Registration number: 10881715

Supply Chain Coordination Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2021

Supply Chain Coordination Limited

Contents

Supply Chain Coordination Limited

Company Information

Interim Chair	Heather Tierney-Moore OBE
Chief Executive Officer	Andrew New
Directors	Heather Tierney-Moore OBE (Non-Executive Director and Interim Chair)
	Andrew New (Executive Director and Chief Executive Officer) (Appointed 1 September 2021)
	Colin McCready (Executive Director and Chief Finance Officer)
	Heather Benjamin (Non-Executive Director)
	Miranda Carter (Shareholder/Stakeholder Director)
	Robert Houghton (Non-Executive Director)
	Steven Glew (Non-Executive Director) (Resigned 1 March 2022)
	Melinda Johnson (Shareholder/Stakeholder Director) (Resigned 30 September 2021)
	Emily Lawson (Shareholder/Stakeholder Director) (Resigned 18 July 2021)
	Jin Sahota (Executive Director and Chief Executive Officer) (Resigned 26 November 2020)
	James Spittle (Non-Executive Director and Chair) (Resigned 30 September 2021)
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

Chair and Chief Executive Officer's Report

Achievements
The Covid-19 pandemic has been one of the greatest challenges the NHS has faced since it was established in 1948. As a result, DHSC instructed NHS Supply Chain to act as an agent on its behalf, and we have worked closely with NHS trusts, NHS Supply Chain Service Providers, NHS system partners and its suppliers to help deliver the government's response to the Covid-19 pandemic, including Personal Protective Equipment ("PPE"), clinical consumables and medical devices NHS trusts need, with an emphasis on resilience, quality and value for money.

Savings
With Covid-19 reducing NHS demand for products not used for Covid-19 patient care, and NHS trusts rightly focusing on responding to the crisis, the scope for delivering savings was more limited than in previous years. Despite fluctuating NHS activity levels, we were still able to deliver contractual savings of £279.9 million.

Building a resilient supply chain
Over the last year, there was an unprecedented demand for PPE as NHS trusts worked tirelessly to treat patients and protect their staff during the Covid-19 pandemic. Under direction from DHSC, NHS Supply Chain helped establish the government led PPE supply channel; responded to soaring demand for ICU products; and supported the vaccine roll-out, supported by our NHS Partners.

One of the key lessons learnt from Covid-19 was that NHS Supply Chain has an important role to play in ensuring NHS trusts have the resilient supply chain needed to respond to periods of exceptional demand. The work undertaken to date has positioned us to serve the NHS as it continues to deal with the effects of Covid-19, the waiting list backlog, and delays and disruptions resulting from the End of Transition with the European Union.

Additionally, in May 2020, working with our logistics provider Unipart, we opened as planned our new Suffolk Park Distribution Centre. This 147,000 square foot site has significantly increased our capacity in the south east of England and is a key part of the long-term growth strategy. We also supported DHSC in standing up a distribution network for Covid related products, utilising Clipper and DHL and their warehouses under the existing Unipart contract.

Safety and Clinical Assurance
Our unique national remit also makes us well placed to ensure NHS trusts are using safe and reliable clinical products, so they can focus on delivering safe and excellent patient care. In 2020/21, working with the Medicines and Healthcare Products Regulatory Agency and the Health and Safety Executive, we launched our new SIREN process to rapidly identify and mitigate any identified product safety concerns, to avoid patient harm. We also clinically assured all NHS Supply Chain frameworks that were launched in 2020/21, resulting in 70% of all products on our product catalogue being clinically assured.

Customer Engagement
Throughout 2020/21, we have taken the time to listen to NHS trusts to understand their concerns in order to make improvements. Trusts told us we must do more to improve how we communicate with them, increase engagement, and make it easier to do business with us. Whilst there remains more to do, we are pleased with the progress we have already made to achieving this. This includes re-configuration of the customer boards to strengthen customer representation and communication; development of new customer and clinical satisfaction surveys to improve engagement and inform service improvement; and a better ordering experience for customers through improvements to our eDirect channel.

Chair and Chief Executive Officer's Report (continued)

Recruitment of a substantive CEO

In November 2020, Jin Sahota, our Chief Executive Officer, stepped down from his role at Supply Chain Coordination Limited ("SCCL"), the management function of NHS Supply Chain. This follows conclusion of his assignment to design, create and operationalise the new national procurement route for the NHS. Colin McCready, our Chief Finance Officer, stepped in as Acting CEO, until Andrew New was appointed as Chief Executive Officer from 1 September 2021. We would like to thank Jin Sahota for his leadership over the past serveral years. We would also like to thank Colin McCready for leading the company through such a significant and challenging period.

New Chair

After three years of serving as Chair, James Spittle stepped down on 30 September 2021. Heather Tierney-Moore OBE has become our interim chair, having served on the SCCL board as Non-Executive Director. We would like to thank James Spittle for his commitment, dedication and support.

Our offer to the NHS

Whilst savings delivery remains an important part of NHS Supply Chain's contribution to the NHS, we recognise the value we bring to NHS trusts extends well beyond this. This is why through our business plan for 2021/22 (see Strategic Report on pages 6 to 9 for our 2021/22 Corporate Strategic Priorities), we are committed to further growing the resilience and capacity of our national supply chain; and expanding our clinical offer to ensure we are providing quality assured, safe products for both health and care professionals and their patients. We will also continue to develop the service offering our NHS trusts need, as we work with Integrated Care Systems to support their aspirations to drive greater value through working together.

Approved by the Board on 28 March 2022 and signed on its behalf by:

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Heather Tierney-Moore

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Heather Tierney- Moore OBE

Interim Chair

Supply Chain Coordination Limited

Board Members

Heather Tierney-Moore OBE, Interim Chair

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 was a Non-Executive Director for Community Integrated Care, a role that she held between 2016 and September 2021 and was Non-Executive Director of NHS Confederation from 2014-2016. She has also worked at national level in England and Scotland.

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

Heather has stepped in as Interim Chair, following James Spittle stepping down in September 2021.

Andrew New, Chief Executive Officer

Andrew joined SCCL as CEO in September 2021. Prior to joining SCCL, Andrew was the Executive Director for Procurement and Supply Chain at JCB where he was responsible for the supply chain globally. Andrew has also held senior roles at Magnox Ltd (now a subsidiary to the Nuclear Decommissioning Authority) and Babcock International Group PLC, and brings experience across Retail, Leisure, Engineering and Property Sectors.

Andrew has extensive experience in business transformation programme leadership, total lifecycle cost management, customer and supplier engagement and deploying technology to optimise business operational performance.

He also holds a masters in Business Administration and Bsc in Chemical Physics from the University of Bristol.

Colin McCready, 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 held the position of Acting Chief Executive Officer from 27 November 2020 to 31 August 2021.

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. Heather's current portfolio includes Chair of Air Ambulances UK and Non Executive Director with Blue Light Commercial Director.

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

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.

Rob is currently COO at Aspen, prior to this he was 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.

Miranda Carter, Shareholder/Stakeholder 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").

Miranda is the Acting Chair of the Audit and Risk Committee, appointed on 8 March 2022.

Supply Chain Coordination Limited

Strategic Report for the Year Ended 31 March 2021

Background
Despite the challenges of 2020/21, Supply Chain Coordination Limited continued to work towards delivering savings to NHS trusts. Over the course of the year, we delivered £279.9 million in savings by leveraging the buying power of the NHS to deliver the right quality products, at the best possible price. Whilst savings is an important part of what we do, our offer to NHS trusts has also remained rooted in offering a resilient supply chain, that delivers safe products, sustainably, and support for the wider NHS system.

2020/21 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 2020/21, we set out five Corporate Strategic Priorities:

- Grow savings and revenue: Build a differentiated customer-centric business, delivering front line savings and revenue growth.
- Build foundations for future growth: Establish the foundations for future growth.
- Foster partnerships: Foster a culture of mutual loyalty with our delivery partners.
- Develop sustainably: Further develop our sustainability strategy to deliver better health outcomes and create economic, social and environmental value for stakeholders.
- Develop people: Develop a high-performing culture that allows our people to be the best they can be.

Performance and delivery
Despite the challenges caused by Covid-19 across the NHS, we still delivered £279.9 million of savings, well in excess of our £188.9 million target. Throughout the year, we also continued to work with NHS trusts to refine our savings methodology. The new methodology will be reported on in subsequent years. Additionally, thanks to the resilience of our supply chain, we were well positioned to continue sourcing products NHS trusts needed through the Covid-19 pandemic. Notwithstanding the challenges of PPE, we grew our market share to 61.5%, above our business plan target of 55%.

We remain focused on providing clinically assured products to the NHS, and last year, assured all new NHS Supply Chain frameworks. This increased the proportion of products assured on our product catalogue from 40% at the beginning of the financial year, to 70% at the end of 2020/21. In addition, we achieved strong performance across our logistics network despite the impact of Covid-19, by delivering 98.95% of customer orders in full and making 99.08% of deliveries on time.

We have also continued to invest in our capacity and resilience. In addition to Suffolk Park - our new state-of-the-art distribution centre in south east England, we are building the systems we need for our future growth by progressing our Core Technology Refresh Programme. Last year, we developed our Oracle Product Hub which now stores product data, a key request from NHS trusts. The new hub also enables capture and management of Medical Devices Regulation compliance. In addition, having listened to feedback from trusts, we have implemented improvements to our eDirect channel, such as lead time visibility. Our new, more resilient eDirect Oracle order management system also went live to the first NHS Trust in December 2020.

Baselining our Sustainability Strategy
The NHS has committed to becoming the world's first net zero carbon health system. To support this work, over the last year we have defined our Sustainability Strategy and baselined our performance against it. Our strategy and baselined targets focus on:

- Plastic products and packaging
- Carbon reduction
- Human rights and labour standards, including our commitment to social responsibility
- Waste and the circular economy

Despite 2021/22 being the first time we will have sustainability targets to work towards, we have already made significant contributions to sustainability on behalf of the NHS. In 2020/21, we supported the NHS wide pledge to cut up to 100 million plastic straws, cups and cutlery from hospitals. Since committing to the plastics pledge, NHS Supply Chain has saved more than 45 tonnes of single use plastics from entering the system.

Our 2021/22 Corporate Strategic Priorities
We have set our Corporate Strategic Priorities for 2021/22. These are:

- Customer: Anchor our business on the needs of the NHS.
- Resilient: Strengthen supply chain resilience.
- Safe: Deliver clinically assured, safe products.
- Sustainable: Support NHS sustainability goals.
- Efficient: Achieve success with a high performing workforce and highly efficient organisation.

Working towards our Target Operating Model
A key focus for next year will be to continue the review of our existing operating model to inform re-procurement activities relating to our service provider contracts which are due to expire over the next 2-3 years. This will ensure we develop a Target Operating Model aligned to the requirements of NHS trusts. We will also continue to work closely with other strategic programmes in the NHS such as the Procurement Transformation Operating Model led by NHS England and NHS Improvement, to ensure close alignment with their key principles.

Financial review
Financial results are shown in the Income Statement on page 37. The company had a profit before taxation of £Nil (2020: £150.6m). The profit before tax in the prior year included an exceptional absorption gain arising on the acquisition of NHS Supply Chain of £182.6m).

Financial position is shown in the Statement of Financial Position on pages 38 to 39. As at 31 March 2021, the company had net assets of £141.1m (2020: £142.8m).

Cash flow performance of the company is shown in the Statement of Cash Flows on pages 40 to 41. For the year ended 31 March 2021, the company had a net cash inflow of £346.5m, which was predominantly due to an increase in borrowings to cover working capital requirements during Covid-19. For the year ended 31 March 2020, the company had a net cash inflow of £46.9m, which was partly due to the acquisition of NHS Supply Chain, and also included a repayment of £40.0m of the company's revolving credit facility.

During the financial year, SCCL acted as an agent on behalf of DHSC and NHSEI in the purchase of PPE consumables in response to the Covid-19 pandemic. As a result, SCCL has excluded certain balances from its financial statements, and recognised the net balance as a receivable due from DHSC and NHSEI of £4.4bn in trade and other receivables in the Statement of Financial Position.

Agency Adjustments

	2021 £ 000
Revenue	(4,995,415)
Cost of sales	4,841,835
Administrative expenses	153,457
Finance costs	123
Trade debtors	(536,100)
Accrued income	(3,781,252)
Prepayments	(424,058)
VAT	(2,272)
Trade payables	31,603
GRNI	251,115
Accruals	45,383
Deferred income	790
	(4,414,791)

Key Performance Indicators ("KPIs")

SCCL used the following Key Performance Indicators to track and measure its performance:

KPI	FY20/21 Target	FY19/20 Target	FY20/21 Commentary
In-Year Savings Delivered	£189m	£150m	The company has achieved and over-delivered against its in-year savings target.
Market Share	55%	50%	The company has achieved and over-delivered against its market share target.
Customer Satisfaction Score	>8.3	>8.0	The company has schieved its customer satisfaction score.
Deliveries On-Time	98.75%	98.75%	The company has achieved against its target for on-time deliveries.
Colleague Engagement	77%	71%	The company has over-achieved against its colleague engagement target.
Financial Balance	>£0	>£0	The company has made £Nil before tax, excluding exceptional items, during the year ended 31 March 2021.

Risk management

The company's approach to risk management is discussed in the Governance and Risk Report on pages 15 to 22.

Approved by the Board on 28 March 2022 and signed on its behalf by:

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Andrew New

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Andrew New
Chief Executive Officer

Directors' Report for the Year Ended 31 March 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

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 Category Tower Service Providers ("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.

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

Colin McCready

Heather Tierney-Moore OBE

Heather Benjamin

Miranda Carter

Robert Houghton

James Spittle (resigned 30 September 2021)

Jin Sahota (resigned 26 November 2020)

Steven Glew (resigned 1 March 2022)

Emily Lawson (resigned 18 July 2021)

Melinda Johnson (resigned 30 September 2021)

The following director was appointed after the year end:

Andrew New - Chief executive (appointed 1 September 2021)

Jin Sahota, our Chief Executive Officer, stepped down from his role at the company on 26 November 2020. His decision came 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.

Colin McCready, our Chief Finance Officer stepped up as acting CEO for the period from 27 November 2020 to 31 August 2021. Our new CEO, Andrew New was appointed on 1 September 2021.

Our Chair, James Spittle, also stepped down from his role as SCCL Chair on 30 September 2021. Heather Tierney-Moore OBE has stepped in as Interim Chair. The Board would like to thank James for his dedication, leadership and support.

The details of Board Directors who held office during the year and their remuneration are shown in the Remuneration Report on pages 23 to 30.

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 22.

The directors recommend a final dividend payment of £Nil be made in respect of the financial year ended 31 March 2021 (2020: £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 (31 March 2020: 21,000,001 shares). On 1 October 2021, all of these shares were transferred to the National Health Service Commissioning Board, NHS England and NHS Improvement ("NHSEI").

Business review

Fair review of the business

FY21 has been a very busy year for the business, primarily due to supporting DHSC in the response to the Covid pandemic, by acting as an agent in the procurement of PPE and ICU consumables, whilst continuing to support the NHS and delivering savings of £279.9m. This has been against a backdrop of business transformation with continued focus on our core tech refresh programme, despite the move to working from home for the majority of our colleagues.

The company's financial results are shown in the Income Statement on page 37. The company has made a profit before taxation of £Nil (2020:£150.6m).

A review of the business and future developments is included in the Chair and Chief Executive Officer's Report on pages 2 to 3 and the Strategic Report on pages 6 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 22.

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 24 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 24 to the financial statements. Further details on individual Directors' pensions and the associated schemes can be found in the Remuneration Report on pages 23 to 30.

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 Chair 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.

During the financial year, the company was wholly owned by the Secretary of State for Health and Social Care, who 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. As SCCL acted as an agent in the procurement of PPE and ICU consumables on behalf of DHSC, the repayment of the facility will be facilitated by the recharge of these consumables, which has been accrued in the financial statements for the year ended 31 March 2021. A receipt of £2.7bn was received from DHSC for the payment of PPE and ICU consumables in September 2021. In addition, the company will receive funding from its current shareholder, NHSEI, 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 its shareholder 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 9 April 2021, the company repaid £600m of the Covid Facility and drewdown £200m on 16 June 2021. A repayment of £2.7bn was made on 7 September 2021. A further £150m was drawn down in March 2022. The balance drawn down on the Covid facility as at the date of signing is £1,983,920,000.

On 1 October 2021, the company became fully embedded into the NHS family, as ownership of its shares transferred from the Secretary of State for Heath and Social Care to the NHS Commissioning Board, NHS England and NHS Improvement ("NHSEI"). SCCL remains a separate organisation to NHSEI.

In March 2022, the company signed a lease for a new Northern distribution centre, which will be accounted for as a right of use asset in the financial statements for the year ended 31 March 2022.

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 28 March 2022 and signed on its behalf by:

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Andrew New

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Andrew New
Chief Executive Officer

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 28 March 2022 and signed on its behalf by:

DocuSigned by:
Andrew New
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Andrew New
Chief Executive Officer

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 2021. On 1 October 2021 the shareholding of the company was wholly transferred to the National Health Service Commissioning Board, NHS England and NHS improvement ("NHSEI").

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 have been 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 2021, the Board comprised the Chairman, three Stakeholder/Shareholder 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 (6/6), Steven Glew (6/6), Rob Houghton (6/6), Melinda Johnson (6/6), Emily Lawson (3/6), Colin McCready (6/6), Jin Sahota (3/4), 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 five scheduled Committee meetings during the financial year. Those meetings were attended by: Heather Benjamin (5/5), Melinda Johnson (5/5), and Heather Tierney-Moore (5/5) and Miranda Carter (4/5). Emily Lawson (1/5) attended when Miranda Carter was not available to attend to ensure that NHSEI representation was present at all meetings.

**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 five scheduled Committee meetings during the financial year. Those meetings were attended by: Steven Glew (5/5) (Chair), Miranda Carter (5/5) and Heather Tierney-Moore (5/5).

**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.

During the year, three members of the Executive Management Team left the company and so the team is currently made up of 10 executives from across the business and meets monthly to review the company's performance.

Chair and Chief Executive Officer
The roles of the Chair and the Chief Executive Officer are distinct and have been agreed by the Board. The Chair 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. The Chair ensures that the Board receives timely and clear information, communicates effectively with the Stakeholder, Directors, 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 the financial year 2020/21, there was one change to the Board. Jin Sahota, the Chief Executive Officer left the company and resigned from the Board on 26 November 2020. Colin McCready was appointed the acting Chief Executive Officer and carried out that role for the remainder of the financial year.

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 2021, the company's principal risks included the following:

- Customer Value - The risk that customers will not recognise the value of the NHS Supply Chain;
- Decision Quality - The risk that decision quality may be reduced due to poor quality data;
- Transformation - The risk that the ambitious transformation plan cannot be delivered at the pace needed to meet SCCL's strategic objectives;
- Information 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;
- Managing Questions and Freedom of Information ("FoI") Requests - The risk that SCCL will not be prepared to respond effectively to the anticipated number of questions and FoI requests; and
- 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.

Whilst acting in its role as agent on behalf of DHSC for PPE and ICU consumables, the company has encountered various challenges. During the initial stages of Covid, the company was required to support DHSC's response, where it was necessary to ensure that sufficient supplies were procured for a reasonable worst case scenario, e.g. PPE, and resources were allocated swiftly where they were needed. The exceptional impact of the pandemic response has not only led to significant financial reporting challenges but also a qualification of accounts in relation to the year end stocktake.

The reconciliation of inventory has been impacted by significant volumes which put a strain on the company's control environment, resulting in a qualification of the accounts as the external auditor was unable to gain assurance from the year end stocktake . In addition, the temporary change in VAT rate has led to delays in obtaining tax invoices from suppliers. These issues have been further compounded by staff capacity, due to a significant increase in volume as well as the increased sick leave due to Covid. The IFRS15 assessment that SCCL was acting as an agent for DHSC was only finalised in December 21 due to the complexity of the relationship and speed at which the PPE cell in DHSC was set up.

These issues are not expected to continue in future financial years, with new processes and controls having been implemented, which are reviewed by DHSC. In addition we are reviewing our approach for the year end stock take for FY21/22, to mitigate the risk of another qualification.

As part of the company's response to Covid-19 it regularly reviewed the impact the pandemic was having on its ability to deliver its 2020/21 business plan and savings targets. By the end of the financial year these risks had reduced. Since the start of the new financial year several additional principal risks have been added to the risk register.

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 2020/21, 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 31 March 2021, the company retained KPMG as our internal auditors.

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 2021 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 significant assurance with minor improvement opportunities; in the previous financial year the rating had been limited and the change in overall rating reflects the increasing maturity of key governance and risk processes identified in the internal auditor's work. 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.

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
- median earnings.

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 has been one Board director resignation - the Chief Executive Officer. The Chief Finance Officer was appointed on an interim basis as Acting Chief Executive Officer whilst an open competition recruitment process was undertaken. A firm of recruitment consultants managed the recruitment process for the position.

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 three 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 an annual bonus 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 scheme arrangements are subject to various over-performance and stretch criteria and were paid on achievement in August 2021, related to the 2020/21 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.

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.

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 31/03/21	Notice Periods
Chair and Non-Executive Directors			
James Spittle	17 Sep 2018	6	Initial period of 3 years. Either party can give 1 months' notice.
Steven Glew	1 Dec 2018	8	Initial period of 3 years. Either party can give 1 months' notice.
Heather Benjamin	1 Dec 2018	8	Initial period of 3 years. Either party can give 1 months' notice.
Heather Tierney-Moore OBE	1 Dec 2018	8	Initial period of 3 years. Either party can give 1 months' notice.
Robert Houghton	1 May 2019	13	Initial period of 3 years. Either party can give 1 months' notice.
Executive Directors			
Jin Sahota	25 Jul 2017	n/a	The CEO was an employee of the Cabinet Office and had been seconded to SCCL until 30 September 2021. However, he handed in his notice on 14 September 2020 and left on 26 November 2020 with balance of notice period paid in lieu. 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	3 Dec 2019	n/a	Six months
Shareholder and Stakeholder Directors			
Melinda Johnson	4 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 (see Directors' conflict section).
Emily Lawson	26 Jul 2019	n/a	The Stakeholder 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).

Director	Date of Appointment as Company Director	Unexpired Term (months) as at 31/03/21	Notice Periods
Miranda Carter	26 Jul 2019	n/a	The Stakeholder 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 2021, 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.

FY20/21	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	25-30	nil	nil	nil	25-30
Executive Directors					
Jin Sahota (3)	245-250	0-5	nil	3-4	255-260
Colin McCready (4)	180-185	20-25	nil	22-23	225-230
Stakeholder Directors					
Melinda Johnson	n/a	n/a	n/a	n/a	n/a
Emily Lawson	n/a	n/a	n/a	n/a	n/a
Miranda Carter	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 relevant pension schemes for the directors. Contributions are shown in Note 10 Directors' Remuneration.
(3) Resigned on 26 November 2020. Remuneration is charged to SCCL by the Cabinet Office. Salary includes PILON for period not required to work from 30 November 2020, accrued holiday entitlement not taken and excess hours payments worked Q1 FY20/21 in line with Cabinet Office policy. Full year equivalent salary is £195k-£200k. Pension contributions relate to payment of contributions to the correct scheme, and excludes a refund in respect of payments made to the incorrect scheme for FY18/19 and FY19/20.
(4) Appointed as Acting CEO from 1 November 2020. Salary includes acting up allowance. Full Time Equivalent=1.

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 £635,338.44 (2020: £427,893.42). This includes the salary of the Chief Executive Officer, which was charged to Supply Chain Coordination Limited by the Cabinet Office whilst on secondment.

The following table provides details of the remuneration and pension of Board members in post during the prior 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	2-3	215-220
Colin McCready (5)	55-60	nil	nil	6-7	60-65
Stakeholders 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

Remuneration Report (continued)

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

(2) Employer pension contributions relate to employer contributions to the LGDCPS and NEST. Contributions are shown in Note 10 Directors' remuneration.

(3) Appointed on 1 May 2019: Whole time equivalent, on target earnings ("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 FY18/19 and FY19/20 were refunded in FY20/21.

(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.

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.

	2021	2020
Highest earner's total remuneration (£000)	205-210	210-215
Median total remuneration (£)	42,447	46,610
Ratio	4.89	4.77

(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.

For the year ended 31 March 2020, the highest paid director was the CEO, and thus used as the comparator. As he left during the year ended 31 March 2021, the highest paid director is the acting CEO and therefore has been used as the comparator to calculate the ratio.

The median earnings calculation includes agency workers and other non-permanent workers for the years ended 31 March 2021 and 31 March 2020.

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 24 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 24 to the financial statements.

Mercer DB Master Trust

Pension benefits are provided through the Mercer DB Master Trust (the "MDBMT") (previously known as 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 MDBMT 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 MDBMT.

The benefits payable under the scheme are broadly comparable to those provided by the NHSPS at the time the members joined the scheme. Further details can be obtained from the Trustees of the Mercer DB Master Trust. The MDBMT is a funded defined benefit pension scheme which can be used to enable NHS employers, GP practices and other bodies, to provide pension benefits to employees who would normally 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.

Remuneration Report (continued)

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 24 to the financial statements.

Supply Chain Coordination Limited

Remuneration Report (continued)

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 Mercer DB Master Trust 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 2020 to 5 April 2021, 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.

Approved by the Board on 28 March 2022 and signed on its behalf by:

DocuSigned by:

Heather Tierney-Moore

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Heather Tierney-Moore OBE
Interim Chair

Supply Chain Coordination Limited

Sustainable Development Strategy

During 2020/21 whilst responding to the global Covid-19 pandemic, SCCL still had a focus on sustainable development. SCCL's Management Executive Team develeoped the business' approach to sustainability, which was agreed by the Board of Directors during 2020.

NHSEI also launched its own strategy "Delivering a 'Net Zero' National Health Service" in the autumn of 2020, setting the vision to remove 31 million tonnes of carbon dioxide equivalent from NHS operations by 2045, stating that for the emissions SCCL and its logisitcs partners control directly, the NHS Carbon Footprint, we should be net zero by 2040, with an ambition to reach an 80% reduction by 2028 to 2032. In addition, for the emissions that we can influence, the NHS Carbon Footprint Plus, we should be net zero by 2045, with an ambition to reach an 80% reduction by 2036 to 2039. As part of this, we need to review and discuss how NHS Supply Chain will be contributing to the strategic objectives of NHSEI, as well as delivering on its own commitments.

NHS Supply Chain are committed to delivering health sustainably. We are committed to leveraging the strength of our people, our operations and our supply chain to drive better health outcomes and create sustainable economic, social and environmental value for stakeholders. The sustainable development ambition of NHS Supply Chain reflects a long-term commitment to deliver sustainable environmental, social and economic change. There are pillars underpinning our strategy, which include:

- Human rights and labour standards: This relates to upholding and promoting the basic rights and freedoms of those who work across the entirety of the NHS Supply Chain, including our response to international issues such as modern slavery, child labour, forced labour and trafficking, as well as our position on labour standards such as health and safety and employment terms.
- Waste and the circular economy: This relates to the management of waste across the entirety of the NHS Supply Chain, and includes the impact of packaging, food and other waste that is generated across our offices, distribution centres and the broader supply chain. This pillar also explores the application of circular economy principles to minimise resource input and further reduce waste.
- Plastic products and packaging: this pillar focuses on the use of plastics across NHS Supply Chain and our supply chain, ranging from SCCL-procured/distributed products and components, plastic materials used for packaging, as well as the broader issue of single use plastics and the cumulative impacts of these products on the environment.
- Climate change, energy and greenhouse gas emissions: this reflects NHS Supply Chain's holistic response to climate change, air pollution and the carbon agenda. This includes direct energy consumption, carbon footprint, fuel usage and greenhouse gas emissions associated with our own operations, infrastructure and fleet, however does not relate to the impact of supplier operations on climate change.

Our business plan sets the following targets for the next financial year FY21/22:

- Single Use Plastics: target the removal of 350 tonnes of single use plastics through conversion to alternatives or inclusion of recycled content aimed at catering commitments, waste containers and reductions in packaging content.
- Greenhouse Gas Reductions: Target the removal of 5,100 tonnes of CO2 equivalent through conversion of lighting in regional distribution centres, a more efficient transport fleet and agreeing scope 3 reductions with our suppliers. We will also invite 500 suppliers to participate in the Carbon, Waste and Water questionnaire (Carbon Disclosure Project) being driven by Greener NHS to set further targets for the medium/long term.
- Human Rights, Labour Standards and Social Responsibilities: Target the introduction of 300 new suppliers to the supplier portal for the Labour Standards Assessment and also the Modern Slavery Assessment. Approximately 30% of our suppliers will be SMEs. The new suppliers will be introduced to MSAT via new framework procurements having a mandatory requirement to complete. In addition, 50% of our office waste will be recycled and 15% of our staff will take a day's paid leave to do voluntary work.

Supply Chain Coordination Limited

Sustainable Development Strategy (continued)

- Waste and the Circular Economy: Target to produce three feasibility studies for recycling or remanufacturing aimed at office furniture, low tech rehabilitation aids and remanufactured devices.

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 2021 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 Accounting Standards in conformity with the requirements of the Companies Act 2006.

I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion, except for the 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 2021 and of the loss for the year then ended;
- have been properly prepared in accordance with Internal Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

I have qualified my opinion on the financial statements in respect of the following matters:

At 31 March 2021, in addition to their own consumable inventories, Supply Chain Coordination Limited (SCCL) held inventories owned by the Department of Health and Social Care group (DHSC). In a number of locations where both SCCL and DHSC inventory items were held, there were not adequate system records or physical demarcation to distinguish between items owned by SCCL and those owned by DHSC. Consequently, I was unable to obtain sufficient appropriate audit evidence over the ownership or condition of SCCL consumable inventory valued at £159m. Additionally, SCCL were unable to obtain external confirmations of third party capital inventory held at suppliers, which meant I was unable to obtain sufficient appropriate audit evidence over the capital inventory balances of £1.7m. My audit opinion on the financial statements for the period ended 31 March 2021 is modified accordingly.

My opinion is also modified in respect of the prior year comparative figures. There is a limitation of scope over the £150m inventory balance held in SCCL controlled warehouses as at 31 March 2020, as the Government Lockdown prevented physical inventory counts taking place; this impacts the opening consumable inventories position in 2020-21.

Since opening and 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 of the financial year reported in the income statements, the carrying value of inventory reported within the balances sheet, and the net cash flows from operating activities reported in the cash flow statement.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), and applicable law. 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 2019. I am independent of Supply Chain Coordination Limited in accordance with the ethical requirements that are relevant to my audit of 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.

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Supply Chain Coordination Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included consideration of the forecasts and cashflows upon which the assessment was based. I also considered the implications of the transfer of shareholding of the company from the Department for Heath and Social Care to the National Health Service Commissioning Board, NHS England and NHS Improvement, and the impact on applicable loan arrangements and future funding.

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

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

Other information

The other information comprises information included in the Chair and Executive Officer's Report, Board Members, Strategic Report, Directors' Report, Statement of Directors' 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. The directors are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 matters prescribed by the Companies Act 2006

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act;
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Supply Chain Coordination Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic report or the Directors' report.

In respect solely of the matters referred to in my basis for qualified opinions on the financial statements section above:

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

- I have not received all of the information and explanations I require for my audit.

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

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

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing Supply Chain Coordination Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity 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 report on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

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

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, Supply Chain Coordination Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Supply Chain Coordination Limited's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Supply Chain Coordination Limited's controls relating to the Companies Act 2006.
- discussing among the engagement team and involving relevant internal and external specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias in assumptions underpinning accounting estimates in the financial statements; and

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

- obtaining an understanding of Supply Chain Coordination Limited's framework of authority as well as other legal and regulatory frameworks that Supply Chain Coordination Limited operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Supply Chain Coordination Limited. The key laws and regulations I considered in this context included Companies Act 2006, Employment Law, Health and Safety legislation, pensions regulations and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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.

P Morland.

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Peter Morland (Senior Statutory Auditor)
28 March 2022

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 2021

	Note	2021 Total £000	2020 Continuing Operations £ 000	2020 Exceptionals (note 4) £ 000	2020 £ 000
Revenue	5	2,366,695	2,400,680	31,027	2,431,707
Cost of sales		(2,121,012)	(2,131,117)	(28,525)	(2,159,642)
Gross profit		245,683	269,563	2,502	272,065
Administrative expenses		(244,190)	(278,129)	(31,027)	(309,156)
Operating profit/(loss)	7	1,493	(8,566)	(28,525)	(37,091)
Other gains	6	395	7,000	182,600	189,600
Finance costs	8	(1,888)	(1,932)	-	(1,932)
(Loss)/profit before tax		-	(3,498)	154,075	150,577
Income tax (expense)/receipt	12	(1,705)	392	(29,274)	(28,882)
(Loss)/profit for the year		(1,705)	(3,106)	124,801	121,695

The above results for the year ended 31 March 2021 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 2021

	Note	31 March 2021 £ 000	31 March 2020 (restated) £ 000
Non-current assets			
Property, plant and equipment	13	51,145	45,858
Right of use assets	14	57,346	47,936
Intangible assets	15	523	809
Deferred tax assets	12	-	1,032
Trade and other receivables	17	1,621	7,650
Total non-current assets		110,635	103,285
Current assets			
Inventories	16	161,090	183,795
Contract assets	5	211	-
Trade and other receivables	17	5,172,285	326,474
Cash and cash equivalents	18	551,706	205,247
Total current assets		5,885,292	715,516
Current liabilities			
Trade and other payables	19	(495,537)	(341,543)
Deferred income	20	(15,732)	(25,600)
Contract liabilities	5	(86,377)	(57,453)
Current portion of long term lease liabilities	22	(7,325)	(5,753)
Provisions	23	-	(395)
Loans and borrowings	21	(141)	(202,003)
Total current liabilities		(605,112)	(632,747)
Net current assets		5,280,180	82,769
Non-current liabilities			
Loans and borrowings	21	(5,183,920)	-
Long term lease liabilities	22	(41,348)	(36,346)
Provisions	23	(13,009)	(6,787)
Contract liabilities	5	(245)	(127)
Deferred income	20	(1,826)	-
Trade and other payables	19	(9,378)	-
Total non-current liabilities		(5,249,726)	(43,260)
Total net assets		141,089	142,794
Equity			
Share capital	25	21,000	21,000
Retained earnings		120,089	121,794
Total equity		141,089	142,794

The notes on pages 43 to 88 form an integral part of these financial statements.

Supply Chain Coordination Limited

Statement of Financial Position as at 31 March 2021 (continued)

The prior year restatement relates to costs prepaid in respect of maintenance contracts, totalling £49,954,000, which were incorrectly classified as contract assets. These are now shown as prepayments in trade and other receivables.

Approved by the Board on 28 March 2022 and signed on its behalf by:

DocuSigned by:

Colin McCready

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Colin McCready
Chief Finance Officer

Company registration number: 10881715

The notes on pages 43 to 88 form an integral part of these financial statements.

Supply Chain Coordination Limited

Statement of Cash Flows for the Year Ended 31 March 2021

	Note	2021 £ 000	2020 (restated) £ 000
Cash flows from operating activities			
(Loss)/profit for the year		(1,705)	121,695
Adjustments to cash flows from non-cash items			
- Depreciation and amortisation	7	6,471	4,590
- Depreciation on right of use assets	7	11,266	7,820
- Finance costs	8	1,888	1,932
- Income tax expense	12	1,705	28,882
- Tax Paid		(29,066)	-
- IFRS16 adjustments		-	(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	-	(373,147)
- Increase in trade and other payables	4	-	297,792
- Increase in contract liabilities	4	-	75,083
- Increase in provisions	4	-	12,269
- Increase in deferred income	4	-	7,951
- Increase in loans and borrowings	4	-	70,136
Working capital adjustments			
- Decrease in inventories	16	22,705	3,597
- (Increase)/decrease in trade and other receivables	17	(4,839,782)	40,126
- (Increase)/decrease in contract assets	5	(211)	-
- Increase/(decrease) in trade and other payables	19	191,031	8,416
- Increase/(decrease) in contract liabilities	5	29,042	(17,503)
- Increase/(decrease) in provisions	23	(562)	(5,256)
- (Decrease)/increase in deferred income	20	(8,042)	17,649
Net cash flow (used in)/generated from operating activities		(4,615,260)	90,317
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(11,472)	(25,461)
Net cash flow used in investing activities		(11,472)	(25,461)
Cash flows from financing activities			
Interest expense on leases	8	(906)	(896)
Interest paid		(353)	(1,036)
Repayment of lease liabilities	22	(7,470)	(5,902)
Repayment of other borrowings	21	-	(40,000)
Drawdowns of loans and borrowings	21	4,981,920	29,864
Net cash flow generated from/(used in) financing activities		4,973,191	(17,970)
Net increase in cash and cash equivalents		**346,459**	**46,886**

The notes on pages 43 to 88 form an integral part of these financial statements.

Supply Chain Coordination Limited

Statement of Cash Flows for the Year Ended 31 March 2021 (continued)

	Note	2021 £ 000	2020 (restated) £ 000
Cash and cash equivalents at 1 April	18	205,247	158,361
Cash and cash equivalents at 31 March	18	551,706	205,247

Supply Chain Coordination Limited

Statement of Changes in Equity for the Year Ended 31 March 2021

	Share capital £ 000	Retained earnings £ 000	Total £ 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 1 April 2020	21,000	121,794	142,794
Loss for the year	-	(1,705)	(1,705)
Total comprehensive income	-	(1,705)	(1,705)
At 31 March 2021	21,000	120,089	141,089

The notes on pages 43 to 88 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. Supply 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.

These company financial statements are presented for the year ended 31 March 2021 and comparatives are presented for the year ended 31 March 2020.

These financial statements were authorised for issue by the Board on 28 March 2022.

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.

The prior year restatement relates to costs prepaid in respect of maintenance contracts, totalling £49,954,000, which were incorrectly classified as contract assets. These are now shown as prepayments in trade and other receivables.

2 Accounting policies (continued)

(d) Going concern

The company's business activities, together with the factors likely to affect its future development and performance are set out in the Chair 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.

The company was 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. As SCCL acted as an agent in the procurement of PPE and ICU consumables on behalf of DHSC, the repayment of the facility will be facilitated by the recharge of these consumables, which has been accrued in the financial statements for the year ended 31 March 2021. A receipt of £2.7bn was received from DHSC for the payment of PPE and ICU consumables in September 2021. In addition, the company will receive funding from its shareholder, NHSEI, 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 its shareholder 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.

(e) Application of new standards from 1 April 2020

There are a number of amendments to standards which have been issued by the IASB that the company has adopted during the year ended 31 March 2021:

- 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);
- IAS 39 "Financial Instruments: Recognition and Measurement" (Amendment - Updates to the Basis of Conclusions material); 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.

(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 2021:

- IAS 1 'Presentation of Financial Statements' (Amendments - Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies);
- IAS 8 'Accounting Policies' (Amendment - Changes in Accounting Estimates and Errors);

2 Accounting policies (continued)

- IAS 12 'Income Taxes' (Amendments - Deferred Tax related to Assets and Liabilities arising from a Single Transaction);
- IAS 16 'Property, Plant and Equipment' (Amendment - Proceeds before Intended Use); and
- IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (Amendment - Onerous Contracts).

None of the above amendments are expected to have a material impact on the financial statements of the company for the year ended 31 March 2022.

(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").

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.

2 Accounting policies (continued)

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.

Principal versus agent

If more than one party is involved in providing the goods and services to the customer, then these arrangements are reviewed to determine whether the company acts as a principal or an agent. The company acts as a principal if it controls a promised good or services before transferring that good or service to the customer. The company is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably the discretion the company has in establishing the price for the specified good or service, whether the company has inventory risk and whether the company is primarily responsible for fulfilling the promise to deliver the service or good.

Where the company is acting as a principal, revenue is recorded on a gross basis. Where the company is acting as an agent, revenue is recorded at a net amount reflecting the margin earned.

Based on the IFRS 15 principles, considerations and assessment performed, management have concluded that SCCL acted as agent in regard to the obligations relating to the PPE and ICU consumables purchased and transferred to DHSC. This also included all related costs of PPE purchase, such as freight, detention and demurrage, warehouse costs of storage and professional fees associated with purchase and storage, as it is believed that these costs are directly associated with the product purchases and so should be considered in the overall assessment. The following key facts have been noted:

- SCCL were requested by DHSC (under instruction) to purchase selected PPE and ICU consumables, with approval for purchase requiring DHSC sign off prior to purchase, and with all goods being supplied directly to DHSC and the NHS;
- SCCL utilised existing framework contracts with suppliers for the purchase of PPE and ICU consumables. SCCL negotiated prices with suppliers for these products due to the pandemic. Whilst this indicates signs of a principal arrangement, all purchases were with approval from the DHSC, and costs reimbursed by DHSC;
- SCCL were used by the DHSC PPE Cell given existing commercial contracts held by SCCL to aid a rapid response to the pandemic. Other Government departments were also used in a similar way and transactions with those bodies have been treated as 'agency transactions';
- All obligations and risks relating to PPE inventory sit with DHSC rather than SCCL;
- DHSC have borne the risks of non-delivery or damage to products ordered; and
- All products have been delivered to DHSC rented storage facilities and distributed to the NHS (as end customer) based on direction from the DHSC PPE Cell. DHSC has borne the risks and costs associated with storage and warehouse facilities.

(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:

2 Accounting policies (continued)

- 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.

(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.

2 Accounting policies (continued)

(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
  - 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:

2 Accounting policies (continued)

Asset class	Depreciation method and rate
Leasehold improvements	5 - 10 years
IT equipment	3 - 10 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.

(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.

2 Accounting policies (continued)

(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.

(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.

2 Accounting policies (continued)

(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.

(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.

2 Accounting policies (continued)

(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.

(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) Application of new standards from 1 April 2019

The company adopted IFRS 16 'Leases' in the financial statements for the year ended 31 March 2020. This accounting policy provides the basis of the accounting for the transition, as well as the ongoing accounting policy which has been applied in the year ended 31 March 2021.

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 been 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'.

(q) (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.

2 Accounting policies (continued)

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
- 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'.

(q) (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.

2 Accounting policies (continued)

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.

(q) (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.

(q) (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 £3,619,214 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 was an in year recognition in FY19/20 of right of use ("ROU") assets of £51,002k and associated lease liabilities primarily relating to supply chain warehouse following the adoption of IFRS16.

	31 March 2020 £ 000
Operating lease commitments at 31 March 2020 (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 borrowing	(411)
Lease liabilities recognised at 1 April 2020	3,639

2 Accounting policies (continued)

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 2020. The weighted average rate applied was 1.99%.

Impact on Statement of Financial Position as at 1 April 2019

	31 March 2020 As originally reported £ 000	IFRS 16 adjustments £ 000	31 March 2020 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
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

(q) (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.

2 Accounting policies (continued)

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.

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.

(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 the Mercer DB Master Trust (previously known as the 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.

2 Accounting policies (continued)

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.

The Mercer DB Master Trusts (previously known as 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:

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

Going concern

The company's business activities, together with the factors likely to affect its future development and performance are set out in the Chair 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.

During the financial year, the company was wholly owned by the Secretary of State for Health and Social Care, who 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. As SCCL acted as an agent in the procurement of PPE and ICU consumables on behalf of DHSC, the repayment of the facility will be facilitated by the recharge of these consumables, which has been accrued in the financial statements for the year ended 31 March 2021. A receipt of £2.7bn was received from DHSC for the payment of PPE and ICU consumables in September 2021. In addition, the company will receive funding from its current shareholder, NHSEI, 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 its shareholder 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.

Agency transactions

Management has determined that the compny has acted as an agent on behalf of DHSC in respect of sourcing and purchasing certain items in response to the global Covid pandemic, such as PPE and ICU consumables. This assessment has been carried with reference to IFRS 15 'Revenue from contracts with customers'. Consequently, the company has not recognised any associated revenue, cost of sales, administrative expenses or trade and other payables associated with these transactions. The company has recognised a receivable from DHSC in respect of these transactions in its Statement of Financial Position.

Taxation

Taxation of the absorption gain on the acquisition of NHS Supply Chain (see note 4) required a management judgement in the prior year to assess whether the balance was subject to corporation tax by HMRC. Management assessed that for the purposes of the statutory accounts and the corporation tax return, the absorption gain was subject to corporation tax. The associated tax liability was paid to HMRC, but discussions remain ongoing with HMRC in respect of whether the absorption gain is subject to corporation tax, and consquently whether a refund will be received.

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.

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

The company has recognised provisions for impairment of inventories, impairment of trade receivables 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.

A provision for VAT receivable was recognised in the prior year in respect of VAT amounts due to be reclaimed on certain inventory items following the acquisition of the NHS Supply Chain from the NHS BSA. Whilst the input VAT on the transfer of the inventory 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 ongoing 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.

In addition, there are further historical amounts relating to capital inventory, maintenance contracts, and stock relating to EU Exit, for which input VAT is expected to be claimed from HMRC. These historical balances relate to items purchased prior to the transfer of NHS Supply Chain from NHS BSA. The majority of this balance has been provided for. Work is ongoing to prepare claims for submission to HMRC for these amounts.

Leases

The application of IFRS 16 'Leases' requires the company to make judgements that affect the valuation of the lease liabilities (see note 22) 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.

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:

	2021 **£ 000**	**2020** **£ 000**
Sale of goods	2,065,892	2,123,052
Rendering of services	63,586	51,880
Leasing of equipment	4,347	3,972
Other revenue	232,327	252,803
Professional fees	543	-
	2,366,695	2,431,707

Other revenue relates to operational funding received from DHSC, along with recharge income for which expenditure has been recharged on to related parties. Recharge income of £187,000 (2020: £31,026,000) is shown in the Income Statement.

5 Revenue (continued)

During the year ended 31 March 2021, the company acted as an agent on behalf of DHSC in respect of certain items sourced in response to the Covid pandemic, including PPE and ICU consumables. These items were sourced and procured by the company under direction from DHSC, and the cost of these items was recharged to DHSC. In accordance with IFRS 15 'Revenue from contracts with customers', no income has been recognised for the consumables, as no margin has been charged. Professional costs associated with acting as an agent on behalf of DHSC of £543,000 have been recharged to DHSC.

5 Revenue (continued)

Disaggregated revenue information for each segment is provided below.

Segment analysis by primary geographical markets	2021 NHS £ 000	2021 Non-NHS £ 000	2021 Total £ 000	2020 NHS £ 000	2020 Non-NHS £ 000	2020 Total £ 000
United Kingdom	2,180,373	183,541	**2,363,914**	2,292,247	137,583	**2,429,830**
Europe	-	2,781	**2,781**	-	1,877	**1,877**
	2,180,373	186,322	2,366,695	2,292,247	139,460	2,431,707

Segment analysis by product service	2021 NHS £ 000	2021 Non-NHS £ 000	2021 Total £ 000	2020 NHS (restated) £ 000	2020 Non-NHS £ 000	2020 Total (restated) £ 000
Sale of goods	1,879,570	186,322	**2,065,892**	1,983,592	139,460	**2,123,052**
Rendering of services	63,586	-	**63,586**	51,880	-	**51,880**
Leasing of equipment	4,347	-	**4,347**	3,972	-	**3,972**
Other revenue	232,327	-	**232,327**	252,803	-	**252,803**
Professional fees	543	-	**543**	-	-	**-**
	2,180,373	186,322	2,366,695	2,292,247	139,460	2,431,707

5 Revenue (continued)

	2021 NHS £'000	2021 Non NHS £'000	2020 NHS £'000	2020 Non NHS £'000
Analysis of revenue generated in United Kingdom				
Point in time	2,176,026	183,541	2,288,275	137,583
Over time (more than five years)	4,347	-	3,972	-
Revenue from contracts with customers	2,180,373	183,541	2,292,247	137,583

	2021 NHS £'000	2021 Non NHS £'000	2020 NHS £'000	2020 Non NHS £'000
Analysis of revenue generated in Europe				
Point in time	-	2,781	-	1,877
Over time	-	-	-	-
Revenue from contracts with customers	-	2,781	-	1,877

5 Revenue (continued)

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

Contract assets and liabilities

	31 March 2021 £ 000	31 March 2020 (restated) £ 000
Contract assets	211	-
Contract liabilities	(86,377)	(57,453)
Net unbilled contract liabilities	(86,166)	(57,453)

In addition to the balances above, the company has also recognised non-current contract liabilities of £245,000 (2020: £127,000).

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 the company's unconditional right to consideration for the goods or services supplied and performance obligations delivered. Contract liabilities (deposits from customers) relate to consideration received when the company still has an obligation to deliver goods or services for that consideration.

The prior year restatement relates to costs prepaid in respect of maintenance contracts, totalling £49,954,000, which were incorrectly classified as contract assets. These are now shown as prepayments in trade and other receivables.

6 Other gains

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

	2021 £ 000	2020 £ 000
Gain from changes in provisions (see note 23)	395	7,000
Absorption gain from acquisition of NHS Supply Chain (see note 4)	-	182,600
	395	189,600

7 Operating profit/(loss)

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

	2021 £ 000	2020 £ 000
Depreciation expense	6,185	4,305
Depreciation on right of use assets - Equipment	3	3
Depreciation on right of use assets - Property	11,072	7,565
Depreciation on right of use assets - Vehicles	191	254
Amortisation expense	286	285
Expense on short term leases	-	51

8 Finance costs

	2021 £ 000	2020 £ 000
Interest on bank overdrafts and borrowings	982	1,036
Interest expense on leases - Property	901	889
Interest expense on leases - Other	5	7
Total finance costs	1,888	1,932

9 Staff costs

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

	2021 £ 000	2020 £ 000
Wages and salaries	27,352	24,394
Social security costs	2,210	1,707
Pension costs	1,974	1,323
Redundancy costs	92	324
Recharges	187	1,876
	31,815	29,624

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. 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.

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

	2021 No.	2020 No.
Permanent staff	366	328
Agency and temporary staff	129	79
	495	407

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration	541	418
Contributions paid to pension schemes	26	10
Payment in lieu of notice	68	-
	635	428

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Remuneration	253	213
Company contributions to pension schemes	4	3

Until 26 November 2020, the Chief Executive Officer was remunerated by the Cabinet Office, and the company was recharged for his time and expenses.

During 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 has been paid during the year ended 31 March 2021.

Disclosures relating to directors' remuneration are included in the Remuneration Report on pages 23 to 30.

11 Auditors' remuneration

	2021 £ 000	2020 £ 000
Audit of the financial statements	610	441
Other fees to other auditors		
Internal audit services	130	106

12 Income tax

Tax charged in the Income Statement

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	673	29,931
Deferred taxation		
Arising from origination and reversal of temporary differences	1,032	(1,049)
Tax expense in the Income Statement	1,705	28,882

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2020 - the same as the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before tax	-	150,577
Corporation tax at standard rate	-	28,610
Increase/(decrease) in current tax from adjustment for prior periods	268	(16)
Increase from effect of expenses not deductible in determining taxable profit	612	287
Increase from effect of different UK tax rates on some earnings	-	2
Amounts not recognised	825	-
Other tax effects for reconciliation between accounting profit and tax income	-	(1)
Total tax charge	1,705	28,882

12 Income tax (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 April 2020 £ 000	Recognised in income £ 000	At 31 March 2021 £ 000
Fixed assets	607	(607)	-
Temporary timing differences	(1,658)	1,658	-
IFRS 16 adjustment	19	(19)	-
Net tax (assets)/liabilities	(1,032)	1,032	-

Deferred tax movement during the prior 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)

13 Property, plant and equipment

	Leasehold Improvements £ 000	Fixtures and Fittings £ 000	Medical equipment £ 000	Work in Progress £ 000	Other equipment £ 000	Total £ 000
Cost or valuation						
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 1 April 2020	1,332	407	23,939	21,940	7,867	55,485
Additions	59	-	-	11,413	-	11,472
Transfers	5,284	5,958	-	(16,551)	5,309	-
At 31 March 2021	6,675	6,365	23,939	16,802	13,176	66,957
Depreciation						
At 1 April 2019	32	10	-	-	566	608
Acquired through business combinations	-	-	4,714	-	-	4,714
Charge for the year	133	41	2,241	-	1,890	4,305
At 1 April 2020	165	51	6,955	-	2,456	9,627
Charge for the year	625	407	2,984	-	2,169	6,185
At 31 March 2021	790	458	9,939	-	4,625	15,812
Carrying amount						
At 31 March 2021	5,885	5,907	14,000	16,802	8,551	51,145

13 Property, plant and equipment (continued)

	Leasehold Improvements £ 000	Fixtures and Fittings £ 000	Medical equipment £ 000	Work in Progress £ 000	Other equipment £ 000	Total £ 000
At 31 March 2020	1,167	356	16,984	21,940	5,411	45,858

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
Additions	8	51,978	15	52,001
At 1 April 2020	8	55,271	477	55,756
Additions	-	20,345	331	20,676
At 31 March 2021	8	75,616	808	76,432
Depreciation				
At 1 April 2019	-	-	-	-
Charge for the year	3	7,563	254	7,820
At 1 April 2020	3	7,563	254	7,820
Charge for the year	3	11,072	191	11,266
At 31 March 2021	6	18,635	445	19,086
Carrying amount				
At 31 March 2021	2	56,981	363	57,346
At 31 March 2020	5	47,708	223	47,936

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 by the company.

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 2019	1,142	1,142
At 1 April 2020	1,142	1,142
At 31 March 2021	1,142	1,142
Amortisation		
At 1 April 2019	48	48
Amortisation charge	285	285
At 1 April 2020	333	333
Amortisation charge	286	286
At 31 March 2021	619	619
Carrying amount		
At 31 March 2021	523	523
At 31 March 2020	809	809

There are no indicators of impairment.

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

16 Inventories

	31 March 2021 £ 000	31 March 2020 £ 000
Finished goods and goods for resale	161,090	183,795

	31 March 2021 £ 000	31 March 2020 £ 000
At start of the year	183,795	-
Transfers on acquisition of NHS Supply Chain (see note 4)	-	187,393
Purchases	1,091,946	2,311,834
Sales	(1,107,528)	(2,316,118)
Adjustments	(7,123)	686
At end of the year	161,090	183,795

16 Inventories (continued)

During the year, £7,123,000 of inventory has been written down (2020: £1,935,000).

For the year ended 31 March 2021, the external auditor has been unable to obtain assurance over the consumables and capital inventory balances, and thus provided a qualified audit opinion in this respect. As at 31 March 2021, the company held inventory on behalf of DHSC which was not segregated in the warehouse. Consequently, the external auditor has been unable to gain assurance over which inventory belonged to SCCL, totalling £159m. In addition, the company were unable to obtain external confirmations for capital inventory held at third party locations, totalling £1.7m.

For the year ended 31 March 2020, the external auditor was unable to obtain assurance over the consumables inventory balance, and thus provided a qualified audit opinion in this respect. The lockdown caused by the Covid-19 pandemic meant that the external auditor was unable to attend the year end stocktake to gain assurance over year end stock totalling £150m, with a corresponding value in cost of sales of £1,791m. The audit team were also unable to obtain certificates of existence for certain stock held at third party sites, totalling £34.2.m

17 Trade and other receivables

	31 March 2021 £ 000	31 March 2020 (restated) £ 000
Trade receivables	217,809	223,093
Provision for impairment of trade receivables	(1,048)	(905)
Net trade receivables	216,761	222,188
Accrued income	4,857,894	40,590
Prepayments	89,278	53,689
Other receivables	59,486	38,531
Provision for impairment of other receivables	(51,134)	(28,524)
	5,172,285	326,474

Trade and other receivables due after one year total £1,621,000 (2020: £7,650,000).

The prior year restatement relates to costs prepaid in respect of maintenance contracts, totalling £49,954,000, which were incorrectly classified as contract assets. These are now shown as prepayments in trade and other receivables.

18 Cash and cash equivalents

	31 March 2021 £ 000	31 March 2020 £ 000
Cash at bank	551,706	205,247

19 Trade and other payables

	31 March 2021 £ 000	31 March 2020 £ 000
Trade payables	154,100	137,638
Accrued expenses	170,948	145,141
Amounts due to related parties	5,462	8,989
Social security and other taxes	2,064	30,295
Outstanding defined contribution pension costs	331	191
Other payables	162,632	19,289
	495,537	341,543

Trade and other payables due after one year total £9,378,000 (2020: £Nil).

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in Note 27 Financial risk review.

20 Deferred income

	31 March 2021 £ 000	31 March 2020 £ 000
Deferred income	15,732	25,600
	15,732	25,600

In addition, deferred income to be recognised in more than one year is £1,826,000 (2020: £Nil).

21 Loans and borrowings

	31 March 2021 £ 000	31 March 2020 £ 000
Non-current loans and borrowings		
Other borrowings	5,183,920	-

	31 March 2021 £ 000	31 March 2020 £ 000
Current loans and borrowings		
Other borrowings	141	202,003

The following tables set out movement in the principal element of each borrowing that has been undertaken by the company.

21 Loans and borrowings (continued)

2021	Revolving Credit Facility £ 000	EU Exit Loan £ 000	COVID Facility £ 000	Total £ 000
At start of period	102,000	100,000	-	202,000
Drawdowns	148,000	100,000	4,733,920	4,981,920
Transfers	-	(200,000)	200,000	-
At end of period	250,000	-	4,933,920	5,183,920

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
Drawdowns	-	29,864	29,864
Repayments	(40,000)	-	(40,000)
At end of period	102,000	100,000	202,000

Interest of £141,000 has been accrued on the Revolving Credit Facility (2020: £3,000).

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 1 April 2019, the company acquired the NHS Supply Chain. NHS Supply Chain had a £70m loan for EU Exit due to the Secretary of State for Health and Social Care, which became payable by the company. A further £30m was drawn in April 2019. The loan was due for repayment on 31 March 2020, but this was extended to 31 March 2021. 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. No interest is payable on this facility.

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. As at 31 March 2021, £4.9bn was drawn down.

22 Leases

(a) Where the company acts as a lessee

Lease liabilities maturity analysis

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

	31 March 2021 £ 000	31 March 2020 £ 000
Less than one year	8,160	6,533
More than 1 year and less than 5 years	22,604	15,205
More than 5 years and less than 10 years	9,140	10,379
More than 10 years	15,167	16,768
Total lease liabilities (undiscounted)	55,071	48,885
Less unearned interest	6,398	6,786
Discounted lease liabilities	48,673	42,099
Analysed as:		
Current	7,325	5,753
Non-current	41,348	36,346
	48,673	42,099

Total cash outflows related to leases

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

Payment	31 March 2021 £ 000	31 March 2020 £ 000
Right of use assets	7,470	5,902
Interest	906	896
Short term leases	-	51
Total cash outflow	8,376	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 new lease liabilities recognised in the Statement of Financial Position as at the date of initial application of IFRS 16 'Leases' is 1.27% (2020 - 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 (2020: 31).

22 Leases (continued)

Finance leases

The company has classified 2 (2020: 2) 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.

During the year, the company has recognised interest income on finance lease receivables of £35,000 (2020: £35,000), 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	**2021 £ 000**	**2020 £ 000**
Due in one year	399	399
Due in two years	399	399
Due in three years	399	399
Due in four years	399	399
Due in five years	399	399
Due in more than five years	183	579
Total undiscounted lease receivable	2,178	2,574
Less unearned finance income	(191)	(226)
Net investment in the lease	1,987	2,348
Analysed as:		
Current	399	399
Non-current	1,588	1,949

Operating leases

The company has classified 29 (2020: 29) 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 £4,172,160 (2020: £3,937,000), 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	**2021 £ 000**	**2020 £ 000**
Due in one year	4,172	4,172
Due in two years	4,008	4,172
Due in three years	3,761	4,008
Due in four years	1,964	3,761
Due in five years	624	1,997
Due in more than five years	220	826
Total operating lease receivable	14,749	18,936

23 Provisions

	Employee benefits £ 000	Dilapidations £ 000	Total £ 000
At 1 April 2020	395	6,787	7,182
Increase in existing provisions	-	6,389	6,389
Provisions utilised	-	(167)	(167)
Provisions released	(395)	-	(395)
At 31 March 2021	-	13,009	13,009

All provisions are classified as non-current liabilities.

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 as at 31 March 2020 related to potential claims from employees whose claims were not processed in March 2020. This was released in the financial year ended 31 March 2021.

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 10 warehouses that were transferred to the company as part of the acquisition of NHS Supply Chain (see note 4) and one new lease. There has been a review of the provisions for all leases resulting in an increase to the provision.

24 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, Mercer DB Master Trust (previously known as the 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:

24 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.

24 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.

Mercer DB Master Trust

The Mercer DB Pension Trust (previously known as 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 the Mercer DB Master Trust and are auto-enrolled into the NEST pension scheme. This is a defined contribution plan.

25 Share capital

Allotted, called up and fully paid shares

	31 March 2021 No.	31 March 2021 £	31 March 2020 No.	31 March 2020 £
Ordinary shares of £1 each	21,000,001	21,000,001	21,000,001	21,000,001

On 1 October 2021, the shareholding of the company was wholly transferred to the National Health Service Commissioning Board, NHS England and NHS Improvement ("NHSEI").

26 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £7,400,000 (2020: £13,850,000).

27 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 28 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.

27 Financial risk review (continued)

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).

27 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.

2021 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
Non-current financial assets	1,621	-	-	-	1,453	168
Other current financial assets	5,135,189	167,072	190,162	4,777,955	-	-
Cash and short-term deposits	551,706	551,706	-	-	-	-

2021 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	5,183,920	-	-	-	5,183,920	-
Loans and borrowings	141	141	-	-	-	-
Trade and other payables	504,915	52,741	299,073	143,723	9,378	-
Lease liabilities	48,673	670	2,079	4,576	20,278	21,070

27 Financial risk review (continued)

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	341,843	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	-	-

27 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 2021 (2020: £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.

28 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 for the year ended 31 March 2021, making it the company's ultimate controlling party. On 1 October 2021, the shareholding of the company was wholly transferred to the National Health Service Commissioning Board, NHSEI. The Secretary of State for Health and Social Care remains the company's ultimate controlling party.

Details of the remuneration paid to Board Directors can be found in the Remuneration Report on pages 23 to 30 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 DHSC, NHS BSA, Public Health England, NHS England, NHS Trusts and NHS Foundation Trusts.

28 Related party transactions (continued)

Year ended 31 March 2021	Income £ 000	Expenditure £ 000	Receivable £ 000	Payable £ 000
DHSC	202,515	155	3,803	5,462
Public Health England	838	-	-	-
NHS Resolution	-	97	-	-
NHS BSA	4	411	-	-
NHS England	287,031	-	24,831	-
NHS Trusts	553,565	-	48,147	-
NHS Foundation Trusts	1,069,891	2,705	109,284	-
Other DHSC Group bodies	1,973	-	74	-
	2,115,817	3,368	186,139	5,462

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

28 Related party transactions (continued)

Loans from related parties

2021	Revolving Credit Facility £ 000	EU Exit Loan £ 000	COVID Facility £ 000	Total £ 000
At start of period	102,000	100,000	-	202,000
Drawdowns	148,000	100,000	4,733,920	4,981,920
Transfers	-	(200,000)	200,000	-
At end of period	250,000	-	4,933,920	5,183,920

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
Drawdowns	-	29,864	29,864
Repayments	(40,000)	-	(40,000)
At end of period	102,000	100,000	202,000

The tables above set out the movement in the principal element of each borrowing that has been undertaken by the company.

Interest of £141,000 has been accrued on the Revolving Credit Facility (2020: £3,000).

Terms of loans from related parties

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 1 April 2019, the company acquired the NHS Supply Chain. NHS Supply Chain had a £70m loan for EU Exit due to the Secretary of State for Health and Social Care, which became payable by the company. A further £30m was drawn in April 2019. The loan was due for repayment on 31 March 2020, but this was extended to 31 March 2021. 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. No interest is payable on this facility.

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. As at 31 March 2021, £4.9bn was drawn down.

29 Parent and ultimate parent undertaking

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

From 1 October 2021, the company's immediate parent was the National Health Service Commissioning Board (see Note 30 Non adjusting events after the financial period).

30 Non adjusting events after the financial period

On 9 April 2021, the company repaid £600m of the Covid Facility and drewdown £200m on 16 June 2021. A repayment of £2.7bn was made on 7 September 2021. A further £150m was drawn down in March 2022. The balance drawn down on the Covid facility as at the date of signing is £1,983,920,000.

On 1 October 2021, the company became fully embedded into the NHS family, as ownership of its shares transferred from the Secretary of State for Heath and Social Care to the NHS Commissioning Board, NHS England and NHS Improvement ("NHSEI"). SCCL remains a separate organisation to NHSEI.

In March 2022, the company signed a lease for a new Northern distribution centre, which will be accounted for as a right of use asset in the financial statements for the year ended 31 March 2022.