Registration number: 10881715

Supply Chain Coordination Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2020

Supply Chain Coordination Limited

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Supply Chain Coordination Limited

Company Information

Chairman	James Spittle
Acting Chief executive	Colin McCready
Directors	Jin Sahota (Executive Director)
	Colin McCready (Executive Director)
	Heather Benjamin (Non Executive Director)
	Heather Tierney-Moore OBE (Non Executive Director)
	Robert Houghton (Non Executive Director)
	James Spittle (Non Executive Director)
	Steven Glew (Non Executive Director)
	Melinda Johnson (Shareholder/Stakeholder Director)
	Emily Lawson (Shareholder/Stakeholder Director)
	Miranda Carter (Shareholder/Stakeholder Director)
Company secretary	Paul Webster
Company number	10881715
Registered office	Skipton House 80 London Road London SE1 6LH
Auditors	Comptroller & Auditor General 157-197 Buckingham Palace Road Victoria London SW1W 9SP

Supply Chain Coordination Limited

Chairman and Chief Executive Officer's Report

Achievements

Our second year of trading reflected both strong performance results, and unprecedented challenges. We started the year with the introduction of Buy Price = Sell Price across our product offering. This removed margin from our product range, and increased price transparency to our NHS customers. Throughout the year we worked with our suppliers and customers and exceeded our annual business plan target of £150m in-year incremental net savings for frontline healthcare. We also grew our market share of NHS clinical consumables and medical devices from 48% to 56%, which also surpassed our annual business plan target of 50%.

Challenges

We also faced a number of challenges throughout 2019/20, some of which have been ongoing in 2020/21. The outbreak of Covid-19 resulted in the company stepping up to support Public Health England ("PHE") in its pandemic response and dealing with an unprecedented demand for Personal Protective Equipment ("PPE"). Despite increased staff levels and running the NHS Supply Chain network 24/7, it became clear more capacity was still needed to deliver PPE to the frontline. Subsequently, Government established a separate, dedicated PPE supply channel - set up by NHS England and NHS Improvement, NHS Supply Chain, the Ministry of Defence, and Clipper Logistics who are delivering the service. This enabled NHS Supply Chain to continue focusing on supplying all other medical devices and clinical consumable items in high demand at this critical time for the NHS.

We also worked alongside the Department of Health and Social Care ("DHSC"), NHS England, and NHS Improvement to prepare for the significant increase in ICU equipment and consumables (such as ventilators, patient monitors, CT scanners, and many other high demand products) needed to equip the seven NHS Nightingale hospitals, and ongoing increased demand across Trusts.

Over the last year, we also identified a need to address the differences in the way we calculate and communicate customer savings, which differs to how our NHS customers calculate and recognise savings. Concluding the work as soon as possible in 2020/21 to deliver a customer-facing savings portal will be a priority for us.

Working together

The value of fostering flexible relationships with our customers, suppliers, and stakeholders has never been so clear. As we reflect on our past year's successes and challenges, we must build upon those relationships. This will help ensure we are positioned to deliver our long-term objectives, whilst supporting the accelerated transition to ICS working that is taking place as a consequence of Covid-19.

The Board

The last year saw us welcome a number of new directors to the Board of Supply Chain Coordination Limited. At the start of the year, Rob Houghton joined the Board of the company as a Non-Executive Director for Technology and Innovation. Rob brings a wealth of experience from over 20 years working in IT and change management in telecoms and financial services in major blue-chip corporations across the Middle East, US and Europe. Miranda Carter and Emily Lawson also joined the Board, and represent the interests of NHS Improvement and NHS England respectively, where Miranda is Director of Provider Development, and Emily is Chief Commercial Officer. Additionally, Colin McCready has been appointed Chief Finance Officer of SCCL, as well as being appointed as a director to the Board. Colin has an extensive history of driving transformational change and improving business operational performance across diverse environments..

Jin Sahota, our Chief executive officer informed the Board and colleagues that from 26 November 2020, he is stepping down from his role at SCCL, the management function of NHS Supply Chain. His decision comes at the conclusion of his assignment to design, create and operationalise a new national procurement route for the NHS. Under his leadership NHS Supply Chain was named the Best Commercial Project in 2019 at the Government Commercial Function Leadership Awards, and has grown its share of the market from 38% to 56% since its creation. Colin McCready, our CFO will act as CEO whilst the recruitment process for our first substantive CEO is ongoing.

Supply Chain Coordination Limited

Chairman and Chief Executive Officer's Report (continued)

Our role
2019/20 has shown the increasingly complex and challenging environment both we and our customers operate in. Therefore, our commitment to becoming more customer centric, flexible, and easy to do business with, is a key aspect of how we are defining our role as a national supply chain. This makes having a clear vision and unified purpose across our operations even more important. A key catalyst has been the development of our newly defined Purpose, which is "To proudly deliver supply chain excellence and best value to NHS customers and patients through innovation, service, and clinical expertise". This is guided by our Vision "To improve lives as the supply chain partner of choice for the NHS".

Achieving this will require active effort from our colleagues at all levels of our organisation. This is why we have worked closely with them to develop values that embody our role in the NHS. These values will help create a work environment that promotes ambition, innovation, respect, integrity, and being focused on the future.

Investing in our logistics network
As part of our Transformation Strategy, a key objective is the ongoing investment in our supply chain to ensure it is capable of supporting anticipated growth in a resilient and sustainable way. Throughout 2019/20 we have worked with our logistics provider Unipart, to develop a new 147,000 square foot regional distribution centre in Bury St Edmunds, which opened on 27 May 2020. This major investment will help us to meet the future needs of the NHS Supply Chain network and its customers, with capacity to accommodate a broader range of products, leading to efficiencies elsewhere in the network.

Delivering health sustainably
Over the last year we have been developing our strategy for delivering health sustainably. Our strategy sets out our four pillars for sustainable development, focusing on protecting human rights and labour standards; reducing waste through circular economy principles; reducing the use of plastic products and packaging, and supporting the NHS with its ambition to reduce carbon emissions by 51% by 2025. More detail is included in the sustainability section of these annual accounts, including how we have significantly reduced the use of single use plastics in some of our product ranges.

Our strategy
A key achievement over the past year has been the output of the work that has taken place with our supply chain partners and a number of NHS customers in developing our 3-5-year corporate strategy.

Our strategy focuses on delivering the long-term objectives to release £2.4bn savings back to the NHS frontline through increasing the number of NHS Trusts using our services. To achieve this, we are investing in our systems to improve our service flexibility and make it easier to work with us. We are focused on supporting the emerging Integrated Care Systems as they look to reconfigure care provision and drive further efficiencies. A further focus area is the role we can play in delivering improved patient care and clinical outcomes through working more closely with the clinical community.

Following the Covid-19 pandemic, the need for a resilient national system has never been clearer. Our strategy to investments in infrastructure and processes will be geared towards supporting that intent, as we remain the primary supply chain for the NHS.

Approved by the Board on 25 March 2021 and signed on its behalf by:

DocuSigned by:
Jim Spittle
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Jim Spittle
Chairman

Supply Chain Coordination Limited

Board Members

James Spittle, Chair

James (Jim) Spittle was appointed as our first independent non-executive Chair in September 2018. Jim has enjoyed a highly successful career as a retailer for over 20 years working in retail operations, procurement and supply chains. He has worked for leading brands, spending many years with Tesco plc, before moving to Kingfisher where he spent eight years as Group Supply Chain Director.

Since 2001, he has held several executive roles and non-executive director roles, including at Cranfield University Advisory Board, the Chartered Institute of Logistics and Transport and as Chair of GS1 UK. A global alliance that is recognised in 112 countries, GS1 UK has 28,000 member companies representing virtually every sector of the UK economy ranging from multinationals and the NHS to SMEs.

Colin McCready, Acting Chief Executive Officer and Chief Finance Officer

Colin joined SCCL as its Chief Finance Officer in December 2019. Colin joined from NHS Professionals (where he was the CFO and most recently interim CEO) where he led a transformation programme, delivering revenue growth, improved service delivery through technological investment and a more customer-focused organisation.

Prior to NHS Professionals, Colin held senior finance roles at public sector outsourcer Serco and professional services provider Control Risks.

A Chartered Global Management Accountant (CGMA) and Chartered Institute of Management Accountants (CIMA), Colin holds a Bachelor of Commerce (Finance Speciality) achieved at Queens University in Ontario, Canada.

Colin is acting as Chief Executive Officer whilst the recruitment process for our first substantive CEO is ongoing.

Heather Tierney-Moore OBE, Non-Executive Director

Heather Tierney-Moore has worked in healthcare for over 30 years, initially training as a Registered General Nurse.

Heather is an experienced Non-Executive Director with a portfolio of advisory positions. Most recently, Heather was Chief Executive of Lancashire Care NHS Foundation Trust, retiring in March 2019 after ten years in post. She has extensive clinical experience and has held a wide range of clinical leadership roles including Chief Nurse at Sheffield Teaching Hospitals NHS Foundation Trust and Nurse Director of Lothian NHS Board. Heather is currently Non-Executive Director for Community Integrated Care, a role she has held since 2016 and was Non-Executive Director of NHS Confederation from 2014-2016. She has also worked at national level on England and Scotland.

Heather Tierney-Moore was made Officer of the British Empire for services to Healthcare by the Queen in December 2001.

Steven Glew FCA, Non-Executive Director

Steven Glew is an experienced Finance Director with a wide range of experience covering retail, leisure and support services business. This broad experience includes supply chain, property, IT and HR leadership together with international business development. In 2006 Steven joined UKMail Group plc and in over ten years helped develop the business into the leading competitor to Royal Mail in the UK Postal market. His extensive experience of turnaround and growth situations started in 1994 as Finance Director of Tesco stores where he helped drive their transformation to leading UK retailer.

His non-executive experience includes helping guide the successful IPO of Supergroup plc, acting as Chair of the Audit Committee and membership of the Remuneration Committee.

Supply Chain Coordination Limited

Board Members (continued)

Heather Benjamin, Non-Executive Director

Heather Benjamin has led companies and served on boards of directors of private and commercial companies, not-for-profit organisations, and associations including regulated environments. This includes Cheque and Credit Clearing, Portsmouth Water and Walsingham Support. With expertise in logistics and supply chain for international supply chains along with her skills in developing and implementing strategies that grow revenues and funds and are outcome and high performance focussed, Heather will reinforce the commercial expertise currently sitting within NHS Supply Chain. During her time as Chief Procurement Officer at Centrica, Heather helped drive transformation of £10 billion per annum spend.

In 2016 Heather was identified as 'one of the Top 100 Women to Watch' by Cranfield University research programme.

Melinda Johnson, DHSC Commercial Director

Melinda Johnson joined the DHSC in June 2017 as Commercial Director following a period of five years as Group Commercial Director at the Department for Transport. Whilst at Transport Melinda was also Director of Property, Digital, Security and Information. Melinda joined the Civil Service in 2005 to be a Deputy Director in Commercial at the Department for Education where she held various commercial roles.

Melinda is a fellow of the Chartered Institute of Procurement and Supply (CIPS). Melinda's early buying career was in IT procurement in organisations such as National Power. Melinda has worked in the wider public sector as well as being Head of Policy at CIPS for three years. An advocate of CIPS, Melinda completed four years on the CIPS Board, following her role on CIPS Council, and was Chair of CIPS Congress.

Melinda holds an MBA and has a post graduate qualification in Marketing. She is a Non-Executive Director of the British Quality Foundation.

Robert Houghton, Non-Executive Director for Technology and Innovation

Rob has spent over 20 years working in IT and change management in telecoms and financial services and holds a BSc (Hons) in Information Technology. Previous roles have included Software Development for BT, senior management positions with CSC in the UK, Middle East and Africa and Aviva in the UK and US. He has seven years' experience at board level and an established track record of success in leading major transformational change.

Most recently, Rob took on the role of CEO of MS Amlin Business Services. This is a central services organisation operating IT, CyberSecurity, Data, Analytics, Investment and other services to the MS Amlin businesses and MSIJ group.

Rob is a regular speaker at technology and cyber security events around the world.

Supply Chain Coordination Limited

Board Members (continued)

Dr Emily Lawson, Director

Emily is the Chief Commercial Officer for NHS England and NHS Improvement. In this role, Emily oversees procurement, estates and other commercial functions across the health service. In addition, she holds responsibility for Corporate Operations, Primary Care Support Services and provides Executive leadership to the commercial income team, Accelerated Access Collaborative ("AAC") and the Innovation, Research and Life portfolio.

Emily joined NHS England as National Director for Transformation and Corporate Operations in November 2017 with responsibility for a range of enabling corporate operations, focusing on leading the transformation agenda for the organisation and the integration of NHS England and NHS Improvement.

A Molecular Geneticist by background, Emily has led a number of large-scale organisational change programmes. Before joining NHS England, Emily was Chief People Officer at Kingfisher plc where she was part of the international leadership team. Prior to that, she was Group HRD at Morrisons and spent 15 years at McKinsey, where she worked across a number of sectors leading on the effective development and deployment of human capital, and on transformation.

Emily is also a steering committee member of the 30% Club, which aims to increase representation of women on UK plc boards, and to research and support greater diversity in the UK and global institutions.

Miranda Carter, Director

Miranda Carter is Director of Provider Development at NHS England and NHS Improvement. In this role she is responsible for provider policy and provider transformation focusing on programmes to promote providers working as part of strong systems. She also oversees assurance to support significant mergers and acquisitions and oversight over material strategic changes in the provider sector.

Miranda joined Monitor in 2004 where she was responsible for the assessment of NHS foundation trust applications and reviewing NHS mergers and acquisitions.

A qualified chartered accountant, Miranda started her career at Deloitte working in the UK and Hong Kong. In 1997 she joined PricewaterhouseCoopers and spent four years in the Transaction Services Department in London focusing on due diligence assignments. Her portfolio of financial experience is wide-ranging and includes mergers and acquisitions, due diligence and initial public offerings ("IPOs").

Supply Chain Coordination Limited

Strategic Report for the Year Ended 31 March 2020

Background
Supply Chain Coordination Limited was set up with a clear long-term goal of releasing £2.4bn of savings into frontline healthcare. This will be achieved by gaining 80% market share of the clinical consumables and medical devices market and leveraging this buying power to deliver the right quality products, at the best possible price, to the NHS.

2019/20 Corporate Strategic Priorities
Each year, we set our annual corporate strategic priorities to ensure a coordinated approach across our entire supply chain for the coming year. Delivering these annual priorities brings us one step closer to achieving our long-term goals.

In 2019/20, we set out six corporate strategic priorities:

- deliver system benefits that result in £150m in-year incremental savings;
- serve our customers to grow revenue and attain 50% market share;
- assure quality through clinical and product assurance;
- balance our finances to ensure our investment and operational expenses are within our resource allocation;
- build a capable organisation through engagement with our colleagues; and
- transform our technology by commencing our three-year transformation programme.

Performance and delivery
Whilst we ended the financial year playing a significant role in the national response to Covid-19, throughout 2019/20, we significantly outperformed our annual business plan target for in-year incremental savings of £150m. We also grew our market share of the clinical consumables and medical devices NHS market from 48% at the end of 2018/19, to circa 56% at the end of 2019/20. This went well beyond our annual business plan target of 50%. Throughout the year, we engaged extensively with a range of customers to identify customer requirements, challenges, and opportunities to improve our customer offering. Our focus in the coming year, will be to work with our customers and our delivery partners to pilot and implement new service offers aligned to address the customer needs that were identified.

As part of our ambition to deliver savings and growth, we have driven greater transparency in pricing through the introduction of Buy Price = Sell Price to NHS Trusts, which we implemented at the beginning of the 2019/20 financial year. This has removed margin on products procured and sold to NHS Trusts through NHS Supply Chain. In addition, we have achieved strong performance across our logistics network, by delivering 99.1% of deliveries on time, and 99.0% of orders in full (against targets of 98.8% and 99.0% respectively).

Delivering improvements in our customer offering means investing in our systems today. We commenced our three-year transformation programme and delivered 80% of the key milestones on target. Key deliverables have included investment in a new product management software, along with major improvements to our IT Networks to link all the main NHS Supply Chain sites. We recognise that this is the start of a longer journey, and we have utilised feedback from our customers to design in solutions that meet their needs, in developing our order and warehouse management systems.

Investing in our network infrastructure to enable us provide products to an increased customer base has been a key part of our priority to serve the NHS. We have worked closely with our logistics provider, Unipart, to design and build a new 147,000 square foot distribution centre in Bury St. Edmunds which opened at the end of May 2020. Our investment in this warehouse will significantly expand our network capacity, enabling us to better fulfil our customers' orders.

We have acted on our commitment to quality assurance by setting up a process to ensure all new or re-procured procurement frameworks are clinically assured. Over the course of the last financial year we assured frameworks spanning 20% of our product catalogue. In addition, all of our sites are fully compliant to the level that would have been required should MDR have been implemented in May 2020. All sites have temperature management and monitoring in place with tested and approved protocols for batch recall.

In recognition of the different methodologies required by stakeholders, partners and customers to measure savings, we worked intensively with a small group of customers, during the year, to improve how we forecast and report savings. In the process, we developed interim manually generated Category Tower Service Provider ("CTSP") and customer savings reports which have been replaced by a customer self-service portal during 2020/21.

Delivering health sustainably

Delivering health sustainably is becoming increasingly important to our customers and the NHS. In 2019/20, we signed up to the NHS pledge to dramatically cut the amount of single-use plastic in hospitals. We have since delisted plastic straws and stirrers and replaced them with recyclable substitutes made from wood and paper. We have also developed four pillars of sustainable development that will influence our future operations. These pillars will ensure we strive to protect human rights and labour standards in the communities we operate within; reduce waste through circular economy principles; limit the use of plastic products and packaging; and support the NHS in its ambition to reduce carbon emissions by 2025.

Our future strategy and 2020/21 Corporate Strategic Priorities

Over the course of the last year, we worked with our delivery partners and customers to review and refresh our strategy. Our strategy was further refined following the Covid-19 outbreak. This refined strategy will help ensure we meet our long-term goals of £2.4bn savings and 80% market share, by better aligning our offering to meet the needs of our NHS customers; whilst supporting the NHS vision set out in the Long-Term Plan; and building supply chain resilience to respond to future health emergencies. In doing this, it has provided the direction needed to set out our corporate strategic priorities for 2020/21. These are:

- deliver Trusts savings and grow revenues, in line with NHS Trust activity;
- further enhance supply chain resilience for Trusts;
- enhance the clinical offer;
- build foundations for future growth;
- develop people;
- foster partnerships; and
- develop sustainably.

Our role in the COVID-19 response

From January 2020, we began to support the early set up of the national response to Covid-19. Whilst our usual role was to source and distribute PPE across the healthcare system, the rapid and sustained need for PPE products led Government to establish a separate dedicated PPE Supply Channel in March 2020. Working with Cabinet Office colleagues in the PPE Procurement Cell, and colleagues across the DHSC and NHS England and NHS Improvement leading policy and strategy for PPE distribution, we oversaw the set up of the dedicated PPE Supply Channel, delivered by Clipper Logistics, to distribute millions of items of PPE in support of frontline clinicians, before passing this over to DHSC.

Financial review

Financial results are shown in the Income Statement on page 35. The company had a profit before taxation of £150.6m (2019: £nil), which includes an exceptional absorption gain arising on acquisition of NHS Supply Chain of £182.6m.

Financial position is shown in the Statement of Financial Position on page 36. As at 31 March 2020, the company had net assets of £142.8m (2019: £21m).

Cash flow performance of the company is shown in the Statement of Cash Flows on pages 38 and 39. For the year ended 31 March 2020, the company had a net cash inflow of £47m, which was partly due to the acquisition of NHS Supply Chain, and also includes a repayment of £40m of the company's revolving credit facility. For the year ended 31 March 2019, the company had a net cash inflow of £158m, primarily relating to funding received in advance of 2019/20 which was used to fund working capital.

Key Performance Indicators ("KPIs")
The company uses a number of KPIs to track and measure its performance.

KPI	Target	Commentary
In-Year Savings Delivered	£150m	The company has achieved and over-delivered against its in-year savings target.
Market Share	50%	The company has achieved its market share target.
Customer Satisfaction Score	>8.0	The company has over-performed against its customer satisfaction score.
Deliveries On-Time	98.75%	The company has achieved against its target for on-time deliveries.
Colleague Engagement	71%	The company has achieved its colleague engagement target.
Financial Balance	>£0	The company has made a loss before tax, excluding exceptional items, during the year ended 31 March 2020.

The company did not have any KPIs for the year ended 31 March 2019.

Risk management
The company's approach to risk management is discussed in the Governance and Risk Report on pages 15 to 21.

Approved by the Board on 25 March 2021 and signed on its behalf by:

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Jim Spittle
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Jim Spittle
Chairman

Supply Chain Coordination Limited

Directors' Report for the Year Ended 31 March 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Principal activity

The principal activity of the company is the management and coordination of NHS Supply Chain services for the provision of everyday hospital consumables, clinical products, home-care and capital equipment and associated services and supplies. NHS Supply Chain supports the NHS and other healthcare organisations in England and Wales by providing end-to-end supply chain solutions. Supply Chain Coordination Limited is also responsible for overseeing and coordinating the procurement through the management of the 11 CTSPs, along with the logistics and IT providers, as well as ensuring the provision of reliable logistics services for the delivery of products to NHS Trusts. The company leverages the collective buying power of the NHS to provide and deliver clinically assured medical devices and clinical consumables at the best value, focussing on patient safety within the NHS, to meet the diverse needs of NHS organisations. In the prior year, the primary activity of the company was the management of the NHS Supply Chain operating model as an agent for the NHS BSA.

Directors of the company

The directors, who held office during the year, were as follows:

James Spittle

Jin Sahota (resigned 26 November 2020)

Heather Benjamin

Miranda Carter (appointed 26 July 2019)

Steven Glew

Robert Houghton (appointed 1 May 2019)

Michael Hyne (resigned 31 May 2019)

Melinda Johnson

Emily Lawson (appointed 26 July 2019)

Jeremy Marlow (resigned 11 July 2019)

Heather Tierney-Moore

Colin McCready (appointed 3 December 2019)

Jin Sahota, our Chief Executive Officer, stepped down from his role at the company on 26 November 2020. His decision comes at the conclusion of his assignment to design, create and operationalise a new national procurement route for the NHS. Under his leadership NHS Supply Chain was named the Best Commercial Project in 2019 at the Government Commercial Function Leadership Awards, and has grown its share of the market from 38% to 56% since its creation. The Board would like to thank Jin for his contribution.

The details of Board Directors who held office during the year and their remuneration are shown in the Remuneration Report on pages 22 to 28.

A register of company directorships and other significant interests held by Board members, which may conflict with their management responsibilities, is maintained by the company. The register is updated as and when members advise the Company Secretary of any changes in their circumstances. A positive signed declaration is made each financial year.

Details of indemnities provided to the Directors are included in the Governance and Risk Report on pages 15 to 21.

Dividends

The directors recommend a final dividend payment of £Nil be made in respect of the financial year ended 31 March 2020 (2019:£Nil). No dividends have been recognised as a liability in the financial statements.

Share capital

At the end of the financial year, the company had 21,000,001 shares and was wholly owned by the Secretary of State for Health and Social Care.

Business review

Fair review of the business

The company's financial results are shown in the Income Statement on page 35. The company has made a profit before taxation of £150,577,000, which includes an exceptional gain on absorption of £182,600,000 due to the acquisition of NHS Supply Chain (see note 4).

A review of the business and future developments is included in the Chairman and Chief Executive Officer's Report on pages 2 to 3 and the Strategic Report on pages 7 to 9.

A review of the company's key financial and other performance indicators during the year is included in the Strategic Report.

Governance, internal controls and risk management

The Board accepts and acknowledges that it is both accountable and responsible for ensuring that the company has in place appropriate and effective systems, procedures, policies and processes for internal controls.

Throughout the period covered by this report and up to the date of this report the Board believes that there have been appropriate governance and risk management frameworks in place. Where frameworks need to be more robust to maintain effective internal controls the Board has implemented additional processes whilst these frameworks are fully implemented and embedded.

Further information is disclosed in the Governance and Risk Report on pages 15 to 21.

Political and charitable donations

The company has not made any political or charitable donations during the current or prior period.

Employees
The company is committed to openness and transparency. Employees have access to information regarding company policies, business performance and other matters of concern to them as employees. The views of employees are considered when making decisions that might affect their interests through the established Colleague Engagement Forum.

All employees have access to a pension scheme. Details of the pension arrangements are set out in Note 25 to the financial statements.

Equality and diversity
The company maintains a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background. This includes equality in recruitment and ongoing promotion within the company.

The company supports the recruitment of staff with disabilities having full regard to their aptitudes and abilities. The company will offer individual support to staff who become disabled during their employment and, where appropriate, offer opportunities for retraining and redeployment.

Pension liabilities
Details of the pension liabilities and administration of the pension schemes are shown in note 25 to the financial statements. Further details on individual Directors' pensions and the associated schemes can be found in the Remuneration Report on pages 22 to 28.

Research and development
The company does not enter into research and development activities.

Going concern
The company's business activities, together with the factors likely to affect its future development and performance are set out in the Chairman and Chief Executive Officer's Report and the Strategic Report. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the annual report and financial statements, the forecasts have been reviewed, and sensitivity analysis applied. The assumptions modelled are based on the estimated potential impact of Covid-19 restrictions and regulations, along with proposed responses over the course of the next 12 months. The trading scenarios modelled are based on the impact of reductions in NHS activity, as well as the impact of further waves of Covid.

The company is wholly owned by the Secretary of State for Health and Social Care, who has provided a revolving credit facility to the Company, which is not repayable until 1 April 2023. The company also has a £5.5bn COVID Facility available to it, which is primarily used for the purchase of PPE and ICU consumables on behalf of DHSC repayable on 1 April 2023. The repayment of this facility will be funded by the sale of the PPE and ICU consumables to DHSC. In addition, the company will receive funding from its shareholder for the foreseeable future

The Directors believe that the company is well placed to manage its business risks successfully. Having reviewed the company's current financial position, sensitised cash flow projections and loan facilities and determined that there is no intention by DHS&C to discontinue the operational existence, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Important non adjusting events after the financial period
On 20 April 2020, the company drew down £85m from the existing Revolving Credit Facility, and the remaining £63m on 7 May 2020, primarily to aid with advance payments for consumables used in the Covid response.

On 20 May 2020, the Revolving Credit Facility of £250m provided to the company by the Secretary of State for Health and Social Care was renewed for repayment on 30 September 2021, further extended to 31 December 2021 on 23 October 2020 and further extended to 1 April 2023 on 17 February 2021.

On 20 May 2020, the company entered into a Covid Facility with the Secretary of State for Health and Social Care, for £2 billion, and due for repayment on 31 December 2021. This was further extended to £3.5 billion on 29 May 2020, to £4.5 billion in September 2020, and £5.5bn in November 2020 and the repayment date was extended to 1 April 2023 in February 2021.

Following the year end, the company has entered into a number of lease agreements for storage of PPE and ICU consumables related to the COVID response. The value of these leases amounts to £169m, for the contract term ending 31 March 2021.

Disclosure of information to the auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 25 March 2021 and signed on its behalf by:

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Jim Spittle
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Jim Spittle
Chairman

Supply Chain Coordination Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

The directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the company's position and performance, business model and strategy.

The directors confirm that to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the company; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the financial position of the company, together with a description of the principal risks and uncertainties that it faces.

Approved by the Board on 25 March 2021 and signed on its behalf by:

DocuSigned by:
Jim Spittle
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Jim Spittle
Chairman

Supply Chain Coordination Limited

Governance and Risk Report

The company is committed to achieving high standards of business integrity in all its activities and was accountable to its Board and shareholder, the Secretary of State for Health and Social Care in this respect during the financial year ending 31 March 2020. The company understands that it is still the intention for its shareholding to move to NHS Improvement but the timetable for this has slipped as a result of the COVID-19 response.

The company is not required to comply with the UK Corporate Governance Code, September 2018 (the Code), however the Board recognises that this represents good practice and seeks to comply with the Code in so far as is practicable. There no areas where non-compliance has been identified.

The Board

The Board sets the strategic direction of the company, ensuring that resources are available to enable the company to meet its objectives.

All directors are involved in, and responsible for leading and steering the company on business strategy, development, oversight and control, and corporate governance. The Board also sets the strategic aims.

The Board delegates day-to-day responsibility for the management of the company to the Executive Management Team, although a number of matters are reserved for the Shareholder and/or the Board. The Board has sufficient engagement with the business to allow it to lead the company with an in-depth understanding of its strengths and capabilities, and the challenges it faces.

The Board and the Shareholder reviewed the financial delegated responsibilities within the governance structure to ensure that there is sufficient oversight of all key aspects of the business, with well-established reporting lines and accountability.

The Shareholder and/or the Board approve:

- the annual business plan;
- the annual budget; and
- matters of major strategic importance.

The Board also oversees operational and financial performance, risk management and internal controls, compliance and major policy issues and the corporate risk register on a regular basis.

There are two Board Committees that support the work of the Board and enable Non-Executive Directors to share their expertise more widely with the Executive Management Team. A Non-Executive Director chairs each of the Board Committees. The work of these Committees continues to be reviewed to ensure that they focus on strategy, policy and governance, and add value and expert knowledge and oversight to these areas. Committee terms of reference have been reviewed and approved by each Committee.

Set out below is a summary of the role and composition of the Board and its Committees, with details of membership and attendance.

Board of Directors

The Board of Directors is responsible for developing strategy and leading the company to achieve long-term success.

During the financial year ending 31 March 2020, the Board comprised the Chairman, three Departmental Directors (one appointed by the Shareholder, one by NHS England and one by NHS Improvement), four independent Non-Executive Directors, the Chief Executive Officer and Chief Finance Officer.

The Board has a formal schedule of matters reserved for the Shareholder which are outlined within the Articles of Association. Defined terms of reference have been approved for the Board and each of the Board Committees. Formal documentation of powers delegated to the Executive Management Team and clear reporting lines ensure that the Board receives all relevant information about the business, and that decisions are made by people at the right level with the authority to do so.

Membership and attendance: There were six scheduled Board meetings during the financial year. Those meetings were attended by: Heather Benjamin (6/6), Miranda Carter (4/4), Steven Glew (6/6), Rob Houghton (6/6), Michael Hyne (1/1), Melinda Johnson (6/6), Emily Lawson (4/4), Jeremy Marlow (1/1), Colin McCready (2/2), Jin Sahota (5/6), James Spittle (6/6) and Heather Tierney-Moore (5/6).

**Attendance is shown in brackets against the available meetings that members could attend*

Remuneration and Benefits Committee
The Committee reviews and agrees reward policy principles for all people and executive remuneration and appointments as required and make recommendations to the company on all aspects of the performance, remuneration and terms of service.

Membership and attendance: There were four scheduled Committee meetings during the financial year. Those meetings were attended by: Heather Benjamin (4/4), Melinda Johnson (4/4) and Heather Tierney-Moore (3/4).

**Attendance is shown in brackets against the available meetings that members could attend.*

Audit and Risk Committee
The Audit and Risk Committee is responsible for the oversight of financial and narrative reporting, internal control, risk management systems, internal and external audit processes.

The Committee has an annual cycle of business to ensure that all aspects of the duties are covered. The Committee also reviews the Annual Report and other published information for regulatory compliance. It assesses the performance of the external auditors annually. It also monitors the external auditors' independence.

The main responsibilities of the Committee are:

- to monitor the integrity of the company's financial statements, processes and systems, internal and external audits and compliance and whistleblowing procedures; and
- to make recommendations to the Board on the adequacy and effectiveness of internal control and risk management systems.

Membership and attendance: There were six scheduled Committee meetings during the financial year. Those meetings were attended by: Steven Glew (6/6) (Chair), Miranda Carter (1/1), Michael Hyne (0/1) and Heather Tierney-Moore (6/6).

**Attendance is shown in brackets against the available meetings that members could attend*

Executive Management Team
The Executive Management Team is responsible for the ongoing management of the company, considering day-to-day operational matters for running the business. The diversity and experience of the Board and Executive Team are essential to the effective leadership and success of the company.

The Executive Management Team is made up of 12 executives from across the business and meets monthly to review the company's performance.

Chairman and Chief Executive Officer
The roles of the Chairman and the Chief Executive Officer are distinct and have been agreed by the Board. The Chairman chairs the Board and general meetings of the company, sets the agenda of such meetings and promotes the highest standards of integrity, probity and corporate governance throughout the company. He ensures that the Board receives timely and clear information, communicates effectively with the Shareholder Director, Shareholder and significant customers, and facilitates the effective contribution of Non-Executive Directors and constructive relations between Executive and Non-Executive Directors.

The Chief Executive Officer is accountable for the day-to-day management of the company.

Board diversity
Appointments are made first and foremost based on merit, using objective criteria and taking into account the recognised benefits of all types of diversity and inclusion. The Board will continue to ensure this is taken into account when considering any new appointments. This is supported by the terms of reference of the Remuneration and Benefits Committee which state that potential candidates for the Board should be considered on merit and against objective criteria with due regard for the benefits of diversity and inclusion on the Board, including gender.

Subject to that overriding principle, the Directors believe that the Board's perspective and approach can be greatly enhanced through gender, age and cultural diversity. The Chair, together with members of the Remuneration and Benefits Committee, evaluates the composition and range of skills on the Board.

Board changes
During 2019/20, there were a number of changes to the Board. Rob Houghton joined the Board of Directors in May 2019. Michael Hyne and Jeremy Marlow resigned in May and July 2019 respectively when they left the employment of NHS Improvement and were replaced in July 2019 by Miranda Carter and Emily Lawson. Colin McCready joined the company (and, therefore, the Board) in December 2019 as Chief Finance Officer.

Directors' conflicts
The Companies Act 2006 provides that directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with a company's interests. Any potential conflict of interest between the role of an officer working for the DHSC, NHS Improvement and/or NHS England and their role as either a Director or his or its representative in the company is registered and managed in an appropriate way.

Where potential conflicts exist, these are recorded in the Board or Board Committee minutes, along with any appropriate action taken to address them. All Board members have completed the Register of Directors' Interests.

Directors' and Officers' liability insurance
The company is a member of the NHS Resolution Risk Pooling Scheme which includes Directors' and Officers' liability as permitted by the Companies Act 2006.

Openness and transparency
The company's whistleblowing policy has been in place since September 2018. A 24-hour confidential reporting line is in place so that our people can raise concerns at any time. The Audit and Risk Committee receives a regular update on whistleblowing.

Risk governance
The Board is responsible for the company's systems of internal control and risk management and for reviewing each year the effectiveness of those systems. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The system can provide only reasonable, and not absolute, assurance against material misstatement or loss. The process in place for reviewing the systems of internal control includes procedures designed to identify and evaluate failings and weaknesses.

The Audit and Risk Committee is responsible for overseeing the effectiveness of risk management and internal control systems and regularly assess the principal risks facing the company.

Risk management framework
Risk management is the formal process of identifying and mitigating risk. It enables the company to identify the possibility of future events happening which will impact the achievement of objectives, as well as the controls in place to mitigate this and develop action plans which will enable us to make better business decisions that take into account the effect of uncertainty (positive or negative).

The company is committed to creating and enabling a risk management culture that seeks to enhance the value delivered to customers, position the company for growth and protect our reputation. Thinking about risk consciously and managing it in a planned and effective way will support our objective of delivering a consistently good service.

Principal risks are reviewed at Board level and at the Audit and Risk Committee.

The Executive Management Team is responsible for delivering the company's strategy and managing risks which may prevent this being achieved. The Executive Management Team in turn place reliance on their teams to monitor and manage operational risks on an ongoing basis, as well as identifying emerging risks. Since the start of the new financial year, the company has introduced a risk steering committee made up of members of the Executive Management Team and the senior leadership team that regularly reviews all risks and recommends areas of focus and concern to the wider Executive Management Team.

Functional risk registers provide a framework for people to feed into this process, recognising their shared responsibility for effective management of risk in delivering our strategy. At an operational level, risks are reviewed together with the level of control necessary to mitigate, where possible, the level of risk.

The financial impact of certain risks has been transferred through insurance arrangements. The company is a member of the NHS Resolution Risk Pooling Scheme (Previously NHS Litigation Authority), which covers third party and employer liabilities, and property-related risk exposure.

Principal risks

As at 31 March 2020, the company's principal risks included the following:

- Consistent recognition of savings - the risk that savings on products and services will not be recognised by Trusts;
- IT security - the risk that the company suffers a loss of IT services or system(s) that are critical to its operational services, and that these cannot be restored within the planned SLA timescales;
- EU Exit transition - the risk that an unstructured exit from Europe impacts supply chain activity adversely;
- Long term funding - the risk that funding over the longer term will be insufficient for the company to have the capacity and capabilities needed to serve an increased market share;
- Failure of inbound supply chain - the risk that the company will not be able to source and supply a critical product or service required by customers;
- Failure of outbound supply chain - the risk of a failure in the outbound supply chain such that the company will not be able to supply products to a significant proportion of customers for a 24 hour period or longer; and
- Transformation - the risk that the ambitious transformation plan cannot be delivered at the pace needed to meet SCCL's strategic objectives.

Since the start of the new financial year, the company has been involved in the response to the COVID-19 outbreak, whilst the risk of such an outbreak was not included as a principal risk on the register, the company has regularly reviewed the effectiveness of its business continuity plan which was put in place to mitigate the risk of business interruption.

Financial risk management

The company's cash assets are held within the Government Banking Service. The company does not hold investments other than cash and does not utilise financial instruments in its operations.

The company's trade receivables are primarily with a large number of customers which are mainly government funded entities, and are short-term in nature.

The company manages liquidity risk by continuously monitoring cash flow requirements and managing the borrowings provided by the Secretary of State for Health and Social Care.

Internal controls

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of the company.

During 2019/20, the organisation has continued its transformation. Internal controls have been in place to ensure compliance by staff of all applicable polices. A team manages this on a day-to-day basis including the use of a quality management system. This should ensure that the internal controls in the next financial year are more robust.

The Audit and Risk Committee monitors the effectiveness of controls through the receipt of written and verbal reports from functions, Executive Management Team members, internal auditors and the external auditors as appropriate.

Internal audit

Internal audit plays a key role in providing independent assessment and challenge of the governance, risk and internal control frameworks of the company.

In the financial year ending on 31 March 2020, the company had appointed the Government Internal Audit Authority ("GIAA") as our internal auditors, supported by KPMG. In the new financial year, the company has retained KPMG who now operate without the supervision of GIAA, however, this decision was made with the support of GIAA.

Internal audit provide update reports to each Audit and Risk Committee with key findings from completed reviews as well as an update on the status of implementation of agreed management actions. Further, they provide an annual report in relation to the organisation's framework of governance, risk management and internal control. They delivered an internal audit plan for the year ending 31 March 2020 which resulted in six completed reports. Those reports resulted in a number of actions that are being taken forward by the Executive Management Team and reported on to the Audit and Risk Committee. A plan has been agreed for internal reviews for the new financial year. The annual report produced by the Head of Internal Audit gave the company a rating of limited meaning that there were considered to be weaknesses in the framework of governance, risk management and control. However, the internal auditors have confirmed that this was not to be unexpected in a company as newly formed as the company and where the reviews were specifically chosen to cover areas where there were either potential or known issues. This allowed the company to identify any further issues and leverage examples of best practice from other organisations. All recommendations from the various reports are either complete or being actioned and the Audit and Risk Committee reviews progress of these actions on a regular basis.

Fraud detection and investigation

Fraud is a pervasive corporate problem, affecting organisations of all sizes. The cost of fraud can be very high, both from actual money lost and the consequent erosion of public confidence. It is best practice that organisations have controls and processes for ensuring that fraud is prevented as far as possible, and that any fraud that does occur is detected quickly and dealt with appropriately.

Our controls and processes are designed to reduce the company's exposure to risks of internal fraud and support our external clients to reduce fraud and the resulting losses. We achieve our aims through three key themes: Acknowledge, Prevent and Pursue. These themes exist within the overall context of an anti-fraud culture promoted by the company through its leaders, governance arrangements and general approach to fraud.

Acknowledge - Acknowledging and understanding fraud risks:

- committing support to tackling fraud;
- being clear on what we are seeking to combat - we are clear about what constitutes fraud, bribery, theft and financial malpractice/irregularities; and
- assessing and understanding the risks - we are proactive in assessing and responding to the risks of fraud and corruption to which SCCL is exposed.

Prevent - Preventing and detecting fraud:

- having an effective anti-fraud culture - we take a professional, integrated and proactive approach to countering fraud and are clear about the roles and responsibilities of our staff, partners and contractors;
- we have controls and processes which underpin the operations of SCCL and has constituent elements which exist to help protect the company against fraud. This includes documented policies and procedures to guide behaviour;
- awareness is essential in ensuring that staff understand the importance of tackling fraud, are able to recognise fraud and abuse, and know how and where to report suspicions of fraud; promotion of the company's robust stance against fraud and corruption should also be made to members of the public, contractors and partners to whom we work with to deliver services; and
- making use of information and technology to safeguard company assets.

Pursue - Being robust in pursuing and punishing fraud and recovering losses:

- taking integrated action to investigate fraud;
- pursuing appropriate and proportionate sanctions to punish those committing fraud;
- seeking redress to recover losses;
- learning from our experiences and those of others and taking remedial and positive action to improve controls to prevent future fraud losses; and
- collaborating with other agencies including the police.

Information governance and General Data Protection Regulation ("GDPR")

Supply Chain Coordination Limited places a high priority on the protection of information and its secure handling. The implementation and maintenance of appropriate levels of information security good practice is recognised as a key business requirement, especially with regard to personally identifiable information ("PII") and compliance with GDPR.

Good data governance enables the company and the NHS Supply Chain to deliver the benefits of uninterrupted services that it provides, reassures users and patients that personal data entrusted to the NHS Supply Chain by them is kept secure and used appropriately, avoids reputational damage and the payment of penalties, or additional costs, resulting from an incident caused by poor information security practices, and demonstrate to peers, including customers, the NHS and Government authorities, that the organisation is meeting legislative and governance requirements.

Working with the constituent parts of NHS Supply Chain, the company continues to update and improve its control framework that targets good practice and leverages the global security experience and insight of DXC as our IT Service Partner, guidance issued by NHS Digital and recommendations from the National Cyber Security Centre. To that end, we submitted the Data Security and Protection Toolkit assessment at the end of March along with DXC and all service provider organisations achieved Cyber Essentials.

A Security Governance Forum was created and regularly brings together all security representatives from across the whole NHS Supply Chain organisation to review security metrics and on-going projects and changes.

Membership of the Information Security Forum provides access to a comprehensive set of resources, which have been used to help in the on-going improvement of our security controls and related core processes, including risk management. Risk management techniques are used to validate control selection and threat intelligence is utilised to focus priorities. Using an effective control framework, users are made aware of their roles, responsibilities and accountabilities and on-going education maintains a level of awareness of the need for Information Security as an integral part of the day-to-day business.

The company is registered as a Data Controller with the Information Commissioner and complies with the legislative requirements. There were no significant reportable information incidents during the year.

Slavery and Human Trafficking Statement

The company fully supports the Government's objectives to eradicate modern slavery and human trafficking and recognises its role in both combatting it and supporting victims. We are strongly committed to ensuring our supply chains and business activities are free from ethical and labour standards abuses.

We confirm the identities of all new employees and their right to work in the United Kingdom, and our policies additionally give a platform for our employees to raise concerns about poor working practices.

Our employees can raise concerns about inappropriate activity with us directly and confidentially through the whistleblowing line. We consider any concerns for further investigation and offer support to individuals that have suffered fiscal or professional detriment as a result of whistleblowing.

Our procurement approach follows good practices such as the Crown Commercial Service standard, which includes a mandatory exclusion question regarding the Modern Slavery Act 2015. When procuring goods and services, we expect our suppliers to comply with the Modern Slavery Act 2015.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and applies to Supply Chain Coordination Limited.

Supply Chain Coordination Limited

Remuneration Report

Remuneration Policy
This Remuneration Report covers members of the Supply Chain Coordination Limited Board. The following elements of the Remuneration Report in respect of the Directors are subject to audit:

- salaries (including performance pay) and allowances;
- compensation for loss of office;
- non-cash benefits;
- pension contributions;
- contract length; and
- amounts payable to third parties for the services of senior managers.

The Articles of Association state that the Secretary of State for Health and Social Care, or any senior civil servant acting with the Secretary of State's authority, must approve all appointments to the Board. The Secretary of State is represented by the Shareholder Director.

The Remuneration and Benefits Committee keeps the Board's skill and experience base under continued review, oversees searches and selection processes for new directors and recommends new appointments to the Board. The remuneration and terms and conditions of the Chair and all directors are approved by the Shareholder, taking into account relevant market data and benchmarking against other similar positions.

During the year, there have been two Board director appointments that have been managed through open competition - one Non-Executive Director and the Chief Finance Officer. A firm of recruitment consultants managed the recruitment process for both positions. The Board also approved two replacement Stakeholder Directors from NHS Improvement and NHS England, and a further two-year secondment extension for the Chief Executive Officer.

The Remuneration and Benefits Committee oversees appropriate contractual arrangements for our people.

Executive salary surveys and periodic assessments are conducted by independent remuneration consultants. Affordability is also taken into account. Uplift to salary for Directors is approved at the Remuneration and Benefits Committee which is attended by the Shareholder Director.

Supply Chain Coordination Limited is not bound by NHS pay-scales. Year two salary awards and terms and conditions applying to NHS staff groups, with protected NHS terms were applied in-year following the acceptance of changes to the Agenda for Change framework in 2018.

The DHL staff who transferred from DHL NHS Supply Chain to Supply Chain Coordination Limited at various points through 2018/19 have annual bonus and commission-related pay scheme in place.

In May 2019 the Board approved a revised reward framework for newly appointed Supply Chain Coordination Limited employees which included an annual bonus scheme.

The annual bonus and commission-related pay arrangements are subject to various over-performance and stretch criteria and were paid on achievement in August 2020, related to the 2019/20 financial year. For members of the Executive Management Teams and senior leaders, a portion (20%) of leadership's annual bonuses will be deferred each year and released pending on target company performance in the subsequent year, to encourage responsible and sustainable growth. Although the organisation achieved the required performance thresholds to pay bonus, the Executive Management Team surrendered their annual bonus payments, including the deferral element, in recognition of the unprecedented times being experienced across the wider healthcare landscape and economy.

Company structure
The company's organisation structure was established from 1 April 2018. The final TUPE transfer from DHL NHS Supply Chain completed on 1 April 2019. The Executive Management Team continue to regularly review the existing operating model to ensure that it is able to deliver the ongoing strategic priorities of the company.

Supply Chain Coordination Limited

Remuneration Report (continued)

Service contracts

The individual contracts for Non-Executive Directors set out the fees and duration for their term of office. Fees are not pensionable. There is also no compensation provision for early termination. Notice periods are shown in the table below.

Director	Date of Appointment as Company Director	Unexpired Term (months) as at 31/03/20	Notice Periods
Chair and Non-Executive Directors			
James Spittle	17 Sep 2018	18	Initial period of 3 years. Either party can give 1 months' notice.
Steven Glew	01 Dec 2018	20	Initial period of 3 years. Either party can give 1 months' notice.
Heather Benjamin	01 Dec 2018	20	Initial period of 3 years. Either party can give 1 months' notice.
Heather Tierney-Moore OBE	01 Dec 2018	20	Initial period of 3 years. Either party can give 1 months' notice.
Robert Houghton	01 May 2019	25	Initial period of 3 years. Either party can give 1 months' notice.
Executive Directors			
Jin Sahota	25 Jul 2017	18	The CEO is an employee of the Cabinet Office and has been seconded to SCCL until 30 September 2021, however resigned on 26 November 2020. The company is recharged for all employment and expense costs. Any potential conflict of interest is registered and managed in an appropriate way (see Directors' conflict section).
Colin McCready	03 Dec 2019	n/a	Six months
Shareholder and Stakeholder Directors			
Melinda Johnson	04 Jan 2018	n/a	The Shareholder Director is a senior civil servant at the DHSC and receives no remuneration from the company. There were also no recharges. Any potential conflict of interest is registered and managed in an appropriate way (scc Directors' conflict section).
Emily Lawson	26 Jul 2019	n/a	The Company Director is an employee of NHS England ("NHSE") and receives no remuneration from the company. There were also no recharges. Any potential conflict of interest is registered and managed in an appropriate way (see Directors' conflict section).

Supply Chain Coordination Limited

Remuneration Report (continued)

Director	Date of Appointment as Company Director	Unexpired Term (months) as at 31/03/20	Notice Periods
Miranda Carter	26 Jul 2019	n/a	The Company Director is an employee of NHS Improvement ("NHSI") and receives no remuneration from the company. There were also no recharges. Any potential conflict of interest is registered and managed in an appropriate way (see Directors' conflict section).

For directors in office as at 31 March 2020, the details of service contracts, unexpired term and notice periods are shown in the previous table. Early termination, other than for misconduct, would result in the individual receiving compensation.

There are no other service agreements, letters of appointment or material contracts, between the company and any of the directors. There are no arrangements or understandings between any director and any other person pursuant to which any director was selected to serve. There are no family relationships between the directors.

Remuneration of Board members

The following table provides details of the remuneration and pension of Board members in post during the reporting period.

FY19/20	Salary £000 (Bands of £5,000)	Bonus £000 (Bands of £5,000)	Benefits in Kind £ (1)	Pension Contribution £000 (2)	Total Remuneration £000 (Bands of £5,000)
Chair and Non-Executive Directors					
James Spittle	50-55	nil	nil	nil	50-55
Steven Glew	25-30	nil	nil	nil	25-30
Heather Benjamin	25-30	nil	nil	nil	25-30
Heather Tierney-Moore (OBE)	25-30	nil	nil	nil	25-30
Robert Houghton (3)	20-25	nil	nil	nil	20-25
Executive Directors					
Jin Sahota (4)	210-215	nil	nil	0-5	215-220
Colin McCready (5)	55-60	nil	nil	5-10	60-65
Stakeholder Directors					
Melinda Johnson	n/a	n/a	n/a	n/a	n/a
Jeremy Marlow (6)	n/a	n/a	n/a	n/a	n/a
Michael Hyne (7)	n/a	n/a	n/a	n/a	n/a
Emily Lawson (8)	n/a	n/a	n/a	n/a	n/a
Miranda Carter (9)	n/a	n/a	n/a	n/a	n/a

Supply Chain Coordination Limited

Remuneration Report (continued)

(1) Benefits are noted to the nearest £100.
(2) Employer pension contributions relate to employer contributions to the LGDCPS and NEST Pension Scheme. Contributions are shown in Note 10. The company is expecting reimbursement of amounts paid to the incorrect scheme.
(3) Appointed on 1 May 2019: wteote equivalent (WYE) range c45,000-55,000 - for comparative purposes only.
(4) On secondment until 30 September 2021. Remuneration is charged to SCCL by the Cabinet Office. Pension contributions relate to the payments that should have been made had enrolment in the correct pension scheme taken place at the correct date. Pension contributions made in FY2018/19 and FY 2019/20 are expected to be refunded in FY2020/21.
(5) Appointed on 3 December 2019: wteote equivalent (WYE) range c170,000-175,000 - for comparative purposes only.
(6) Resigned 11 July 2019: No remuneration to disclose for the period.
(7) Resigned 31 May 2019: No remuneration to disclose for the period.
(8) Appointed on 26 July 2019: No remuneration to disclose for the period.
(9) Appointed on 26 July 2019: No remuneration to disclose for the period.

The following table provides details of the remuneration and pension of Board members in post during the prior reporting period. Jin Sahota's 2018/19 pension contributions have been restated to show nil.

FY18/19	Salary £000 (Bands of £5,000)	Bonus £000 (Bands of £5,000)	Benefits in Kind £ (1)	Pension Contribution £000 (2)	Total Remuneration £000 (Bands of £5,000)
Chair and Non-Executive Directors					
James Spittle (3)	25-30	nil	nil	nil	25-30
Steven Glew (4)	5-10	nil	nil	nil	5-10
Heather Benjamin (4)	5-10	nil	nil	nil	5-10
Heather Tierney-Moore OBE (4)	5-10	nil	nil	nil	5-10
Timothy Nolan (5)	10-15	nil	nil	nil	10-15
Executive Directors					
Jin Sahota (6)	195-200	10-15	nil	nil	210-215
Michael Parr (7)	105-110	nil	nil	5-10	110-115
Stakeholders Directors					
Melinda Johnson (8)	n/a	n/a	n/a	n/a	n/a
Jeremy Marlow (9)	n/a	n/a	n/a	n/a	n/a
Michael Hyne (10)	n/a	n/a	n/a	n/a	n/a
Paul West (11)	n/a	n/a	n/a	n/a	n/a

(1) Benefits are noted to the nearest £100.

(2) Employer pension contributions relate to employer contributions to the NHS Pension Plan and PCSPS. Contributions are shown in Note 10 Directors' remuneration.

(3) Appointed on 17 September 2018: wteote equivalent (WYE) range c45,000-55,000 - for comparative purposes only.

(4) Appointed on 1 December 2018: wteote equivalent (WYE) range c20,000-30,000 - for comparative purposes only

(5) Resigned 26 November 2018: wteote equivalent (WYE) range c20,000-30,000 - for comparative purposes only

(6) On secondment until 31 March 2020. Salary is recharged. Pension has been restated from £25,000-30,000 to nil, due to being incorrectly enrolled in the Alpha Pension Scheme. A refund for the contributions is expected in FY2020/21.

(7) Resigned 30 August 2018: Salary includes a payment in lieu of notice amounting to £55,000 - WYE range c105,000-110,000 - for comparative purposes only.

(8) Appointed on 4 January 2018. No remuneration to disclose for the period.

(9) Appointed on 27 February 2018 and resigned on 11 July 2019: No remuneration to disclose for the period.

(10) Appointed on 14 June 2018 and resigned on 31 May 2019: No remuneration to disclose for the period.

(11) Resigned on 14 June 2018: No remuneration to disclose for the period.

Salary includes gross salary, overtime and any allowances to the extent that it is subject to UK taxation excluding voluntary settlements. The monetary value of benefits in kind covers any payments or other benefits provided by the company, which are treated by HM Revenue and Customs as a taxable emolument.

Total remuneration for the directors was £427,893.42 (2019: £89,091.96). This includes the salary of the Chief Executive Officer, which is charged to Supply Chain Coordination Limited by the Cabinet Office. In 2018/19, the salary of the CEO was charged to the company by the Cabinet Office, but then recharged to the Procurement Transformation Project ("PTP") by Supply Chain Coordination Limited and therefore did not impact the financial results of the company.

Median earnings

Reporting bodies are required to disclose the relationship between the remuneration of the most highly paid individual in their organisation and the median earnings of the organisation's workforce. The table below details median earnings for the company.

	2019/20	2018/19
Highest earner's total remuneration (£000) (1)	210-215	210-215
Median total remuneration (£)	46,610	49,242
Ratio	4.77	4.32

(1) Salaries for senior management are disclosed in bands of £5,000 in accordance with EPN 430 Guidance. The mid-point of this band is used for the purposes of calculating the ratio of earnings of the highest paid director to median earnings.

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include voluntary settlements, employer pension contributions and the cash equivalent transfer value of pensions.

The median earnings calculation does include agency workers or other non-permanent workers for the year ended 31 March 2020. For the year ended 31 March 2019, agency workers and other non-permanent workers were not included in the median earnings calculation.

Pension

NHS Pension Scheme

Pension benefits are provided through the NHS Pension Scheme ("NHSPS") for any employees who TUPE transferred from NHS BSA to Supply Chain Coordination Limited on 1 April 2018 and for employees with New Fair Deal protection as former NHS employees who TUPE transferred from DHL NHS Supply Chain to Supply Chain Coordination Limited on either 1 October 2018, 1 December 2018 or 1 April 2019 and who were not prohibited from re-joining the NHSPS.

No current Board members have an interest in the NHS Pension Scheme.

Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the company of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every four years. As a result, the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation. Full details of this are included in Note 25 to the financial statements.

Civil Service Pension Scheme

Pension benefits are provided through the Civil Service Pension Scheme for any employees who TUPE transferred from DHL NHS Supply Chain to Supply Chain Coordination Limited on either 1 October 2018, 1 December 2018 or 1 April 2019 with Fair Deal protection as former Civil Servants.

No current Board members have an interest in the Civil Service Pension Scheme.

Details of the benefits payable and rules of the Schemes can be found on the Civil Service Pensions website at www.civilservicepensionscheme.org.uk. The scheme is an unfunded, defined benefit scheme that covers Government Department employers and other bodies, allowed under the direction of the Cabinet Office. The scheme is not designed to be run in a way that would enable companies to identify their share of the underlying scheme assets and liabilities.

Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the company of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every four years. As a result, the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation. Full details of this are included in Note 25 to the financial statements.

Federated Pension Plan

Pension benefits are provided through the Federated Pension Plan ("FPP") for any employees as former NHS employees who TUPE transferred from DHL NHS Supply Chain to Supply Chain Coordination Limited with New Fair Deal protection on either 1 October 2018, 1 December 2018 or 1 April 2019. The FPP is a broadly comparable pension scheme provided to members who are unable to re-join the NHS Pension Scheme (e.g. due to being over 60 at the time of TUPE transfer or if in receipt of their pension benefits from the NHSPS).

No current Board members have an interest in the Federated Pension Plan.

The benefits payable under the scheme are broadly comparable to those provided by the NHSPS. Further details can be obtained from PAN TRUSTEES LLP, the trustees of the Plan. The Scheme is a funded defined benefit pension scheme used to enable NHS employers, GP practices and other bodies, to provide pension benefits to employees who would have re-joined the NHSPS but are unable to as they were either over age 60 when their employment commenced or were in receipt of their pension benefits.

Whilst the scheme is fully sectionalized, the presence of at least one other “non-associated” employer in the same section of the scheme means that it is not possible for individual companies in the same section to identify their individual shares of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every three years. As a result, the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation. Full details of this are included in Note 25 to the financial statements.

NEST

People employed directly by Supply Chain Coordination Limited on or after 1 April 2018 or who transferred from DHL NHS Supply Chain without New Fair Deal pension protection are not eligible to be members of the NHS Pension Scheme, Civil Service Pension Scheme or Federated Pension Plan and are automatically enrolled in the workplace pension scheme provided by NEST, unless they decide to opt out.

NEST is a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts in relation to the period covered by these accounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

Under legislation governing auto enrolment, for the financial year 6 April 2019 to 5 April 2020, employees are required to contribute a minimum of 3% p.a. of their Qualifying Earnings. Employees have the option to increase their contributions up to a maximum of 6% p.a. SCCL pays double the contribution rate selected by each employee, up to a maximum of 12%.

In April 2018, the company put in place a Life Assurance Plan to provide a lump sum benefit payable on a member's death at a multiple of four times basic salary. For employees who opt out of the pension arrangements, the Life Assurance Plan will provide a lump sum benefit payable on an employee's death at a multiple of one times basic salary.

One Board member has an interest in the NEST Pension Scheme.

Supply Chain Coordination Limited

Sustainable Development Strategy

During our first year of integrated operation with the NHS Supply Chain, we have continued with the corporate social responsibility approach that was embedded within the organisation previously running the NHS Supply Chain. As Supply Chain Coordination Limited, we will redefine those objectives to meet the evolving expectations of our stakeholders, have clear metrics in place to monitor progress, and connect our Corporate Social Responsibility ("CSR") objectives to the company culture.

During 2019/20 we recruited a supplier resilience and sustainability manager to continue the existing programme of work across our logistics network and buying teams. Our focus in this first year was to maintain the inherited standards and compliance with regulatory requirements. The areas of work already ongoing include:

- Reducing carbon emissions: our haulage vehicles meet the most stringent emissions standards for Europe;
- Reducing waste: we collect and recycle packaging materials within our warehouse operations;
- Safeguarding natural resources: we embed appropriate regulations and government pledges into our procurement activities. For example, we created a programme to replace all 'virgin white' copier paper used by the NHS with a recycled alternative saving on energy in production, water usage and trees;
- Behaving ethically and responsibly: including utilising the Labour Standards and Assurance Scheme (LSAS) within our buying practises, and adhering to the UK Modern Slavery Act 2015;
- Contributing to the development of local communities: supporting Small and Medium Enterprises (SME), and promoting diversity as a strength within our business. Over the course of the year, we were delighted to have exceeded the government target for SME participation in the business, reaching 35% compared to the target of 33%. We have also encouraged our employees to select and support a charity - Macmillan was the charity chosen and supported by the business for 2019/20.

KPI - Sustainability Performance Indicators
Supply Chain Coordination Limited's sustainability strategic intent is based on four key pillars; (1) Human Rights and Labour standards, (2) Waste and Circular Economy, (3) Plastic Products and Packaging, (4) Climate Change. During the first nine months of 2020/21, SCCL has established key baseline measures for each of the pillars which will be used to set future plans for affecting those measures. The achievement of the KPI will be when we have (a) agreed what the key measure(s) are for each of the pillars and (b) what the baseline values are for those measures. In the last three months of 2020/21, we will test pilot projects to determine how best we can affect each measure in a positive direction.

Some examples of the work done across categories are:

Over 200 NHS trusts have made huge environmental savings by simply switching their copier paper.

The move from A4 virgin fibre copier paper to A4 recycled paper last year saved the equivalent of:

- watching 85,503 hours of a plasma TV in energy;
- filling 161 Olympic size swimming pools with water;
- felling 20,000 trees in a wood; or
- travelling 10 times around the world in an aeroplane.

Since the Plastics Pledge was launched by the NHS in September 2019 we have switched out both plastic straws and stirrers with alternative materials of paper and wood which if taken in the same volumes would eliminate over 11 tonnes of plastic.

Clinical Waste Disposal: Reducing single use plastic within the NHS

NHS Newcastle introduced Board-based waste bins, which were successfully introduced into 200 hospital wards across the Trust.

- Based on current waste costs for the Trust, 20% savings were achieved by having a separate channel for pharmaceutical waste disposal.

Supply Chain Coordination Limited

Sustainable Development Strategy (continued)

- 29% of consumables savings were delivered by moving from plastic to board-based waste bins at the time of the trial.
- There was a reduction in inventory usage due to the flat pack option available with board-based bins.
- At the time of the trial an estimated 46% reduction in carbon emissions was achieved due to board-based bins being 96% more renewable than plastic.

During 2019/20 the company has remained focused on our existing commitments as well as looking into the future to take the opportunity to develop a Strategic Long Term Sustainable Development Strategy.

Independent Auditor's Report to the Members of Supply Chain Coordination Limited

Opinion on financial statements

I have audited the financial statements of Supply Chain Coordination Limited for the year ended 31 March 2020 which comprise the Income Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described as having been audited.

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion, the financial statements:

- give a true and fair view of the state of Supply Chain Coordination Limited's affairs as at 31 March 2020 and of the profit for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- have been prepared in accordance with the Companies Act 2006.

Basis for qualified opinion

I have qualified my opinion on the financial statements in one respect:

As a consequence of the first Government Lockdown in response to the COVID-19 pandemic, my team did not observe the counting of the physical inventories at the year-end which have a carrying value of £150m and I have been unable to satisfy myself by alternative means concerning inventory quantities held at 31 March 2020. My audit opinion on the financial statements for the period ended 31 March 2020 is modified accordingly. Since closing inventories enter into the determination of the financial performance, financial position and cashflows, I am unable to determine whether adjustments might have been necessary in respect of the cost of sales and profit for the financial year reported in the income statement, the carrying value of inventory reported within the balance sheet, and the net cash flows from operating activities reported in the cash flow statement.

Basis of opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of Supply Chain Coordination Limited in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that except for the matter described in the basis for qualified opinion, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- Supply Chain Coordination Limited's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- Supply Chain Coordination Limited have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Supply Chain Coordination Limited's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management dtermines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Supply Chain Coordination Limited's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report to the Members of Supply Chain Coordination Limited (continued)

- conclude on the appropriateness of Supply Chain Coordination Limited's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Supply Chain Coordination Limited's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause Supply Chain Coordination Limited to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Other information

Directors' are responsible for the other information. The other information comprises information included in the Chairman and Chief Executive Officer's Report, Board Members, Strategic Report,Directors' Report, Statement of Director's Responsibilities, Governance and Risk Report and Sustainable Development Strategy but does not include the parts of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act;
- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identifed any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In respect solely of the limitation of my work relating to inventory and cost of sales described in the basis for qualified opinon:

- I have not obtained all the information and explanations that I considered necessary for the purpose of my audit; and
- I am unable to determine whether adequate accounting records have been kept.

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.
- a corporate governance statement has not been prepared by the parent company.

DocuSigned by:

Greg Wilson

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Greg Wilson (Senior Statutory Auditor)
23 March 2021

For and on behalf of the
Comptroller & Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Supply Chain Coordination Limited

Income Statement for the Year Ended 31 March 2020

	Note	2020 Continuing Operations £ 000	2020 Exceptionals (notes 3, 4 & 5) £ 000	2020 Total £ 000	2019 Total £ 000
Revenue	5	2,400,680	31,027	2,431,707	19,048
Cost of sales		(2,131,117)	(28,525)	(2,159,642)	-
Gross profit		269,563	2,502	272,065	19,048
Administrative expenses		(278,129)	(31,027)	(309,156)	(19,048)
Operating loss	7	(8,566)	(28,525)	(37,091)	-
Other gains	6	7,000	182,600	189,600	-
Finance costs	8	(1,932)	-	(1,932)	-
(Loss)/profit before tax		(3,498)	154,075	150,577	-
Income tax receipt/(expense)	12	392	(29,274)	(28,882)	(17)
(Loss)/profit for the year		(3,106)	124,801	121,695	(17)

The above results were derived from continuing operations.

The company has no other comprehensive income other than that included in the results above and therefore a separate Statement of Comprehensive Income has not been presented.

Supply Chain Coordination Limited

Statement of Financial Position as at 31 March 2020

	Note	31 March 2020 £ 000	31 March 2019 £ 000
Non-current assets			
Property, plant and equipment	13	45,858	8,017
Right of use assets	14	47,936	-
Intangible assets	15	809	1,094
Deferred tax assets	12	1,032	-
Trade and other receivables	17	7,650	-
Total non-current assets		103,285	9,111
Current assets			
Inventories	16	183,795	-
Contract assets	5	49,954	-
Trade and other receivables	17	276,520	2,135
Cash and cash equivalents	18	205,247	158,361
Total current assets		715,516	160,496
Current liabilities			
Trade and other payables	19	(341,543)	(6,438)
Deferred income	20	(25,600)	-
Contract liabilities	5	(57,453)	-
Current portion of long term lease liabilities	23	(5,753)	-
Provisions	24	(395)	(169)
Loans and borrowings	21	(202,003)	-
Total current liabilities		(632,747)	(6,607)
Net current assets		82,769	153,889
Non-current liabilities			
Loans and borrowings	21	-	(142,000)
Long term lease liabilities	23	(36,346)	-
Provisions	24	(6,787)	-
Contract liabilities	5	(127)	-
Deferred tax liabilities	12	-	(17)
Total non-current liabilities		(43,260)	(142,017)
Total net assets		142,794	20,983
Equity			
Share capital	26	21,000	21,000
Retained earnings		121,794	(17)
Total equity		142,794	20,983

The notes on pages 41 to 83 form an integral part of these financial statements.

Supply Chain Coordination Limited

Statement of Financial Position as at 31 March 2020 (continued)

Approved by the Board on 25 March 2021 and signed on its behalf by:

DocuSigned by:

Colin McCready

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Colin McCready
Acting Chief Executive

Company registration number: 10881715

The notes on pages 41 to 83 form an integral part of these financial statements.

Supply Chain Coordination Limited

Statement of Cash Flows for the Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
Profit/(loss) for the year		121,695	(17)
Adjustments to cash flows from non-cash items			
- Depreciation and amortisation	7	4,590	656
- Depreciation on right of use assets	7	7,820	-
- Finance costs		1,932	-
- Income tax expense		28,882	17
- IFRS16 opening balance adjustment		(7,637)	-
Absorption transfers			
- Increase in property, plant and equipment	4	(16,685)	-
- Increase in inventories	4	(187,393)	-
- Increase in trade and other receivables	4	(319,992)	-
- Increase in contract assets		(53,155)	-
- Increase in trade and other payables	4	297,792	-
- Increase in contract liabilities		75,083	-
- Increase in provisions	4	12,269	-
- Increase in deferred income		7,951	-
- Increase in loans and borrowings	4	70,136	-
Working capital adjustments			
- Decrease in inventories		3,597	-
- Decrease in trade and other receivables		36,925	(2,135)
- Decrease in contract assets		3,201	-
- Increase in trade and other payables		8,416	6,438
- Decrease in contract liabilities		(17,503)	-
- (Decrease)/increase in provisions		(5,256)	169
- Increase in deferred income		17,649	-
Net cash flow from operating activities		**90,317**	**5,128**
Cash flows from investing activities			
Acquisitions of property, plant and equipment	13	(25,461)	(8,625)
Acquisition of intangible assets		-	(1,142)
Net cash flow used in investing activities		**(25,461)**	**(9,767)**
Cash flows from financing activities			

The notes on pages 41 to 83 form an integral part of these financial statements.

Supply Chain Coordination Limited

Statement of Cash Flows for the Year Ended 31 March 2020 (continued)

	Note	2020 £ 000	2019 £ 000
Interest expense on leases	8	(896)	-
Interest paid	8	(1,036)	-
Repayment of lease liabilities	23	(5,902)	-
Proceeds from issue of ordinary shares, net of issue costs		-	21000
Proceeds from drawdowns of borrowings		-	142,000
Repayment of other borrowings	21	(40,000)	-
Increase in Loans and borrowings		29,864	-
Net cash flow (used in)/ from financing activities		**(17,970)**	**163,000**
Net increase in cash and cash equivalents		**46,886**	**158,361**
Cash and cash equivalents at 1 April		158,361	-
Cash and cash equivalents at 31 March		**205,247**	**158,361**

The notes on pages 41 to 83 form an integral part of these financial statements.

Supply Chain Coordination Limited

Statement of Changes in Equity for the Year Ended 31 March 2020

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2018	-	-	-
Loss for the year	-	(17)	(17)
Total comprehensive income	-	(17)	(17)
New share capital subscribed	21,000	-	21,000
At 1 April 2019	21,000	(17)	20,983
Change in accounting policy under IFRS 16	-	116	116
At 1 April 2019 (as restated)	21,000	99	21,099
Profit for the year	-	121,695	121,695
Total comprehensive income	-	121,695	121,695
At 31 March 2020	21,000	121,794	142,794

The notes on pages 41 to 83 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office is:
Skipton House
80 London Road
London
SE1 6LH

The principal activity of the company is the management and coordination of NHS Supply Chain services for the provision of everyday hospital consumables, clinical products, home-care and capital equipment and associated services and supplies. NHS Supply Chain supports the NHS and other healthcare organisations in England and Wales by providing end-to-end supply chain solutions. Suppy Chain Coordination Limited is also responsible for overseeing and coordinating the procurement through the management of the 11 category tower service providers, along with the logistics and IT providers, as well ensuring the provision of reliable logistics services for the delivery of products to NHS Trusts. The company leverages the collective buying power of the NHS to provide and deliver clinically assured medical devices and clinical consumables at the best value, focussing on patient safety within the NHS, to meet the diverse needs of NHS organisations. In the prior year, the primary activity of the company was the management of the NHS Supply Chain operating model as an agent for the NHS BSA.

These company financial statements are presented for the year ended 31 March 2020 and comparatives are presented for the year ended 31 March 2019.

These financial statements were authorised for issue by the Board on 25 March 2021.

2 Accounting policies

(a) Statement of compliance

The company financial statements have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS").

(b) Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(c) Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules. Historical cost is generally based on the fair value of consideration given in exchange for assets.

In preparing the financial statements in conformity with IFRS, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from those estimates.

The functional and presentational currency is Sterling. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2 Accounting policies (continued)

(d) Going concern
The financial statements have been prepared on a going concern basis as set out in the Directors' Report on pages 10 to 13.

(e) Application of new standards from 1 April 2019
The company has adopted IFRS 16 'Leases' in the financial statements for the year ended 31 March 2020, and this has given rise to changes in the company's accounting policy.

The company has applied IFRS 16 'Leases' from 1 April 2019 (the date of initial application) using the following framework:

- Leases that had already commenced and would continue beyond 1 April 2019 have been accounted for under the modified retrospective approach, meaning that the comparative information has not been restated and continues to be reported under IAS 17 'Leases'. The company has recognised the cumulative effect of initially applying IFRS 16 'Leases' as an adjustment to equity as at that date.
- Leases which started on or after 1 April 2019 have accounted for under IFRS 16 from the date of commencement.
- Leases that reached their termination date prior to 1 April 2019 have been accounted for under IAS 17 'Leases'.

(e) (i) On initial application
The company has chosen to take advantage of the practical expedient available under the standard to "grandfather" its previous assessment of which existing contracts are, or contain, leases.

Leases previously classified as operating leases
The company recognises a lease liability and right of use asset in the Statement of Financial Position at the date of initial application.

At the commencement date of the lease, the company measures the lease liability as the present value of the lease payments not paid at that date using the company's incremental borrowing rate ("IBR") at that date as the discount rate. The company uses, as its IBR, the rate that is published by HM Treasury, annually in its public expenditure papers. The management consider that this rate best reflects the IBR, given that the company only has borrowings provided to it by its parent entity.

The commencement date is the date on which the lessor has made the underlying asset available for use by the company.

After the commencement date, the company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The company measures the right of use asset at cost as if the new standard had always been applied.

The cost of the right of use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred by the lessee; and

2 Accounting policies (continued)

- an estimate of costs incurred by the lessee in dismantling and removing the underlying asset or restoring the site as required by the terms of the lease.

Any difference in value between the right of use asset and lease liability is recognised as an adjustment to equity reserves on the initial application date.

After the commencement date, the company employs a revaluation model for the subsequent measurement of its right of use assets unless cost is considered to be an appropriate proxy for current value in existing use or fair value in line with the accounting policy for owned assets.

Leases previously classified as finance leases
The company recognises a lease liability and right of use asset in the Statement of Financial Position at the date of initial application. The lease liability and the right of use asset are measured at the previous carrying amount of the finance lease under IAS 17 'Leases'.

(e) (ii) Policy from 1 April 2019
At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where the company acts as a lessee
The company recognises a right of use asset and a lease liability at the commencement date of the lease. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, including rent deposits, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset.

The right of use asset is subsequently measured using a revaluation model unless cost is considered to be an appropriate proxy for current value in existing use or fair value in line with the accounting policy for property, plant and equipment.

The right of use asset is also subject to regular impairment reviews, in line with owned assets, and is adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted at the company's incremental borrowing rate ("IBR"). The company uses, as its IBR, the rate that is published by HM Treasury, annually in its public expenditure papers. The management consider that this rate best reflects the IBR, given that the company only has borrowings provided to it by its parent entity.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the company's assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

After the commencement date, the company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

2 Accounting policies (continued)

(e) (iii) Short-term leases and low-value assets

The company has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(e) (iv) Changes resulting from adoption of IFRS 16 'Leases'

The financial impact of the new standard on the company's financial statements, where it acts as a lessee, is shown below:

The company recognised lease liabilities in relation to leases that were classified as "operating leases" under the principles of IAS 17 'Leases'. On transition, an additional £3,755,260 of right of use assets and £3,639,214 of lease liabilities were recognised with the difference allocated to retained earnings. In addition, following the transfer of the NHS supply chain from NHS BSA on April 2019 there has been an in year recognition of ROU assets of £51,002k and associated lease liabilities primarily relating to supply chain warehouse following the adoption of IFRS16.

	31 March 2019 £ 000
Operating lease commitments at 31 March 2019 (as originally reported)	4,124
Operating lease commitments discounted at the incremental borrowing rate	4,124
Recognition exemption for short-term leases	(74)
Effect of discounting	(411)
Lease liabilities recognised at 1 April 2019	3,639

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average rate applied was 1.99%.

Impact on Statement of Financial Position as at 1 April 2019

	31 March 2019 As originally reported £ 000	IFRS 16 adjustments £ 000	31 March 2019 As restated £ 000
Non-current assets			
Property, plant and equipment	8,017	-	8,017
Right of use assets	-	3,755	3,755
Intangible assets	1,094	-	1,094
Total non-current assets	9,111	3,755	12,866
Current assets			
Trade and other receivables	2,135	-	2,135
Cash and cash equivalents	158,361	-	158,361
Total current assets	160,496	-	160,496

2 Accounting policies (continued)

	31 March 2019 As originally reported £ 000	IFRS 16 adjustments £ 000	31 March 2019 As restated £ 000
Current liabilities			
Lease liabilities	-	(541)	(541)
Trade and other payables	(6,438)	-	(6,438)
Provisions	(169)	-	(169)
Total current liabilities	(6,607)	(541)	(7,148)
Net current assets	153,889	(541)	153,348
Non-current liabilities			
Lease liabilities	-	(3,098)	(3,098)
Loans and borrowings	(142,000)	-	(142,000)
Deferred tax liabilities	(17)	-	(17)
Total non-current liabilities	(142,017)	(3,098)	(145,115)
Total net assets	20,983	116	21,099
Equity			
Share capital	21,000	-	21,000
Retained earnings	(17)	116	99
Total equity	20,983	116	21,099

(e) (v) Where the company acts as a lessor

When the company acts as a lessor, it determines, at lease inception, whether each lease is a finance lease or an operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards of ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If the arrangement contains lease and non-lease components, the company applies IFRS 15 'Revenue from Contracts with Customers' to allocate consideration in the contract.

At the commencement of the lease term, the company records a finance lease in the Statement of Financial Position as a receivable at an amount that is equal to the net investment in the lease. The net investment in a lease is the gross investment in a lease discounted using the interest rate implicit in the lease.

The gross investment in a lease consists of the undiscounted amounts of the lease payments receivable by the lessor under a finance lease and any unguaranteed residual value accruing to the lessor.

2 Accounting policies (continued)

Assets held under operating leases are presented in the Statement of Financial Position and depreciated over the period of the lease on a straight-line basis. Operating lease payments received are recognised in the Income Statement over the lease term on a straight-line basis.

The accounting policies applicable to the company as a lessor in the comparative period are consistent with IFRS 16 'Leases', and therefore no changes are required to comparative figures.

(f) New standards and amendments to standards that are not yet effective

There are a number of standards and amendments to standards which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early. The following amendments are effective for periods beginning on or after 1 April 2020:

- IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (Amendment - Definition of Material);
- IAS 1 'Presentation of Financial Statements' (Amendment - Definition of current and non-current liabilities); and
- Revised Conceptual Framework for Financial Reporting

None of the above amendments have a material impact on the financial statements of the company for the year ended 31 March 2021.

(g) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

The principles in IFRS 15 'Revenue from Contracts with Customers' are applied to revenue recognition criteria using the following five step model:

1. Identify the contract(s) with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

(g) (i) Recognition

The company earns revenue from the following:

- the provision of everyday hospital consumables, clinical products and home-care supplies to NHS Trusts and other healthcare organisations;
- the sale and leasing of capital equipment and associated maintenance services;
- the management and coordination of NHS Supply Chain services; and
- the management of service contracts with the NHS Business Services Authority ("NHS BSA") and related entities, such as Public Health England ("PHE").

2 Accounting policies (continued)

Revenue arising from the provision of everyday hospital consumables, clinical products and home-care supplies is recognised in the accounting period when control of the product has been transferred, which is taken to be upon delivery of the product to the customer.

Revenue from the sale of capital equipment is recognised in the accounting period when performance obligations are met. Depending on the contract with the customer, this is taken to be on delivery to the customer, or successful installation by a qualified engineer of the equipment at the customer site.

Revenue from the sale of maintenance contracts associated with capital equipment is recognised in the accounting period in which performance obligations are completed Such obligations are completed upon the delivery of the contracted services to the customer.

Revenue from the leasing of capital equipment is recognised in each accounting period covering the lease term and depends on whether the lease is considered to be a finance lease or operating lease.

Where the lease is considered to be a finance lease, revenue is recognised in the income statement based on a pattern reflecting a constant periodic rate of return on the company's net investment outstanding in respect of the finance lease.

Where the lease is considered to be an operating lease, revenue is recognised on a straight-line basis.

The company receives funding from DHSC to cover its operational costs in managing and co-ordinating the NHS Supply Chain services. Such funding is recognised in the accounting period in line with the costs incurred to deliver the contracted services.

Revenue from the management of service contracts with the BSA and PHE is recognised in the accounting period when the contracted service is delivered to the customer.

(g) (ii) Measurement and performance obligations

Revenue is measured based on the consideration to which the company expects to be entitled in a contract to a customer, and excludes amounts collected on behalf of third parties. Measurement will depend on the successful completion of performance obligations included within each contract. These would include:

- Delivery to the customer for the provision of everyday hospital consumables, clinical products and home-care supplies;
- Delivery to the customer or successful installation by a qualified engineer for the sale of capital equipment, depending on the type of equipment;
- Delivery of the service during the contract period for the sale of maintenance contracts and provision of services to manage and coordinate the NHS Supply Chain; and
- Delivery of the service over the lease term for revenue from leasing of capital equipment.

(g) (iii) Fee arrangements

Fee arrangements are included in revenue from the sale of products or provision of services. These arrangements will occur for fixed point of sale transactions, where the revenue is recognised when control is transferred and performance obligations are met on delivery of products or services to customers.

2 Accounting policies (continued)

(g) (iv) Contract assets

Where goods or services are transferred to the customer before the customer pays consideration, or before payment is due, contract assets are recognised. Contract assets are included in the Statement of Financial Position and represent the right to consideration for products delivered.

(g) (v) Contract liabilities

Contract liabilities are recognised in the Statement of Financial Position when the company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration.

(h) Operating expenses

Operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

(i) Business combinations

IFRS 3 'Business Combinations' is the international accounting standard governing business combination transactions. Where entities are deemed to operate under common control, business reconfigurations are outside of the scope of IFRS 3 'Business Combinations'. The HM Treasury's Financial Reporting Manual 2019/20 (FReM) requires the application of 'absorption accounting'. Absorption accounting requires that entities account for their transactions in the period in which those transactions took place.

The assets and liabilities transferred are recognised in the financial statements as at the date of transfer and prior year comparatives are not restated. The assets and liabilities are not adjusted to fair value prior to recognition. The net gain or net loss corresponding to the net assets and liabilities transferred is recognised in the Income Statement and is disclosed separately from operating costs.

In absorption transfer accounting for property, plant and equipment and intangible assets, the cost and accumulated depreciation and amortisation balances from the transferring entity's financial statements are preserved on recognition in the acquirer's financial statements. Where the transferring body recognised revaluation reserve balances attributable to the assets, the receiving entity makes a transfer from retained earnings to its revaluation reserve.

(j) Property, plant and equipment

(j) (i) Initial recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the company;
- it is expected to be used for more than twelve months;
- the cost of the item can be measured reliably; and
- either:
  - the item cost at least £5,000; or
  - collectively, a number of items have a total cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they have broadly similar purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

2 Accounting policies (continued)

- the items form part of the initial set-up costs of a building, irrespective of their individual or collective cost.

Where an asset includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their individual useful economic lives.

All property, plant and equipment is measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings are stated at cost in the Statement of Financial Position, less any subsequent depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially misstated.

Other property, plant and equipment which is held for operational use is valued at depreciated historical cost where the directors consider this approximates to the fair value.

(j) (ii) Subsequent expenditure
Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is charged to operating expenses.

(j) (iii) Disposals
An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

(j) (iv) Depreciation
Depreciation is recognised on a straight-line basis so as to write off the cost or valuation of assets less their residual values over their useful lives as follows:

Asset class	Depreciation method and rate
Buildings	10 - 50 years
Leasehold improvements	10 years
IT equipment	3 - 5 years
Furniture and fittings	5 - 10 years
Right of use assets	Life of lease
Medical equipment	7 - 10 years

The useful economic life of medical equipment which is leased, is determined by the length of the lease. Annual depreciation is equal to the annual lease payment. At the end of the lease, the equipment will be returned to the company. The residual value is factored into the lease payments agreed.

2 Accounting policies (continued)

(j) (v) Impairment

Property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and, at least, at each Statement of Financial Position date. If any such indication exists, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. The asset is written down to its recoverable amount with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset, and thereafter the loss is charged directly to the Income Statement. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to the Income Statement to the extent of the decrease previously charged there, and thereafter to the revaluation reserve.

(k) Intangible assets

(k) (i) Recognition

Intangible non-current assets are non-monetary assets without physical substance that are capable of sale separately from the rest of the company's business or arise from contractual or other legal rights. They are recognised only:

- when it is probable that future economic benefits will flow to, or service potential be provided to, the company;
- where the cost of the asset can be measured reliably; and
- where the cost is at least £5,000.

Following initial recognition, intangible assets are carried at amortised historic cost, when the directors consider it approximates to the fair value.

Intangible non-current assets acquired separately are measured at cost.

Software that is integral to the operation of hardware is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware is capitalised as an intangible asset.

(k) (ii) Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life on a straight-line basis as follows:

Asset class	**Amortisation method and rate**
Computer Software Licences	3 - 5 years

(l) Financial assets and liabilities

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2 Accounting policies (continued)

(l) (i) Financial assets

Financial assets are recognised on the Statement of Financial Position when the company becomes party to the financial instrument contract, other than in the case of trade receivables, when the financial asset is recognised when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired, or the asset has been transferred.

Financial assets are classified under IFRS 9 'Financial Instruments' as amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") depending on the company's business model and the contractual cash flow characteristics of the instruments. As the company's financial assets primarily comprise cash and cash equivalents, contract assets and trade and other receivables, they are classified as amortised cost assets.

(l) (ii) Cash and cash equivalents

Cash comprises cash in hand and deposits with any financial institution repayable without penalty on notice of note more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

The directors consider that cash and cash equivalents have a low credit risk as they are held exclusively within the Government Banking Service. As such, no expected credit loss has been recognised in the financial statements.

(l) (iii) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The company's trade receivables are primarily with related parties who are members of the DHSC Group, and are short-term in nature. The directors consider these entities as low risk due to being government funded, and so an expected credit loss has not been recognised in the accounts for these customers. The company also has trade receivables due from private entities and a provision is recognised against these customers where necessary. Items are recognised as prepayments at the point of processing, where there will also be a corresponding trade payable for a limited period of time until the payment is fully processed.

(l) (iv) Financial liabilities

Financial liabilities are recognised in the Statement of Financial Position when the company becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged; that is, the liability has been paid or has expired.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

(l) (v) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2 Accounting policies (continued)

(l) (vi) Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(m) Inventories

Inventories are valued at weighted average cost. Cost comprises direct materials. At each reporting date, inventories are assessed for impairment. If impaired, the carrying amount is reduced to its selling price less costs to sell, and the impairment loss is recognised immediately in the Income Statement.

Inventories also include some capital equipment, which is held at cost. The capital equipment is assessed regularly for impairment. If any impairment is identified, the equipment is written down to the net realisable value and the impairment loss is recognised in the Income Statement.

(n) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

(o) Finance income and costs

Finance costs mainly relate to interest expense on leases and borrowings. Interest expense is recognised in the Income Statement as it accrues.

The company has no finance income.

(p) Tax

Tax in the Income Statement comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(p) (i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

(p) (ii) Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Accounting policies (continued)

(p) (iii) Value Added Tax ("VAT")

Amounts are stated net of VAT where output tax is charged or where input tax is recoverable. Where input tax is not recoverable, VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

(q) Leases

The company has adopted the new standard IFRS 16 'Leases' in the financial statements for the year ended 31 March 2020. The new accounting policy arising as a result is shown in the Application of New Standards from 1 April 2019 on pages 42 to 46.

(r) Impairment of non-financial assets

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell, and value in use.

(s) Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

(t) Superannuation Schemes

(t) (i) Defined Benefit Schemes

Employees who have been TUPE transferred to the company from NHS Business Services Authority and DHL NHS Supply Chain with New Fair Deal Protection are covered by the provisions of the NHS Pension Scheme, Civil Service Pension Scheme or Federated Pension Plan (a broadly comparable pension scheme for members who have New Fair Deal Protection and would have normally rejoined the NHSPS but are unable to as they are prohibited from rejoining by the Scheme Rules).

The NHS Pension Scheme is an unfunded, defined benefit pension scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to the scheme for the accounting period. For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the company commits itself to the retirement, regardless of the method of payment.

The Civil Service Pension Scheme is an unfunded, defined benefit pension scheme that covers Government department employers and other bodies allowed under admission agreements issued by the Cabinet Office. The scheme is not designed to be run in a way that would enable Government departments to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to the scheme for the accounting period. For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the company commits itself to the retirement, regardless of the method of payment.

2 Accounting policies (continued)

The Federated Pension Plan is a fully sectionalized multi-employer funded pension scheme that typically provides benefits that are certified as Broadly Comparable to various public service pension schemes. The company has a section to which "it is regarded as the principal employer" and it has allowed access to other employers (e.g. Unipart) as "participating employers" for benefits that are broadly comparable to the pension benefits the employees would have received if they had been allowed to rejoin the NHSPS. Whilst the scheme is fully sectionalized, the presence of at least one other "non-associated" employer in the same section of the scheme means that it is not possible for individual companies in the same section to identify their individual shares of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to the scheme for the accounting period. For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the company commits itself to the retirement, regardless of the method of payment.

(t) (ii) Defined contribution plan

People directly employed by SCCL on or after 1 April 2018 or who transferred from DHL NHS Supply Chain without New Fair Deal pension protection are automatically enrolled into the NEST pension scheme. This is a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts in relation to the period covered by these accounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect items reported in the financial statements, along with the disclosure of contingent assets and liabilities as at the reporting date.

Estimates and associated assumptions are based on past experience, current facts and circumstances and, to some extent, future events and actions. Actual results may differ from these estimates.

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

Critical estimates and assumptions are made in particular, but not exclusively, with regard to the following:

Going concern

The company's business activities, together with the factors likely to affect its future development and performance are set out in the Chairman and Chief Executive Officer's Report and the Strategic Report. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the annual report and financial statements, the forecasts have been reviewed, and sensitivity analysis applied. The assumptions modelled are based on the estimated potential impact of Covid-19 restrictions and regulations, along with proposed responses over the course of the next 12 months. The trading scenarios modelled are based on the impact of reductions in NHS activity, as well as the impact of further waves of Covid.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

The company is wholly owned by the Secretary of State for Health and Social Care, who has provided a revolving credit facility to the Company, which is not repayable until 01 April 2023. The company also has a £5.5bn COVID Facility available to it, which is primarily used for the purchase of PPE and ICU consumables on behalf of DHSC, also repayable on 01 April 2023. The repayment of this facility will be funded by the sale of the PPE and ICU consumables to DHSC. In addition, the company will receive funding from its shareholder for the foreseeable future.

The Directors believe that the company is well placed to manage its business risks successfully. Having reviewed the company's current financial position, sensitised cash flow projections and loan facilities and determined that there is no intention by DHS&C to discontinue the operational existence, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Taxation

Taxation of the absorption gain on the acquisition of NHS Supply Chain (see note 4) has required a management judgement to assess whether the balance is subject to corporation tax by HMRC. Management have assessed that for the purposes of the statutory accounts, the absorption gain is subject to corporation tax. However, further discussions will take place with HMRC prior to submission of the annual corporation tax return.

Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the company.

The company has recognised provisions for impairment of inventories, impairment of trade receivables, pension and dilapidations which requires management to make judgements. These judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

There is a provision for a potential VAT receivable in relation to a complex VAT amount due to be claimed on inventory which the company considers arises following the transition of NHS Supply Chain from NHS BSA to SCCL. The £28.5m VAT provision has been recognised as an exceptional item. This is on the basis that whilst the input VAT on the transfer of the inventory from NHS BSA has been blocked from recovery by SCCL, the output VAT currently accounted for by SCCL on the related onward sale should not have been paid over to HMRC. An exercise is currently being undertaken to verify and validate the amount of the net claim due to be made, which once submitted will then be the subject of negotiation with HMRC.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Capital

The sale and cost of sale for capital equipment is recognised in the P&L upon either delivery or installation of the equipment.

Management of the capital transactions and the associated ledger was transferred to SCCL from BSA on 1 April 2019. During the course of the financial year, we identified a number of issues with the detail contained within the capital ledger; consequently, we determined that a full review of all contracts within the ledger and the associated balances should be performed. Unfortunately, this review was delayed as the Directors prioritised supporting our clients with the challenges arising from the Covid-19 Pandemic. As a result of this, at the date of signing the financial statements 133 capital contracts have been reconciled representing 53% of the total capital contracts. The reconciliation work has resulted in a write-off to P&L of £4.7m with adjustments to prepayments of £11.8m, accruals of £2.1m and accrued income of £4.9m.

The Directors believe that it is reasonable to assume similar errors exist within the 47% of contracts that have not yet been reviewed, and consequently have recorded a provision of £4.1m, adjusting prepayments by £10.4m, accruals by £1.8m and accrued income by £4.4m. This approach has been adopted as the Accruals and Prepayment balance cannot be analysed at deal level. Currently 42% of the accruals population has been analysed and 45% of the prepayment population. This methodology results in a higher level of risk in the calculation of the provision

Leases

The application of IFRS 16 'Leases' requires the company to make judgements that affect the valuation of the lease liabilities (see note 23) and right of use assets (see note 14). These include: determining contracts in scope of IFRS 16 'Leases', determining the lease term and determining the interest rate used for discounting future cash flows.

Contracts in scope of IFRS 16 'Leases'

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Management uses its judgement to assess whether the company controls the identified asset for the period of the lease.

Lease term

The lease term determined by the company generally comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the company is reasonably certain not to exercise that option. Management consider all the facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the company, as lessee.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Interest rate used to discount future cashflows
The company determines the present value of future lease payments using its incremental borrowing rate ("IBR"). The IBR is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. Management scrutinizes all the facts and circumstances arising in support of an IBR and, for the current financial year, considers that the IBR provided by HM Treasury best reflects the company's IBR to meet the requirements of the standard.

4 Acquisition of NHS Supply Chain

On 1 April 2019, the trade, assets, liabilities, obligations and rights of the NHS Supply Chain, managed by DHL Supply Chain on behalf of the NHS BSA, were transferred to the company. The objective of this transfer was to implement the optimum performance of the NHS Supply Chain through exploiting the collective bargaining power of the NHS.

	£ 000
Non-current assets	
Property, plant and equipment	16,685
Current assets	
Inventories	187,393
Trade and other receivables	373,147
Cash and cash equivalents	68,606
Total current assets	629,146
Current liabilities	
Trade and other payables	(380,826)
Loans	(70,136)
Total current liabilities	(450,962)
Non-current liabilities	
Provisions	(12,269)
Total non-current liabilities	(12,269)
Total net assets	**182,600**
Absorption gain	182,600

The absorption gain represents a non-operating gain on the transfer of assets and liabilities for which no consideration was paid.

5 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2020 £ 000	2019 £ 000
Sale of goods	2,123,052	-
Rendering of services	51,880	925
Leasing of equipment	3,972	-
Other revenue	252,803	18,123
	2,431,707	19,048

Other revenue relates to operational funding received from DHSC, along with recharges expenditure for which expenditure has been recharged on to related parties, primarily wages, salaries and expenses. Recharged expenditure of £31,026,000 is shown in the Income Statement as Exceptional.

In the prior year, the company provided services to NHS BSA around the management of the NHS Supply Chain. In addition, the company managed the stock levels of certain medicines and supplies on behalf of Public Health England, charging a management fee for this service.

Disaggregated revenue information for each segment is provided below.

5 Revenue (continued)

Segment analysis by primary geographical markets	2020 NHS £ 000	2020 Non-NHS £ 000	2020 Total £ 000	2019 NHS £ 000	2019 Non-NHS £ 000	2019 Total £ 000
United Kingdom	2,292,247	137,583	**2,429,830**	19,048	-	**19,048**
Europe	-	1,877	**1,877**	-	-	-
	2,292,247	139,460	2,431,707	19,048	-	19,048

Segment analysis by product service	2020 NHS £ 000	2020 Non-NHS £ 000	2020 Total £ 000	2019 NHS £ 000	2019 Non-NHS £ 000	2019 Total £ 000
Sale of goods	1,978,042	139,460	**2,117,502**	-	-	-
Rendering of services	54,230	-	**54,230**	925	-	**925**
Leasing of equipment	3,972	-	**3,972**	-	-	-
Other revenue	256,003	-	**256,003**	18,123	-	**18,123**
	2,292,247	139,460	2,431,707	19,048	-	19,048

5 Revenue (continued)

Analysis of revenue generated in United Kingdom	NHS £ 000	Non-NHS £ 000
Point in time	2,288,275	137,583
Over time (more than five years)	3,972	-
Revenue from contracts with customers	2,292,247	137,583

Analysis of revenue generated in Europe	NHS £ 000	Non-NHS £ 000
Point in time	-	1,877
Over time (more than five years)	-	-
Revenue from contracts with customers	-	1,877

In the year ended 31 March 2019, £19,048,000 of revenue from the NHS was generated in the United Kingdom at a point in time. No revenue was generated in Europe.

Performance obligations

The company's performance obligations are summarised in note 2(g) Revenue recognition.

Contract assets and liabilities

	31 March 2020 £ 000	31 March 2019 £ 000
Contract assets	49,954	-
Contract liabilities	(57,453)	-
Net unbilled contract liabilities	(7,499)	-

The company has also recognised non-current contract liabilities of £127,000 (2019: £nil).

Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. Contract receivables (loans and advances) represent our unconditional right to consideration for the goods or services supplied and performance obligations delivered. Contract liabilities (deposits from customers) relate to consideration received when we still have an obligation to deliver goods or services for that consideration.

6 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2020 £ 000	2019 £ 000
Gain from changes in provisions (see note 24)	7,000	-
Absorption gain from acquisition of NHS Supply Chain (see note 4)	182,600	-
	189,600	-

7 Operating profit/ (loss)

Operating profit/(loss) is arrived at after charging:

	2020 £ 000	2019 £ 000
Depreciation expense	4,306	608
Depreciation on right of use assets - Equipment	3	-
Depreciation on right of use assets - Property	7,563	-
Depreciation on right of use assets - Vehicles	254	-
Amortisation expense	286	48
Expense on short term leases	51	-

8 Finance costs

	2020 £ 000	2019 £ 000
Interest on bank overdrafts and borrowings	1,036	-
Interest expense on leases - Property	889	-
Interest expense on leases - Other	7	-
Total finance costs	1,932	-

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	24,394	11,890
Social security costs	1,707	739
Pension costs	1,323	495
Redundancy costs	324	-
Recharges	1,876	1,492
	29,624	14,616

Certain staff costs have been recharged to related parties as they are deemed to relate to costs which are not directly attributable to the company and the budgets are held elsewhere for this work. In the prior year, the salary of the CEO was also recharged. The revenue associated with these recharges is disclosed in Note 5 Revenue.

There have been further staff costs incurred which do not relate to the company at all and have been recharged. As these costs are not directly attributable to the company, they are not shown in the revenue or costs in the financial statements, and are not included in the disclosure above.

9 Staff costs (continued)

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Permanent staff	328	141
Agency and temporary staff	79	39
	407	180

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	(As restated) 2019 £ 000
Remuneration	418	117
Contributions paid to pension schemes	10	7
Payment in lieu of notice	-	55
	428	179

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	213	-
Company contributions to pension schemes	3	-

The Chief Executive Officer is remunerated by the Cabinet Office, and Supply Chain Coordination Limited are recharged for his time and expenses. In the prior year, directors' remuneration excluded remuneration for the CEO, which was charged to the company by the Cabinet Office, and then reimbursed by DHSC.

For the year ended 31 March 2019, the Chief Executive Officer was enrolled in the incorrect pension scheme. For the year ended 31 March 2020, pension contributions for the highest paid director relate to the payments that should have been made had enrolment in the correct pension scheme taken place at the correct date. A refund for contributions paid in the year ended 31 March 2019 and 31 March 2020 is expected to be paid during the year ended 31 March 2021.

Disclosures relating to directors' remuneration are included in the Remuneration Report on pages 22 to 28.

Supply Chain Coordination Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

11 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of the financial statements	441	65
Other fees to other auditors		
Internal audit services	106	-

12 Income tax

Tax charged in the Income Statement

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	29,931	-
Deferred taxation		
Arising from origination and reversal of temporary differences	(1,049)	17
Tax expense in the Income Statement	28,882	17

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019 - the same as the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	150,577	-
Corporation tax at standard rate	28,610	-
Decrease in current tax from adjustment for prior periods	(16)	-
Increase/(decrease) from effect of different UK tax rates on some earnings	2	(2)
Increase from effect of expenses not deductible in determining taxable profit	287	19
Other tax effects for reconciliation between accounting profit and tax income	(1)	-
Total tax charge	28,882	17

12 Income tax (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 April 2019 £ 000	Recognised in income £ 000	At 31 March 2020 £ 000
Fixed assets	17	590	607
Temporary timing differences	-	(1,658)	(1,658)
IFRS 16 adjustment	20	(1)	19
Net tax (assets)/liabilities	37	(1,069)	(1,032)

Deferred tax movement during the prior year:

	At 1 April 2018 £ 000	Recognised in income £ 000	At 31 March 2019 £ 000
Fixed assets	-	17	17
Temporary timing differences	-	-	-
IFRS 16 adjustment	-	-	-
Net tax (assets)/liabilities	-	17	17

13 Property, plant and equipment

	Land and buildings £ 000	Fixtures and Fittings £ 000	Medical equipment £ 000	Work in Progress £ 000	Other equipment £ 000	Total £ 000
Cost or valuation						
At 1 April 2018	-	-	-	-	-	-
Additions	1,300	400	-	-	6,925	8,625
At 1 April 2019	1,300	400	-	-	6,925	8,625
Acquired through business combinations	-	-	21,399	-	-	21,399
Additions	32	7	2,540	21,940	942	25,461
At 31 March 2020	1,332	407	23,939	21,940	7,867	55,485
Depreciation						
At 1 April 2018	-	-	-	-	-	-
Charge for year	32	10	-	-	566	608
At 1 April 2019	32	10	-	-	566	608
Charge for the year	133	41	2,241	-	1,890	4,305
Acquired through business combinations	-	-	4,714	-	-	4,714
At 31 March 2020	165	51	6,955	-	2,456	9,627
Carrying amount						
At 31 March 2020	1,167	356	16,984	21,940	5,411	45,858
At 31 March 2019	1,268	390	-	-	6,359	8,017

13 Property, plant and equipment (continued)

There are no indicators of impairment.

Depreciation of property, plant and equipment is included within Administrative expenses in the Income Statement.

14 Right of use assets

	Equipment £ 000	Property £ 000	Vehicles £ 000	Total £ 000
Cost or valuation				
At 1 April 2019	-	3,293	462	3,755
Acquired through business combinations	8	51,978	15	52,001
At 31 March 2020	8	55,271	477	55,756
Depreciation				
At 1 April 2019	-	-	-	-
Charge for the year	3	7,563	254	7,820
At 31 March 2020	3	7,563	254	7,820
Carrying amount				
At 31 March 2020	5	47,708	223	47,936
At 31 March 2019	-	-	-	-

A number of assets were transferred to the company as part of the acquisition of NHS Supply Chain. On transfer, leases were accounted for under IAS 17 'Leases' when calculating the absorption gain as shown in note 4. These were accounted for using IFRS 16 'Leases' from 1 April 2019 in the company.

The cost model under IFRS 16 'Leases' has been used as a proxy for current value in existing use or fair value for:

- Property right of use assets because the leases have terms that require lease payments to be updated for market conditions; and
- Vehicle and equipment right of use assets because they are of low value.

Where the cost model has been applied, the right of use assets are depreciated over the life of the lease on a straight line basis. Depreciation of right of use assets is included within Administrative expenses in the Income Statement.

There are no indicators of impairment.

15 Intangible assets

	Software licenses £ 000	Total £ 000
Cost or valuation		
At 1 April 2018	-	-
Additions	1,142	1,142
At 1 April 2019	1,142	1,142
At 31 March 2020	1,142	1,142
Amortisation		
At 1 April 2018	-	-
Amortisation charge	48	48
At 1 April 2019	48	48
Amortisation charge	285	285
At 31 March 2020	333	333
Carrying amount		
At 31 March 2020	809	809
At 31 March 2019	1,094	1,094

There are no indicators of impairment.

Amortisation of intangible assets is included within Administrative expenses in the Income Statement.

16 Inventories

	31 March 2020 £ 000	31 March 2019 £ 000
Finished goods and goods for resale	183,795	-

	31 March 2020 £ 000	31 March 2019 £ 000
At start of the year	-	-
Transfers on absorption accounting (see note 4)	187,393	-
Purchases	2,311,834	-
Sales	(2,316,118)	-
Adjustments	686	-
At end of the year	183,795	-

16 Inventories (continued)

During the year, £1,935,000 of inventory has been written down (2019: £nil).

Certain stock is held at third party sites. The audit team have been able to obtain certificates of existence for these inventories, totalling £34.19m. The remaining stock is held in warehouses controlled by the company, and the audit team were unable to verify the existence of £150m of inventories due to lockdown restrictions as a result of COVID. The corresponding value in Cost of Sales is £1,791m.

17 Trade and other receivables

	31 March 2020 £ 000	31 March 2019 £ 000
Trade receivables	223,093	72
Provision for impairment of trade receivables	(905)	-
Net trade receivables	222,188	72
Accrued income	40,590	1,666
Prepayments	3,735	67
Other receivables	38,531	330
Provision for impairment of other receivables	(28,524)	-
	276,520	2,135

Trade and other receivables due after one year total £7,650,000 (2019: £nil).

18 Cash and cash equivalents

	31 March 2020 £ 000	31 March 2019 £ 000
Cash at bank	205,247	158,361

19 Trade and other payables

	31 March 2020 £ 000	31 March 2019 £ 000
Trade payables	137,638	156
Accrued expenses	145,141	6,219
Amounts due to related parties	8,989	-
Social security and other taxes	30,295	-
Outstanding defined contribution pension costs	191	42
Other payables	19,289	21
	341,543	6,438

19 Trade and other payables (continued)

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in Note 28 Financial risk review.

20 Deferred income

	31 March 2020 £ 000	31 March 2019 £ 000
Deferred income	25,600	-
	25,600	-

21 Loans and borrowings

	31 March 2020 £ 000	31 March 2019 £ 000
Non-current loans and borrowings		
Other borrowings	-	142,000

	31 March 2020 £ 000	31 March 2019 £ 000
Current loans and borrowings		
Other borrowings	202,003	-

In March 2019, the company was provided a revolving credit facility of £250m by the Secretary of State for Health and Social Care. As at 31 March 2019, the company had drawn down £142m, of which £40m was repaid on 13 September 2019. As at 31 March 2020, the drawn balance was £102m.

The final repayment date of the revolving credit facility was 30 September 2020, which was extended to 30 September 2021 in May 2020, 31 December 2021 in October 2020 and 1 April 2023 in February 2021. Until 31 December 2021, no part of the loan is repayable unless the company has an operational cash balance of over £120m. The rate of interest applicable to the flexible loan facility is the interest rate determined by reference to the National Loan Fund rate for loans up to one year prevailing on the date of the first utilisation of the facility.

On 20 April 2020, the company drew down £85m, and the remaining £63m was drawn on 7 May 2020.

21 Loans and borrowings (continued)

On 1 April 2019, the company acquired the NHS Supply Chain. NHS Supply Chain had a £71m loan for EU Exit due to the Secretary of State for Health and Social Care, which became payable by the company. A further £29m was drawn in April 2019. The loan was due for repayment on 31 March 2020, but this was extended to 31 March 2021. No interest is payable on this facility.

In April 2020, the EU Exit Loan was increased by £100m to £200m, to aid the company in purchasing significant levels of personal protective equipment in response to the COVID-19 pandemic, under the direction of the DHSC PPE cell.

In May 2020, the EU Exit Loan was transferred to a COVID Facility, repayable on 31 March 2021. The COVID Facility was originally set at £2bn, and later increased to £3.5bn. In September 2020, the COVID Facility was further increased to £4.5bn and its repayment date was extended to 31 December 2021. The Facility was further increased to £5.5bn in November 2020. In February 2021 the repayment date was extended to 1 April 2023. No interest is payable on this facility.

22 Operating lease commitments

Operating leases

The company leases an office and various vehicles under non-cancellable operating leases.

From 1 April 2019, the company has recognised right of use assets for these leases, with the exception of short-term leases, as explained in the Accounting Policies (see note 2(e)).

The total future value of minimum lease payments is as follows:

	31 March 2020 £ 000	31 March 2019 £ 000
Within one year	-	665
In two to five years	-	1,712
In over five years	-	1,747
	-	4,124

23 Leases

(a) Where the company acts as a lessee

23 Leases (continued)

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 March 2020 £ 000	31 March 2019 £ 000
Less than one year	6,533	-
More than 1 year and less than 5 years	15,205	-
More than 5 years and less than 10 years	10,379	-
More than 10 years	16,768	-
Total lease liabilities (undiscounted)	48,885	-
Less unearned interest	6,786	-
Discounted lease liabilities	42,099	-
Analysed as:		
Current	5,753	-
Non-current	36,346	-
	42,099	-

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

Payment	31 March 2020 £ 000	31 March 2019 £ 000
Right of use assets	5,902	-
Interest	896	-
Short term leases	51	-
Total cash outflow	6,849	-

The company has leases for an office, vehicles and some office equipment. It also leases some warehouses though its procurement contracts. With the exception of short-term leases and leases for low-value underlying assets, each lease is reflected as a right of use asset and a lease liability.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the Statement of Financial Position as at the date of initial application of IFRS 16 'Leases' is 1.99%. This rate is published by HM Treasury annually in its public expenditure papers.

The company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the company's finance function.

(b) Where the company acts as a lessor

During the year, the company has leased 31 MRI and CT scanning machines to NHS Trusts (2019: none).

Finance leases

The company has classified two (2019: none) of the leases as finance leases because the leases transfer all the risks and rewards incident to ownership of the scanning machines to the lessees.

23 Leases (continued)

During the year, the company has recognised interest income on finance lease receivables of £35,000 (2019: £nil), which is disclosed within leasing of equipment revenue (see note 5 Revenue).

The following table sets out a maturity of the finance lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Finance lease receivable £ 000
Due in one year	399
Due in two years	399
Due in three years	399
Due in four years	399
Due in five years	399
Due in more than five years	579
Total undiscounted lease receivable	2,574
Less unearned finance income	(226)
Net investment in the lease	2,348
Analysed as:	
Current	399
Non-current	1,949

Operating leases

The company has classified 29 (2019: nil) of the leases as operating leases because all the risks and rewards incident to ownership of the scanning machines are retained by the company and are not transferred to the lessees.

During the year, the company recognised rental income on operating leases of £3,937,000 (2019: £nil), which is disclosed within leasing of equipment revenue (see note 5 Revenue).

The following table sets out a maturity of the operating lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Operating lease receivable £ 000
Due in one year	4,172
Due in two years	4,172
Due in three years	4,008
Due in four years	3,761
Due in five years	1,997
Due in more than five years	826
Total operating lease receivable	18,936

24 Provisions

	Employee benefits £ 000	Dilapidations £ 000	Redundancy provision £ 000	Total £ 000
At 1 April 2019	-	-	169	169
Additional provisions	-	3,518	-	3,518
Increase through business combinations	9,000	3,269	-	12,269
Provisions used	(1,605)	-	(169)	(1,774)
Unused provision reversed	(7,000)	-	-	(7,000)
At 31 March 2020	395	6,787	-	7,182
Non-current liabilities	-	6,787	-	6,787
Current liabilities	395	-	-	395

The employee benefits provision relates to employees who TUPE'd across to the company, who were given the option to move their pension to certain schemes. Until the point of TUPE transfer, this was primarily funded by DHL, with the remainder funded by the company. On transfer of NHS Supply Chain on 1 April 2019, the provision acquired was £9m. A payment of £1,605,000 was made in March 2020, with £7m credited to the Income Statement. The remaining provision relates to potential claims from employees whose claims were not processed in March 2020.

The provision for dilapidations relates to the estimated cost of future repairs and renovations that will need to be made in line with lease obligations for warehouses. The provision relates to warehouses that were transferred to the company as part of the acquisition of NHS Supply Chain (see note 4).

In the year ended 31 March 2019, the company reviewed it organisational structure in order to improve the efficiency of it business. The provision represented the obligation to pay employee exit costs and was fully utilised in the year ended 31 March 2020.

25 Pension and other schemes

Past and present employees are covered by the provisions of the four Pension Schemes, namely NHS Pension Scheme, Civil Service Pension Scheme, Federated Pension Plan and NEST.

NHS Pension Scheme

Details of the benefits payable and rules of the scheme can be found on the NHS Pension website at www.nhsbsa.nhs.uk/pensions. The Scheme is an unfunded defined benefit pension scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their individual share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to that scheme for the accounting period.

The government Financial Reporting Manual ("FReM") requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years." As a result, the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation. An outline of these follows:

25 Pension and other schemes (continued)

Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department ("GAD")) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2020 is based on valuation data as at 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19 'Employee Benefits', relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6%, and the Scheme Regulations were amended accordingly.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

Civil Service Pension Scheme

Details of the benefits payable and rules of the scheme can be found on the Civil Service Pensions website at www.civilservicepensionscheme.org.uk. The Scheme is an unfunded defined benefit pension scheme that covers Government Department employers and other bodies, allowed under admission agreements issued by the Cabinet Office. The scheme is not designed to be run in a way that would enable employers to identify their individual share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to that scheme for the accounting period.

The Government FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years." As a result, the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation. An outline of these follows:

Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2018 is based on valuation data as at 31 March 2016, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19 'Employee Benefits', relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

25 Pension and other schemes (continued)

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual Civil Service Pension Scheme Accounts. These accounts can be viewed on the Civil Service Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers. The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last full actuarial valuation undertaken for the Civil Service Pension scheme was completed for the year ending 31 March 2016. The scheme regulations allow for the level of contribution rates to be changed by the Cabinet Office, with the consent of HM Treasury, and consideration of the advice of the scheme actuary and appropriate employee and employer representatives as deemed appropriate. Whilst the Employer contribution rate payable from April 2019 was determined by the valuation and the planned cost cap benefit increases, the full implementation of the recommended cost cap benefit changes has been delayed pending review following the outcome of the McCloud case and any remedy.

The next full actuarial valuation of the Civil Service Pension Scheme is to be carried out as at 31 March 2020. This is expected to set the employer contribution rate payable from April 2023 and will also consider the cost of the scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Cabinet Office after consultation with the relevant stakeholders.

25 Pension and other schemes (continued)

Federated Pension Plan

The Federated Pension Plan ("FPP") is a sectionalized, multi-employer private sector pension scheme run by PAN Trustees. The scheme holds a Passport from GAD confirming that its "NHSPS 1995 pension scheme benefits" structure provides benefits which are Broadly Comparable to the benefits of the 1995 section of the NHSPS. It is also expected to shortly hold a Passport from GAD confirming that its "NHSPS 2015 pension scheme benefits" structure provides benefits which are Broadly Comparable to the benefits of the 2015 section of the NHSPS. Further details can be obtained from PAN Group, the trustees of the Plan. The Scheme is a funded defined benefit pension scheme that is being used to enable SCCL and its contractors to provide pension benefits to employees who would have rejoined the NHSPS but were unable to as they are prohibited from rejoining by the NHSPS Rules, for example, if they were over age 60 when their employment commenced or were in receipt of their pension benefits. Pension benefits are provided at a level which is broadly comparable to the section of the NHSPS that they would otherwise have been in. Whilst the scheme is fully sectionalized, the presence of at least one other "non-associated" employer in the same section of the scheme means that it is not possible for individual companies in the same section to identify their individual shares of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to the scheme for the accounting period.

NEST

All Supply Chain Coordination Limited employees directly employed by the company on or after 1 April 2018 or who transferred from DHL NHS Supply Chain without New Fair Deal pension protection are not eligible to be members of the NHSPS, CSPS or FPP and are auto-enrolled into the NEST pension scheme. This is a defined contribution plan.

26 Share capital

Allotted, called up and fully paid shares

	31 March 2020		31 March 2019	
	No.	£	No.	£
Ordinary shares of £1 each	21,000,001	21,000,001	21,000,001	21,000,001

The Secretary of State for Health and Social Care subscribed for 13,000,000 ordinary £1 shares on 3 April 2018, and a further 8,000,000 ordinary £1 shares on 28 March 2019. These shares were issued at par for cash consideration.

27 Commitments

Capital commitments

Capital commitments primarily relate to property, plant and equipment.
The total amount contracted for but not provided in the financial statements was £13,850,000 (2019 - £Nil).

28 Financial risk review

This note presents information about the company's exposure to financial risks and the company's management of capital.

Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

In the normal course of business, exposure to credit risk arises from cash and investments with banks, and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position. The company's cash assets are all held within the Government Banking Service. As the company does not hold investments other than necessary cash, it is not exposed to significant credit risk in this regard.

The company's trade receivables are primarily with related parties who are members of the DHSC Group and are short-term in nature (see note 29 Related party transactions). The directors consider these entities as low risk due to being government funded and so an expected credit loss for these customers has not been recognised in the financial statements. The company also has trade receivables due from private entities and a provision is recognised against these customers where necessary.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding.

The company mostly manages liquidity risk by continuously monitoring forecast cash flow requirements and management of its facilities (see note 21 Loans and borrowings).

28 Financial risk review (continued)

Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the company's financial assets and financial liabilities by type.

2020 **Non-derivative assets**	Carrying amount £ 000	Less than 1 month £ 000	1-3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000	More than 5 years £ 000
Other current financial assets	363,553	19,227	256,386	74,624	13,316	-
Cash and short-term deposits	205,247	8,726	-	-	196,521	-

2020 **Non-derivative liabilities**	Carrying amount £ 000	Less than 1 month £ 000	1-3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000	More than 5 years £ 000
Non-current financial liabilities	36,346	-	-	-	12,884	23,462
Loans and borrowings	202,003	3	-	202,000	-	-
Trade and other payables	341,543	148,250	107,758	85,835	-	-
Contract liabilities	57,580	-	-	57,453	127	-
Deferred income	25,600	-	24,181	1,419	-	-
Lease liabilities	5,753	-	-	5,753	-	-

28 Financial risk review (continued)

2019 **Non-derivative assets**	**Carrying amount** **£ 000**	**Less than 1 month** **£ 000**	**1-3 months** **£ 000**	**3 months - 1 year** **£ 000**	**1-5 years** **£ 000**
Other current financial assets	2,135	2,063	64	8	-
Cash and short-term deposits	158,361	-	-	-	158,361

2019 **Non-derivative liabilities**	**Carrying amount** **£ 000**	**Less than 1 month** **£ 000**	**1-5 years** **£ 000**
Non-current financial liabilities	142,000	-	142,000
Trade and other payables	6,438	6,438	-

28 Financial risk review (continued)

Market risk

Market risk arises when changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the company's income or the value of its holdings of financial instruments.

The company's transactions are primarily undertaken in sterling and so it is not exposed to significant foreign exchange risk. It holds no significant investments other than bank deposits. Other than cash balances and its facilities, the company's financial assets and liabilities are carried at fixed rates of interest and its operating cash flows are consequently independent of changes in market interest rates.

Capital risk management

The company's capital structure consists of £21m of funds from shareholders as at 31 March 2020 (2019: £21m).

The company's primary objective when managing capital is to safeguard the company's ability to continue as a going concern.

In managing its capital, the company seeks to:

- match the expected cash inflows from its assets with the expected cash outflows from the company's liabilities;
- maintain financial strength to support new business growth and satisfy the requirements of its customers, suppliers and regulators; and
- retain financial flexibility by maintaining strong liquidity.

29 Related party transactions

The company is required to disclose transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence the company or to be controlled, indirectly controlled or significantly influenced by the company.

Supply Chain Coordination Limited is a private limited company, wholly owned by the Secretary of State for Health and Social Care, making it the company's ultimate controlling party.

Details of the remuneration paid to Board Directors can be found in the Remuneration Report on pages 22 to 28 and in note 10 Directors' remuneration.

Summary of transactions with other related parties

The Secretary of State for Health and Social Care, as the company's ultimate controlling party, is regarded as a related party. During the year, the company had some material transactions with entities for which the Secretary of State for Health and Social Care is regarded as the parent entity. Most of these transactions have been with the DHSC, the NHS Business Services Authority ("NHS BSA"), PHE, NHS England, NHS Trusts and NHS Foundation Trusts.

29 Related party transactions (continued)

Year ended 31 March 2020	Income £ 000	Expenditure £ 000	Receivable £ 000	Payable £ 000
DHSC	300,754	518	4,380	263
Public Health England	818	-	-	8,726
NHS Resolution	2	70	-	-
NHS BSA	(2,247)	663	-	-
NHS Improvement	1,090	-	1,308	-
NHS England	312,077	-	739	-
NHS Trusts	575,240	-	67,302	-
NHS Foundation Trusts	1,093,855	1,844	156,930	-
Other DHSC Group bodies	2,212	-	537	-
	2,283,801	3,095	231,196	8,989

Year ended 31 March 2019	Income £ 000	Expenditure £ 000	Receivable £ 000	Payable £ 000
DHSC	86	-	-	-
Public Health England	927	-	-	-
NHS England	-	-	32	-
NHS Resolution	-	14	-	-
NHS BSA	18,035	2,266	1,874	2,047
NHS Trusts	-	10	-	3
NHS Foundation Trusts	-	14	-	9
	19,048	2,304	1,906	2,059

Heather Tierney-Moore was the Chief Executive of Lancashire Care NHS Trust during the year and the Trust is a customer of the company. The Trust spent approximately £3.6m during the year. In the year ended 31 March 2019, the Trust spent approximately £4.7m with NHS Supply Chain, although NHS Supply Chain was not part of the company until 1 April 2019.

29 Related party transactions (continued)

Loans from related parties

2020	Revolving Credit Facility £ 000	EU Exit Loan £ 000	Total £ 000
At start of period	142,000	-	142,000
Acquired through business combinations	-	70,136	70,136
Additional Borrowings	-	29,864	29,864
Repayments	(40,000)	-	(40,000)
At end of period	102,000	100,000	202,000

2019	Revolving Credit Facility £ 000	Total £ 000
At start of period	-	-
Drawdowns	142,000	142,000
At end of period	142,000	142,000

Terms of loans from related parties

The Secretary of State for Health and Social Care, the company's shareholder, has provided a revolving credit facility of £250m to the company. As at 31 March 2020, the company had drawn down £102m. At 31 March 2020, the final repayment date of the facility was 30 September 2020, Until the date of repayment, no part of the loan was repayable, unless the company has an operational cash balance of over £120m.

The rate of interest applicable to this flexible loan facility is the interest rate determined by the reference to the National Loan Fund rate for loans up to one year prevailing on the date of the first utilisation of this Facility.

As at 31 March 2020, the EU Exit Loan was fully drawn at £100m, and was due for repayment. In April 2020, the EU Exit Loan was increased by £100m to £200m. In May 2020, the EU Exit Loan was transferred to a COVID Facility, which was repayable on 31 December 2021.

On 20 April 2020, the company drew down £85m from the existing revolving credit facility, and the remaining £63m on 7 May 2020, primarily to aid with advance payments for consumables used in the Covid response.

On 20 May 2020, the revolving credit facility of £250m provided to the company by the Secretary of State for Heatlh and Social Care was renewed for repayment on 30 September 2021. In October 2020, this was extended to 31 December 2021 and in Febuary 2021 the repayment date was further extended to 1 April 2023.

On 20 May 2020, the company entered into a Covid Facility with the Secretary of State for Health and Social Care, for £2bn, and due for repayment on 31 December 2021. This was further extended to £3.5bn on 29 May 2020, and £4.5bn in September 2020. The Facility was further increased to £5.5bn in November 2020 and in February 2021 the repayment date has further extended to 1 April 2023.

30 Parent and ultimate parent undertaking

The company's immediate and ultimate parent is The Secretary of State for Health and Social Care.

31 Non adjusting events after the financial period

On 20 April 2020, the company drew down £85m from the existing Revolving Credit Facility, and the remaining £63m on 7 May 2020, primarily to aid with advance payments for consumables used in the Covid response.

On 20 May 2020, the Revolving Credit Facility of £250m provided to the company by the Secretary of State for Health and Social Care was renewed for repayment on 30 September 2021, further extended to 31 December 2021 on 23 October 2020 and further extended to 1 April 2023 on 17 February 2021.

On 20 May 2020, the company entered into a Covid Facility with the Secretary of State for Health and Social Care, for £2 billion, and due for repayment on 31 December 2021. This was further extended to £3.5 billion on 29 May 2020, to £4.5 billion in September 2020, and £5.5bn in November 2020 and the repayment date was extended to 1 April 2023 in February 2021.

Following the year end, the company has entered into a number of lease agreements for storage of PPE and ICU consumables related to the COVID response. The value of these leases amounts to £169m, for the contract term ending 31 March 2021.