approval certificates. This process helps to ensure that consumers ultimately receive correct measure.

IMI Cornelius's Ultra Flow system can pour four pints simultaneously in five seconds, which means a single dispenser can pour 48 pints every minute. To enable this particular equipment to be used at UK football venues, the beer dispense unit must be NWML certified to deliver into unstamped soft plastic glasses. As construction of the stadium is well underway and delivery of the systems commenced in February for commissioning in April, the NWML test team were up against tight deadlines. However, NWML is accustomed to working within manufacturers' time schedules so they can get their products to market as quickly as possible.

**Accredited Certification Service**

The main aim of this service is to provide companies with a route to place their instruments on the UK and European markets.

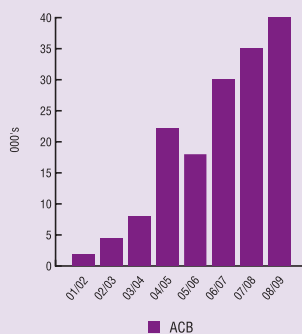
NWML provides auditing services, including:

- ISO 9001 certification
- Deregulation Order audit
- Notified Body auditing
- Other fee levied auditing

It is forecast that the business will grow by approx 67% during 2006-07 to produce an income of approx £30k.

**Accredited Certification service income for last five years and planned income to 08-09**

**ACB**



**Calibration**

As part of its role of maintaining traceability in trade measurement, NWML maintains mass, length and volume standards. NWML's standards are used to calibrate or verify all the local standards held by Trading Standards Departments across the UK on a five year cycle, and the local standards in turn form the basis for checking instruments on the market.

**Supporting Industry**

A calibration service is also offered to UK industry. All NWML's calibration services are UKAS accredited, and in the case of mass calibration, accredited to better than E1 level. Accurate calibration provides an invaluable service to many industries in the UK, especially to the pharmaceutical industry where people's health depends on the very accurate measurement methods used. NWML has worked on calibration projects as diverse as the calibration of crash test dummies to the weighing of parts of aircraft undercarriages. Other customers include tape manufacturers and customers from the petrochemical industry, where NWML is responsible for calibrating dip tapes used to measure oil levels in large oil refinery tanks. A team of metrologists work in NWML's recently refurbished laboratories, and during the year a third automatic balance was installed, which has increased profitability and efficiency.

Income from calibration in 2005-06 was £157k and the planned income for 2006-07 is £185k. The level of demand for calibration is expected to remain relatively constant.

360 calibration jobs were completed on time, so the target of 95% (of all calibration jobs (368) were completed within 18 days of accepting the work) was achieved.

**NWML at Work: Calibration of tanks at the Royal Preston Hospital**

During the year, the calibration team received an enquiry from the Royal Preston Hospital in Lancashire, who had found out about our service via our website. The pharmaceutical department of the hospital uses two large tanks to combine various drugs and compounds to produce large quantities of medicines used in the hospital. It is crucial that the proportion of each component of the medication is accurate, so NWML's senior metrologist calibrated the tanks to accurately determine the capacities.

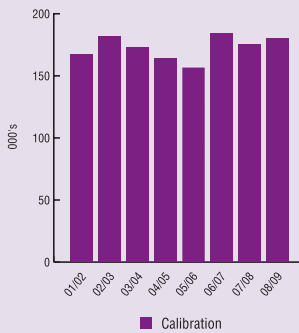
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# Management Commentary (continued)



## Calibration service income for last five years and planned income to 08-09

### Calibration



## International metrology training & consultancy

### The international scene

NWML represents the UK's interests in international legal metrology, and is a member of the International Organisation of Legal Metrology (OIML) and WELMEC, the European Co-operation in legal metrology. NWML works closely with OIML whose main objective is to achieve international harmonisation for legal metrology. NWML promotes the use of international recommendations, standards infrastructure and mutual acceptance agreements. This aids harmonisation of global legal metrology for the benefit of UK trade and industry, who ultimately benefit from the reduction in technical barriers to international trade.



NWML is also actively involved in WELMEC, the European group that pursues co-operation in legal metrology. NWML provides the UK representative to the WELMEC committee and is represented by technical specialists in six WELMEC working groups, which carry out the work of the WELMEC committee. In May 2005, NWML hosted the WELMEC committee meeting in Edinburgh which was attended by representatives from thirty countries as well as delegates from interested trade associations. The two day meeting was held at the Balmoral hotel, with an evening reception, including a ceilidh at Edinburgh castle.

## International Consultancy

NWML often receives requests for advice from overseas countries, and as a result, regularly provides tailored consultancy packages, mostly to European accession countries or developing countries.

As an emerging market, China will be able to benefit from NWML's training and consultancy services, and NWML has been developing a close relationship with China over the last few years, most recently signing a Mutual Acceptance Agreement (MAA) of type approval and test reports, with the General Administration of Quality, Supervision, Inspection and Quarantine.

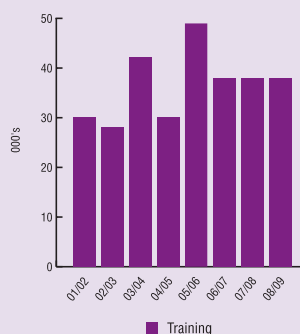
## Metrology training courses

NWML also offers a range of legal metrology training courses, one of which is an annual three week legal metrology training course aimed specifically at senior officers in foreign metrology bodies. In July 2005, delegates from Libya, Barbados and Burkino Faso attended.

NWML's one day training courses have also proved popular during the last year, with the new Pre-packaged goods course attracting 34 delegates.

## Training service income for last five years and planned income to 08-09

### Training



## Legislation

The Legislation team is responsible for producing national policy on measuring instruments in use for trade and produces legislation to protect the consumer and competitiveness of the marketplace.

By far the most important project the legislation team has been working on during 2005-06 is the Measuring Instruments Directive (MID).

The aim of the MID is to create a single market in measuring instruments for the benefit of manufacturers and, ultimately, consumers, across Europe. It covers a number of different measuring instrument types including water meters, petrol pumps and automatic weighing instruments.

The UK is required to implement the Directive, and NWML is responsible for doing so for those instruments under its regulatory control.

In November 2004 a consultation on the approach to implementation for all instruments except taximeters was launched, in which it was proposed that the UK should continue to regulate the same instruments as are currently regulated, and there should be a separate Statutory Instrument (SI) for each type of instrument to be regulated. Stakeholders expressed their support for these proposals.

A second consultation document, on the draft Regulations themselves, was issued in August 2005. NWML also held four formal and several informal stakeholder meetings during the consultation period. This consultation did not include Regulations on gas meters, electricity meters or taximeters, which are being produced to a different timetable by DTI Energy Group / Ofgem and Department for Transport.

All comments raised by consultees were carefully considered and changes to the Regulations made where necessary. The deadline set by the Commission for the implementation of the Directive is 30 April 2006. At the end of the year, a vast amount of work was being done in conjunction with our lawyers in order to ensure the deadline was met. The Regulations were made on 28 April 2006; the provisions relating to the setting up of Notified Bodies came into force on 30 May 2006, and the remaining provisions will come into force on 30 October 2006.

NWML are also working on the simplification of regulation in order to reduce burdens on industry, as part of the Cabinet Office's review of information obligations. We have analysed all our legislation for information burdens and have compiled a written contribution to the simplification plan.

Another aspect of work being done to reduce burdens on industry is through a Regulatory Reform Order, which we are taking forward to allow self-verification of equipment following adjustment.

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## Management Commentary (continued)

### Enforcement

NWML's enforcement team work in partnership with local Trading Standards departments as well as with the organisations that work to support the wider enforcement role. These include notified bodies conducting conformity assessment activities and approved verifiers who ensure weighing and measuring equipment is accurate before being put on the market.

Projects carried out by the team over the year include:

The annual Metrology Seminar event for Trading Standards Officers, an event which was jointly organised by NWML, the Trading Standards Institute (TSI) and LACORS.

During this one day event, TSOs heard about the latest developments of the Measuring Instruments Directive and other weighing and measuring legislation. They were also given a retail perspective on approaches to inspection and compliance as well as a report on the Modernising Metrology project. The final contribution was an overview of metrology in the Caribbean, which was an interesting comparison and was delivered by Tweedsmuir Mitchell of the Jamaican Bureau of Standards.

Feedback from delegates indicated they thought the event had been a very worthwhile day.

NWML have worked closely with TSI to implement the OIML D14 on Training and qualification of legal metrology personnel through the new Diploma in Consumer Affairs and Trading Standards (DCATS) which will begin to replace the existing statutory qualification for weights and measures officers from November 2006.

A high level of competence of Weights & Measures officers in the UK is essential to the delivery of enforcement services. The work supports UK manufacturers, processors and other support services. In conjunction with the UK Weighing Federation (UKWF) and The University of Wales Institute Cardiff (UWIC) we have supported the introduction of the UWIC/UKWF Certificate of Competency in Legal Metrology (Weighing) for trade engineers and others in the practical field of weighing technology.

### Looking to the Future

NWML has to recover its full costs from charges for the services it provides to its customers. The RoHS service, entering its second year, and the acquisition of some of Ofgem's responsibilities will widen the skill and experience base of NWML. This will also provide a stronger financial base for the coming years and protect it to some extent for any possible reductions in income from DTI's legal metrology programme.

The introduction of the MID will have a significant impact on NWML's income. It is anticipated that Type Approval income will decline but this will be compensated by a growth in the ACB service.

It is expected that income from other areas will remain relatively constant and the main risks to which NWML is exposed will be; a reduction of income from DTI's legal metrology programme, the globalisation of measuring instruments companies and the brigading of Trading Standards offices. NWML is making efforts to address these risks through a focused marketing effort, a widening of the skill base and internal efficiency initiatives.

NWML's stakeholders can therefore look forward to a comparatively stable period over the next few years during which NWML's strategy will be to concentrate on core activity and organic growth.

### MoU between NWML and Ofgem

As the Chief Executive mentioned in his introduction, NWML recently signed a Memorandum of Understanding with Ofgem, which will provide an additional income stream over the coming years.



In early 2005, Ofgem proposed that their responsibilities for the regulation of gas and electricity meters should be transferred to NWML. These meters come within the scope of the Measuring Instruments Directive (MID) and NWML are working with DTI Energy Group to ensure the Regulations for Gas & Electricity meters are in force by 30 October 2006.

Therefore from 1 April 2006, NWML took over the energy regulator Ofgem's metrological responsibilities for metering, which include design approvals, accuracy testing and performance monitoring. Formal legal transfer (ie changes to legislation) will follow when an appropriate slot in the parliamentary timetable is identified. It is anticipated this could take up to three years to achieve.



The move will also ensure that the UK's metering policies and practices are aligned with the Measuring Instruments Directive, which aims to create a single market for measuring instruments across Europe. Adrian Rudd joined NWML from Ofgem on 1 April to head the new Utilities Metering Directorate.



The work transferred has been formulated into a three year programme which Ofgem will fund for the full three year period. Funding arrangements after this period will be subject to the discussions in respect of the merger with the OFT.

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# Remuneration Report



## Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

## The salary and pension entitlements of the senior managers are as follows:

Name	Dr Jeff Llewellyn (Chief Executive)	Mr Mike Koch (Director)	Mr Iain MacGregor (Director)	Mr Richard Sanders (Director)	Mr Martin Birdseye (Director)	Mr Niall Boyle (Director from 27/10/05)
Salary incl. performance pay (£k) (last year)	70-75 (70-75)		45-50 (45-50)	50-55 (45-50)	50-55 (45-50)	15-20 (40-45 full year equivalent)
Real increase in pension and related lump sum at age 60 (£k)	0-2.5 plus lump sum of 2.5-5		0-2.5 plus lump sum of 0-2.5	0-2.5 plus lump sum of 2.5-5	0-2.5 plus lump sum of 2.5-5	0-2.5 plus lump sum of 0-2.5
Accrued pension at age 60 at 31/3/06 and related lump sum (£k)	25-30 plus lump sum of 80-85		15-20 plus lump sum of 55-60	15-20 plus lump sum of 45-50	5-10 plus lump sum of 25-30	0-5 plus lump sum of 5-10
CETV at 31/3/05 (nearest £k)	547		366	155	178	25
CETV at 31/3/06 (nearest £k)	681		457	232	221	32
Real increase in CETV (nearest £k)	26		13	22	23	3
Employer contribution to partnership pension account including risk benefit cover-to nearest £100	0-2.5		0-2.5	0-2.5	0-2.5	0-2.5
Benefits in kind (rounded to nearest £100)	0		0	0	0	0

Consent to disclose salaries and accrued pension entitlements was withheld by Mr M Koch.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

The only senior civil servant is Jeff Llewellyn the Chief Executive. For all other staff members their remuneration is determined by the DTI staffing and pay system.

## Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be made on merit on the basis of fair and open competition but also includes circumstances when appointments may otherwise be made.

Unless otherwise stated below, the senior managers covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Dr Jeff Llewellyn was appointed on a five year contract commencing 21 January 2002.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk)

## Agency Steering Board

The non-executive members were entitled to the following fee:

Name	Fee (£k)
Mr P Douglas	0-5
Miss A Brimelow	0-5
Mr R Burrows	0-5

Mr P Mason, Ms S Coe and Ms R Anderson were members of the Steering Board during 2005/06 and were salaried employees of DTI.

## Agency Steering Board

Full year numbers

NWML	1
DTI	3
Private sector	3
	<b>7</b>

## Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

## Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies

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## Remuneration Report (continued)

voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employees' contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as classic.

The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website: [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or

arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

### The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### The Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. NWML is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)). For 2005/06 employers'

contributions of £300,658 were payable to the PCSPS (2004/05 - £225,443) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% and 18.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2006/07 the salary bands will be revised and the rates will be in a range between 17.1 and 25.5 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2005-06 to be paid when the member retires, and not the benefit paid during this period to existing pensioners. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of nil were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition nil, 0.8 per cent of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

### Early retirement

NWML meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early retirement and normal retirement date. None was paid on behalf of NWML in 2005/06. No member of NWML staff retired under the scheme in 2005/06 and there was no future liability as at 31 March 2006.

Dr Jeff Llewellyn

Date: 29 June 2006

Chief Executive and Accounting Officer

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# Ministerial Targets



Each year NWML agrees its key public targets with the DTI Ministers following discussion and agreement of its Corporate Plan. The targets cover finance, customer satisfaction and delivery issues and reflects the Laboratory's overall strategic priorities.

NWML has a collective bonus scheme for performance-related payments to staff. The achievement of the primary financial target triggers this bonus and the other Ministerial targets form the basis for evaluating the level of the performance bonus awarded.

## Targets and Out-turns - 2005/2006

### Financial Targets

To report a breakeven in the Income and Expenditure Account for 2005/2006.

*A surplus of £193k. The target was achieved.*

### Efficiency Target

To meet efficiency targets (financial and headcount) in the NWML Efficiency Delivery Plan.

*Headcount reduction is on track. Output is lower than planned and costs are greater because of work associated with RoHS. The target was missed.*

### Customer Satisfaction Target

To satisfy all its customers as demonstrated by at least 95% of them rating NWML's provision of services as satisfactory or better.

*97% The target was achieved.*

### Operational Targets

To complete all type approval work (new patterns, variants, amendments, renewals, additions, Test Certificates, & OIML Certificate of Conformity) within 45 working days.

*100%. The target was achieved.*

In respect of European approvals (new patterns only) to achieve an average time per job of better than 23 working days.

*12 working days. The target was achieved.*

In respect of UK approvals (new patterns only) to achieve an average time per job of better than 32 working days.

*21.2 working days. The target was achieved.*

To complete calibration jobs within the time requested by customers, with at least 95% of all jobs (including preparation of certificates) completed within 18 working days of acceptance of the work and an average completion time of less than 13 days.

*96% with an average time of 10 days. The target was achieved.*

In respect of approved verification to complete the evaluation of the application and supporting quality documentation within 30 days of receipt for at least 80% of applications.

*100%. The target was achieved.*

To complete 85% of the milestones scheduled for year 1 of the National Measurement System (NMS) legal metrology programme by their due dates.

*98%. The target was achieved.*

To meet ROHS Regulations enforcement contract delivery targets by dates specified in the Memorandum of Understanding.

*100%. The target was achieved.*

### Operational Targets (continued)

To complete implementation of the MID by 30 October 2006 (interim target to submit all requisite draft regulations to the European Commission by 31 March 2006).

*The target was achieved.*

### Questions delegated to the Chief Executive

Chief Executive to reply within 10 working days to all letters from Members of Parliament delegated to him for reply.

*No letters have been received. The target will be achieved.*

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## Ministerial Targets (continued)

### Targets set for 2006/07

#### Financial

- To report a break even in the Income and Expenditure Account for 2006/07.

#### Customer satisfaction

- To satisfy all its customers as demonstrated by at least 55% of them reporting that they are very satisfied with NWML's provision of services.

#### Delivery

- To complete all type approval work (new patterns, variants, amendments, renewals, additions, Test Certificates, & OIML Certificate of Conformity) within 45 working days (tighter target)
- In respect of type approvals (new patterns only) to achieve an average time per job of better than 30 working days (tighter target)
- To complete calibration jobs within the time requested by customers, with at least 95% of all jobs (including preparation of certificates) completed within 18 working days of acceptance of the work and an average completion time of less than 13 working days (tighter target)
- To complete 87% of the milestones scheduled for year 2 of the National Measurement System (NMS) legal metrology programme by their due dates (tighter target)
- To complete 80% of the milestones scheduled for year 1 of the Ofgem Work Programme by their due dates
- In respect of approved verification to complete the evaluation of the application and supporting quality documentation within thirty working days (six weeks) of receipt for at least 80% of applications
- To complete implementation of the MID by 30 October 2006
- Chief Executive to reply within 10 working days to all letters from Members of Parliament delegated to him for reply

- To meet RoHS Regulations enforcement contract delivery targets by dates specified in the MoU with DTI.

#### Efficiency

- To meet the targets in the NWML Efficiency Delivery Plan (during 2006/07 to reduce staff levels by 2.5% and to increase output by 3.8%).


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# NWML Staff


**Director – Communications**



**Niall Boyle**

**Communications & Knowledge Transfer**  
 1. James Devenish  
 2. Lindsay Crawford



**Accredited Certification Team**  
 Chris Smith

**Director – Finance & Resources**



**Iain MacGregor**












**Finance**  
 1. Sarah Glasspool  
 2. Clare Purdey  
 3. Barbara Erman  
 4. Nina Clissold  
**IT**  
 5. Dan Shipp  
**HR**  
 6. Zélie Armstrong  
**Records/Reception**  
 7. David Williams  
 8. Nina Clark  
 9. Ann Alexander  
 10. Maria Finnis

















**Type Approval Team**  
 1. Paul Dixon  
 2. Gavin Stones  
 3. Richard Hackney  
 4. Marek Bokota  
 5. Nick Willans  
 6. Brian Gregory  
 7. David Moorhouse  
 8. Kevin Gilbert  
 9. Gordon Yates  
 10. Pauline Brice

**Director – Services**



**Richard Sanders**

**Calibration Team**  
 1. John Pain  
 2. Bob Hynds  
 3. Ivor James  
 4. Alan Tuck  
 5. Robert Harper

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# NWML Staff (continued)



**Chief Executive**  
**JEFF LLEWELLYN**

**Director –  
Special Projects**



**Mike Koch**

**Director – Regulation**



**Martin Birdseye**



**PA to CE**  
**Tania Raynor**



**DTI Prog & MID Project  
Management**  
1. Jo Symons  
2. Anna Jenkins



**Legislation Team**  
1. Peter Edwards  
2. Sue Billing  
3. Mike Fortune  
4. Veronica Truscott  
5. Carol Tucker



**Enforcement Team**  
1. Richard Frewin  
2. Christine Munteanu  
3. Melanie Dixon  
4. Suzanne Jones  
5. Simon Sheldon



**International Team**  
1. John Goulding  
2. Morayo Awosola  
3. Catherine Hill

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# NWML Accounts

## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, the Secretary of State with the consent of the HM Treasury has directed the Agency to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency, the income and expenditure, total recognised gains and losses, and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, and in particular to:

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Department of Trade and Industry has designated the Chief Executive as Accounting Officer of the National Weights and Measures Laboratory.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Government Accounting.

## Accounting Officer's Statement on Internal Control in NWML

### Scope of Responsibility

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

NWML is a net running cost Agency and is now part of the Science and Innovation Group within the Office of Science and Innovation, DTI. DTI Ministers approve NWML's Corporate Plan each year. The Corporate Plan identifies what are to be considered as the key risks for the Agency.

### I am advised by:

- The NWML Steering Board, which advises on strategic issues. It comprises an independent Chair, two independent members, myself and senior officials from the DTI. It meets three times a year.
- The Audit Committee, which reports to the Steering Board. Membership of the Audit Committee includes two independent members with one non-executive as Chair and myself. Meetings are attended by the Finance Director of NWML, DTI Internal Audit and the External Auditors. The Audit Committee meets three times a year.
- The Agency Executive Team also meets on a quarterly basis to discuss performance and risk management issues which could impact on NWML achieving objectives.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of NWML's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in NWML for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

The Executive Team has overall responsibility for risk management and this is set out in its Terms of Reference. Members are responsible for promoting the consideration of risk within their directorates and for embedding the management of risk in all local systems. Responsibility for risk management has been further devolved to the Business Team Managers. All staff have received risk management training and have been advised where to find all Agency risk registers and supporting documentation and guidance.

## The risk and control framework

A system is in place requiring Business Team Managers and Directors to review risk management and internal control on a quarterly basis. All Business Team Managers and Directors have been required to report their findings to me on a quarterly basis. In addition all of the Business Team Managers and Directors have provided an annual declaration that I have considered in the preparation of this statement.

An Agency risk register is well established and the key risks are reviewed at least annually. The risks are prioritised using the likelihood of the risk occurring and its effect as criteria in assessing the level of priority. A control strategy for each of the key risks has been drawn up and is regularly updated. Each of the Business Teams and the support Directorates has their own risk register. The consideration of risk is an integral part of the

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preparation of all project initiation documents (PIDS) for both DTI programme work and other major projects. The DTI programme alone represents about 75% of the Agency's work.

The Agency works with DTI Internal Audit Unit, operating to Government Internal Audit Standards. The work of Internal Audit is informed by an analysis of risk to which NWML is exposed, and the annual audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Audit Committee and approved by myself. At the end of each financial year the Head of Internal Audit (HIA) provides me with a report on the internal audit activity at NWML. This report contains an opinion on the adequacy and effectiveness of NWML's internal controls and the management processes that are in place to control risk.

#### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within NWML who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Steering Board, and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Audit Committee has considered risk management and internal control at its last three meetings and the Chair has made progress reports to me and to the NWML Steering Board. A dedicated meeting of Directors with DTI Internal Audit was held in February 2006 to challenge the annual declarations made by Directors and Business Team Managers.


Many of the laboratory's operational systems are accredited by UKAS and in support of this, NWML has its own schedule of internal audits. NWML is also accredited for ISO 9001 and is an Investor in People (IIP).

The Agency Executive Team consider risk at every Executive Team meeting and guidance on risk management is available in the NWML quality system.

During the year, risk management systems and guidance on risk issues have been enhanced. The embedding of risk management across the whole organisation has been more challenging and the following actions are planned for 2006/07:-

#### Further action planned on risk management

- Surveys to establish how well the whole subject of risk management has been embedded within the whole organisation
- The internal Audit programme will reconcile more closely with the Agency risk register
- Major review of the Agency risk management systems to be completed by September 2006
- Project plan to address areas for improvement to be completed and monitored quarterly by the Executive Team
- The Agency policy towards risk appetite to be clearly communicated to all staff
- Reporting of risk management issues to be fully integrated into the balanced scorecard mechanisms.



Dr Jeff Llewellyn

Date: 29 June 2006

Chief Executive and Accounting Officer

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## The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the National Weights and Measures Laboratory for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### Respective responsibilities of the Agency, the Chief Executive and Auditor

The Agency and Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 22 and 23 reflects the Agency's compliance with HM Treasury's guidance on the Statement on Internal Control, and I

report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the sections of the Annual Report entitled Introduction by the Chief Executive, Directors' Report, Organisational Structure, Highlights of the Year, Management Commentary, the unaudited part of the Remuneration Report, and Ministerial Targets. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2006 and of the surplus, total recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP  
Date: 5 July 2006

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## NWML Accounts

**Income and Expenditure Account**

for the year ended 31 March 2006

	Notes	2006	2005
		£'000	£'000
<b>Income</b>			
<b>Income from activities</b>	<b>2</b>	<b>3,628</b>	<b>3,327</b>
<b>Expenditure</b>			
Staff costs	3	2,030	1,959
Other operating costs	4	1,405	1,549
<b>Total operating costs for the year</b>		<b>3,435</b>	<b>3,508</b>
<b>Surplus / (Deficit) for the financial year</b>		<b>193</b>	<b>(181)</b>

All income and expenditure are derived from continuing operations.

**Statement of Total Recognised Gains and Losses**

for the year ended 31 March 2006

	2006	2005
	£'000	£'000
Surplus / (Deficit) for the financial year	193	(181)
Net gain on revaluation of fixed assets prior years	-	97
Net gain on revaluation of fixed assets current year	11	9
<b>Total recognised gains / (losses) for the financial year</b>	<b>204</b>	<b>(75)</b>

The notes on pages 27 to 34 form part of the accounts

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# NWML Accounts

## Balance sheet

as at 31 March 2006

		2006		2005	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
<b>Tangible fixed assets</b>	<b>5</b>		<b>1,185</b>		<b>1,117</b>
<b>Intangible fixed assets</b>	<b>6</b>		<b>82</b>		<b>85</b>
			<b>1,267</b>		<b>1,202</b>
<b>Current assets</b>					
Stocks	7	54		27	
Debtors	8	280		261	
Cash at bank and in hand	9	1,532		289	
		<b>1,866</b>		<b>577</b>	
Creditors: amounts falling due within one year	10		(216)		(149)
<b>Net current assets</b>			<b>1,650</b>		<b>428</b>
<b>Total assets less current liabilities</b>			<b>2,917</b>		<b>1,630</b>
<b>Taxpayers' Equity</b>					
General fund	11		2,821		1,523
Revaluation reserve	12		96		107
			<b>2,917</b>		<b>1,630</b>

The notes on pages 27 to 34 form part of the accounts



Dr Jeff Llewellyn

Date: 29 June 2006

Chief Executive and Accounting Officer

## Cash flow statement

for the year ended 31 March 2006

	Notes	2006	2005
		£'000	£'000
Net cash inflow from operating activities	13(a)	489	840
Capital payments	13(b)	(181)	(452)
Financing	13(c)	935	(233)
<b>Increase in cash in the period</b>		<b>1,243</b>	<b>155</b>

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## Notes to the Accounts

for the year ended 31 March 2006

### 1 Statement of accounting policies

These accounts have been prepared in accordance with the 2005-06 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

#### Tangible fixed assets

Expenditure on tangible fixed assets of over £1,000 are capitalised with the exception of IT equipment where every item is capitalised. Tangible fixed assets are restated to current value each year and published indices appropriate to the category of asset are normally used to estimate value. The increase or decrease in value is transferred to the revaluation reserve unless there has been a permanent diminution in which case it is charged to the operating cost statement in accordance with FRS11. Tangible fixed assets are depreciated on a straight line basis to the residual value over the assets' expected useful life. There is a group of assets which are held for statutory purposes; these are not revalued or depreciated as they are non-operational and have very long estimated lives.

If any asset becomes out of use due to obsolescence or physical deterioration then it is treated as an impairment in the year that it became out of use. Any impairment is included in the cumulative depreciation; in accordance with FRS11 the Gross value is not adjusted.

The stock of furniture and fittings is treated as a permanent asset pool which is revalued each year but not depreciated; replacement expenditure is charged to the income and expenditure account in the year of purchase.

#### Asset lives are normally in the following ranges:

Plant and machinery	from 5 to 30 years
Scientific equipment	from 5 to 110 years
Computer equipment and office machinery	from 3 to 10 years
Motor vehicles	from 5 to 10 years

#### Intangible Fixed Assets

Expenditure on purchased software licences over £1000 are capitalised and revalued in the same way as tangible fixed assets. They are amortised on a straight line basis on the shorter of the term of the license and the useful economic life of the asset.

#### Stocks and Work in Progress

Stocks are valued at the lower of cost or net realisable value. Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

#### Income

Income comprises services provided to the DTI and external customers (net of VAT). Income is recognised in the period to which it relates.

#### Segmentation

The income is analysed in segments to meet the relevant sections of the statute under which NWML operates. This is a Treasury requirement in order to comply with the "Fees and Charges Guide". Income is also analysed on a geographical basis, in accordance with SSAP25, Segmental Reporting.

#### Value Added Tax

NWML is covered under the VAT registration of the Department of Trade and Industry. It recovers VAT on certain contracted-out services, as directed by

the Treasury. Irrecoverable VAT is included as expenditure or included in the costs of tangible fixed assets purchased.

#### Insurance

No insurance is effected against fire, explosion, common law, third party and similar risks.

#### Capital charge

A charge, reflecting the cost of capital utilised by NWML is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets and liabilities, except for cash balances with the Office of the Paymaster General, where the charge is nil.

#### Leases

Operating lease rentals are charged to the Income and Expenditure Account on a straight line basis over the term of the lease. NWML has no finance leases.

#### Foreign Exchange

Transactions, which are denominated in a foreign currency, are translated into sterling at the exchange rate ruling at the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. These translation differences are dealt with in the income and expenditure account. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the rates ruling as at that date.

#### Pensions

Past and present employees are covered by the provisions of the Civil Service Pension Schemes. The defined benefit schemes are unfunded and are non-contributory except in respect of dependents' benefits. NWML recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, NWML recognises the contributions payable for the year.

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## 2 Income

The following information is given to satisfy the disclosure requirements of the HM Treasury Fees and Charges Guide. This requires the disclosure of the financial objective, full cost, income, surplus or deficit and performance against each objective.

The financial objective is to recover the full cost on each market segment as indicated below.

Legal Metrology	2006			2005		
	Income	Full cost	Surplus/(Deficit)	Income	Full cost	Surplus/(Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Intradepartmental	3,005	2,846	159	2,740	2,772	(32)
Statutory	437	445	(8)	511	566	(55)
Commercial	186	144	42	76	76	-
Flood and furniture*	-	-	-	-	94	(94)
<b>Total</b>	<b>3,628</b>	<b>3,435</b>	<b>193</b>	<b>3,327</b>	<b>3,508</b>	<b>(181)</b>

\* From 2004/05 the NWML site is a Disaster Recovery site for the DTI. The furniture refers to the loss of furniture that was replaced by DTI as part of their disaster recovery plan.

## Geographical analysis of income

The geographical analysis of income is as follows:

	2006	2005
	£'000	£'000
UK	3,500	3,187
EU	51	75
USA	23	25
China	17	21
Japan	-	4
West Indies	9	-
Africa	14	-
Turkey	13	-
Other	1	15
	<b>3,628</b>	<b>3,327</b>

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**3 Staff costs**

<b>a) Staff costs</b>	<b>2006</b>	<b>2005</b>
	£'000	£'000
Wages and salaries	1,584	1,591
Social security costs	134	133
Other pension costs	301	225
Agency staff	14	10
<b>Subtotal</b>	<b>2,033</b>	<b>1,959</b>
Less recoveries in respect of outward secondments	(3)	-
<b>Total net costs</b>	<b>2,030</b>	<b>1,959</b>

<b>b) Average number of full time equivalent staff employed during the year</b>	<b>2006</b>	<b>2005</b>
Services	14	20
Regulation	19	12
	<b>33</b>	<b>32</b>
Administration	14	17
	<b>47</b>	<b>49</b>

**4 Other operating costs**

<b>Other operating charges comprise:</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
	£'000	£'000	£'000	£'000
Rentals under operating leases		12		11
Accommodation		441		470
Travel and subsistence		53		58
Telecommunications		20		30
IT		207		111
General administrative expenses		397		424
Non-cash items				
Depreciation	103		158	
Amortisation	17		13	
(Profit)/Loss on disposal of fixed asset	(8)		60	
Cost of capital charges	48		52	
Notional audit fee	18		17	
DTI overheads	82		87	
Permanent diminution in fixed assets*	15		58	
		275		445
		<b>1,405</b>		<b>1,549</b>

\* The figure for 2004/05 includes £50k relating to prior years.

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## 5 Tangible fixed assets

	Plant and Machinery	Scientific Equipment	Computer equipment and office machinery	Furniture and Fittings	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>COST/VALUATION</b>						
At 1 April 2005	656	1,327	360	154	43	2,540
Additions	-	156	30	-	-	186
Revaluation	(51)	44	(15)	3	3	(16)
Disposals	(95)	(73)	(1)	-	-	(169)
<b>At 31 March 2006</b>	<b>510</b>	<b>1,454</b>	<b>374</b>	<b>157</b>	<b>46</b>	<b>2,541</b>
<b>DEPRECIATION</b>						
At 1 April 2005	(493)	(706)	(159)	(29)	(36)	(1423)
Charge for year	(8)	(53)	(39)	-	(3)	(103)
Disposals	94	68	1	-	-	163
Revaluation	23	(23)	11	(4)	-	7
<b>At 31 March 2006</b>	<b>(384)</b>	<b>(714)</b>	<b>(186)</b>	<b>(33)</b>	<b>(39)</b>	<b>1,356</b>
<b>NET BOOK VALUE</b>						
<b>At 31 March 2006</b>	<b>126</b>	<b>740</b>	<b>188</b>	<b>124</b>	<b>7</b>	<b>1,185</b>
<b>At 1 April 2005</b>	<b>163</b>	<b>621</b>	<b>201</b>	<b>125</b>	<b>7</b>	<b>1,117</b>

## 6 Intangible fixed assets

	Purchased software licences
	£'000
<b>COST/VALUATION</b>	
At 1 April 2005	148
Additions	9
Revaluation	1
Disposals	(3)
<b>At 31 March 2006</b>	<b>155</b>
<b>AMORTISATION</b>	
At 1 April 2005	(63)
Charged in year	(17)
Revaluation	4
Disposals	3
<b>At 31 March 2006</b>	<b>(73)</b>
<b>Net book value at 31 March 2006</b>	<b>82</b>
<b>Net book value 1 April 2005</b>	<b>85</b>

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**7 Stocks**

	2006	2005
	£'000	£'000
Work in Progress	54	25
Stock of goods for resale	-	2
	<b>54</b>	<b>27</b>

**8 Debtors**

a) Analysis by type	2006	2005
	£'000	£'000
Trade debtors	176	197
Other debtors	1	4
Prepayments and accrued income	103	60
	<b>280</b>	<b>261</b>

b) Intra-Government balances	2006	2005
	£'000	£'000
Balances with other central government bodies	35	-
Balances with local authorities	3	29
Balances with bodies external to government	242	232
<b>Total debtors at 31 March</b>	<b>280</b>	<b>261</b>

**9 Cash at bank and in hand**

	Balance at 1 April 2005	Net cashflows	Balance at 31 March 2006
	£'000	£'000	£'000
	<b>289</b>	<b>1,243</b>	<b>1,532</b>

The balance is held at the Office of HM Paymaster General.

**10 Creditors**

a) Analysis by type	2006	2005
	£'000	£'000
Trade creditors	55	43
VAT creditor	3	7
Other creditors	37	5
Accruals and deferred income	121	94
	<b>216</b>	<b>149</b>

b) Intra-Government balances	2006	2005
	£'000	£'000
Balances with other central government bodies	89	24
Balances with local authorities	-	-
Balances with bodies external to government	127	125
	<b>216</b>	<b>149</b>

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## 11 General Fund

	2006	2005
	£'000	£'000
Balance at 1 April	1,523	1,737
Contribution from/(to) the DTI	935	(233)
Surplus/(Deficit) for the financial year	193	(181)
Other notional and non-cash costs	148	156
Disposals	3	-
Realised element of revalued assets	19	44
<b>Balance at 31 March</b>	<b>2,821</b>	<b>1,523</b>

## 12 Revaluation reserve

	2006	2005
	£'000	£'000
Balance at 1 April	107	45
Asset review	-	97
Surplus on revaluation	11	9
Disposals	(3)	-
Realised element of revalued assets	(19)	(44)
<b>Balance at 31 March</b>	<b>96</b>	<b>107</b>

## 13 Note to the cash flow statement

### a) Reconciliation of surplus/(deficit) to operating cash flow

	2006	2005
	£'000	£'000
Surplus/(Deficit)	193	(181)
Adjustments for non-cash transactions	275	445
(Increase)/Decrease in stocks	(27)	(8)
(Increase)/Decrease in debtors	(19)	604
Increase/(Decrease) in creditors	67	(20)
<b>Net cash inflow from operating activities</b>	<b>489</b>	<b>840</b>

### b) Analysis of capital payments

	2006	2005
	£'000	£'000
Payments to acquire tangible fixed assets	(186)	(400)
Payments to acquire intangible fixed assets	(9)	(58)
Receipt from sale of fixed assets	14	6
	<b>(181)</b>	<b>(452)</b>

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## NWML Accounts

<b>c) Analysis of financing</b>	<b>2006</b>	<b>2005</b>
	£'000	£'000
Receipts	87	70
Less:		
Operating costs	(1,022)	238
Capital expenditure	-	(75)
<b>Financing (from)/to the DTI</b>	<b>(935)</b>	<b>233</b>

## 14 Capital commitments

There were no capital commitments authorised or contracted as at 31 March 2006.

(2005 – Nil)

## 15 Commitments under leases

Commitments under operating leases to pay rentals following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	<b>2006</b>	<b>2005</b>
	£'000	£'000
Office equipment		
Expiry within 1 year	-	-
Expiry after 1 year but not more than 5 years	9	8
Motor vehicles		
Expiry within 1 year	-	-
Expiry after 1 year but not more than 5 years	3	3
	<b>12</b>	<b>11</b>

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# NWML Accounts

## 16 Other financial commitments

NWML has not entered into any non-cancellable contracts.

## 17 Related party transactions

NWML is an Executive Agency of the Department of Trade and Industry, this is regarded as a related party with which the Agency has had various material transactions during the year.

During the year none of the Steering Board members, Executive Team members or associated bodies of these members, members of the key management staff or other related parties have undertaken any material transactions with NWML.

## 18 Post balance sheet events

There were no post balance sheet events.

## 19 Contingent Liabilities

There were no contingent liabilities as at 31 March 2006.

## 20 Derivatives and other financial instruments

FRS13 derivatives and other financial instruments, requires disclosure of the role which financial instruments have had during the period, in creating or changing the risk the National Weights and Measures Laboratory faces in undertaking its activities.

Because of the largely non-trading nature of its activities and the way in which it is financed, NWML is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. NWML has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing NWML in undertaking its activities

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months of the balance sheet, have been omitted from this note.

### Liquidity risk

NWML makes most of its payments and receipts from its own bank account. This is funded when necessary from the DTI's main bank account so NWML is not exposed to any liquidity risk.

### Interest rate risk

NWML holds its bank account with the Office of Paymaster General and has no investments or financial leases and is therefore not subject to interest rate risk.

### Foreign currency risk

NWML does carry out transactions with the US, Japan and Europe, but these transactions are small in comparison to transactions within the UK and as such NWML is not exposed to significant foreign currency risk.

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# Contacts & Glossary

## Contacts

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<b>Type Approval &amp; Accredited Certification Services</b>			
Paul Dixon	Manager, Type Approval & Accredited Certification	020 8943 7282	paul.dixon@nwml.gov.uk

## Glossary

<b>ACB</b>	Accredited Certification Body	<b>NEL</b>	National Engineering Laboratory
<b>AQSIQ</b>	Administration of Quality Supervision, Inspection and Quarantine (in China)	<b>NMS</b>	National Measurement System
<b>AWI</b>	Automatic Weighing Instrument	<b>NPL</b>	National Physical Laboratory
<b>BSI</b>	British Standards Institute	<b>NWML</b>	National Weights and Measures Laboratory
<b>CIML</b>	International Committee of Legal Metrology	<b>OFT</b>	Office of Fair Trading
<b>CTSA</b>	Consumer & Trading Standards Agency	<b>OIML</b>	International Organisation of Legal Metrology
<b>DTI</b>	Department of Trade and Industry	<b>OSI</b>	Office of Science & Innovation
<b>DFID</b>	Department for International Development	<b>RAW</b>	OIML Recommendations for Automatic Weighing Instruments
<b>EMC</b>	Electromagnetic Compatibility	<b>RoHS</b>	Restriction of the use of Certain Hazardous Substances
<b>LACORS</b>	Local Authority Co-ordinating Body for Regulatory Services	<b>SQAM</b>	Standards, Quality, Accreditation and Metrology
<b>LBRO</b>	Local Better Regulation Office	<b>TSI</b>	Trading Standards Institute
<b>MID</b>	Measuring Instruments Directive	<b>TSD</b>	Trading Standards Department
<b>NAWI</b>	Non automatic weighing instrument	<b>TSO</b>	Trading Standards Officer
		<b>UKAS</b>	United Kingdom Accreditation Service
		<b>WELMEC</b>	European Cooperation in Legal Metrology

## Services

**Calibration** - The process of determining the error associated with a standard or measuring instrument

**Metrology** - The science of measurement

**Self Verification** - Verification conducted by a manufacturer, installer or repairer, who has been granted an approval by the Secretary of State to undertake such activities (subject to the requirements and conditions of the approval)

**Testing** - Process and procedure for determining whether or not the equipment under assessment complies with specific criteria

**Type Approval** - Affirmation that a weighing or measuring instrument is suitable for use for trade or complies with requirements in a Directive or Act

**Verification** - The testing, passing as fit for use for trade, and stamping (with the prescribed stamp) of equipment

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