

SMART ENERGY CODE COMPANY LIMITED
Company Number 08430267

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018

**SMART ENERGY CODE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018**

CONTENTS

PAGE

3	OFFICERS, ADVISORS AND REGISTERED OFFICE
4-5	CHAIRMAN'S STATEMENT
6-8	DIRECTORS' REPORT
9	STATEMENT OF DIRECTORS' RESPONSIBILITIES
10-12	INDEPENDENT AUDITOR'S REPORT
13	PROFIT AND LOSS ACCOUNT
14	BALANCE SHEET
15-17	NOTES TO THE FINANCIAL STATEMENTS

**SMART ENERGY CODE COMPANY LIMITED
OFFICERS, ADVISORS AND REGISTERED OFFICE**

DIRECTORS

Peter Davies	Director & Chairman
Michael Gibson	Director
David Lane	Director
Hugh Mullens	Director
Simon Trivella	Director
Hilary Chapman	Director (Resigned 17 July 2017)
Paul Russell Hawkins	Director (Resigned 17 July 2017)
Helen Fleming	Director (Appointed 17 July 2017)
Eric Graham	Director (Resigned 23 September 2017)
David Ross Scott	Director (Resigned 23 September 2017)
Michael Eric Woodhall	Director (Resigned 23 September 2017)
Ashley Pocock	Director (Appointed 23 September 2017)
Karen Lee	Director (Appointed 23 September 2017)
Leigh Page	Director (Appointed 23 September 2017)
Gary Cottrell	Director (Appointed 23 September 2017)

COMPANY SECRETARY

Alys Garrett (Resigned 7 December 2017)
Daniel Carter-Clout (Appointed 7 December 2017)

REGISTERED OFFICE

8 Fenchurch Place
London EC3M 4AJ
Telephone: 020 7090 1000
Fax: 020 7090 1001

SERVICE PROVIDER

Gemserv Limited
8 Fenchurch Place
London EC3M 4AJ

AUDITORS

Grant Thornton UK LLP
101 Cambridge Science Park
Milton Road
CB4 0FY

BANKERS

The Royal Bank of Scotland
62-63 Threadneedle St
London EC2R 89LA

COMPANY REGISTRATION NUMBER

08430267

Contact Details

Email: secas@gemserv.com

Website: smartenergycodecompany.co.uk

SMART ENERGY CODE COMPANY LIMITED

CHAIRMAN'S STATEMENT

Introduction

During 2017/18 the Smart Energy Code (SEC) content has continued to evolve, with major steps being taken from the transitional arrangements and development of the SEC to an enduring governance regime. This Smart Energy Code Company (SECCo) Annual Report covers the period from April 2017 to March 2018.

Throughout the year, nine versions of the SEC were designated, including the implementation of five Modification Proposals. Since the initial switch on of additional Modification Pathways in February 2016, the Panel has accepted 54 Modification Proposals into the process, with 14 of these being raised during 2017/18. In developing the modification solutions with the Working Groups, SECAS has engaged technical experts, sought input from the relevant Sub-Committees and liaised with DCC to obtain the impact assessments for amendments to the DCC Systems. The Panel has continued to develop the process for implementing approved Modification Proposals, and in February 2018 it approved its Release Management Policy which describes how SEC Releases will be managed. Towards the end of the year, the Panel initiated a review of the end-to-end Modifications Process, and the outcomes from this are now being progressed through the process.

In March 2017, the Panel agreed their annual budget of £6.995m for the year to 31st March 2018. The total income received was £8.140m of which £6.840m has been recognized as turnover in the year. This included income from the accession fees as well as pass-through costs for the Security Assessments attributable to specific Parties. All work undertaken on behalf of SECCo is within budget. The surplus amount of £1.300m will be retained by SECCo and offset against subsequent expenditure.

The SEC Panel and the Sub-Committees continued to meet regularly throughout the year, and additionally where needed on an ad-hoc basis. The Panel established a new sub-committee, the Operations Group, with the purpose of allowing DCC Users to contribute to and be informed of the rationale for operational decisions. Additionally, the Testing Advisory Group, was changed from an interim Sub-Committee to an enduring one. The past year also saw an increase in Security Sub-Committee meetings, with the main focus of progressing as many Parties as possible through the Security Assessment process, as a result of User Mandates.

Throughout the year, SECAS have continued to provide support to the SEC panel and the Sub-Committees in its operations. SECAS have maintained an appropriate resourcing profile, strengthening the team where required to support the heightened activity due to large numbers of Modification Proposals being raised, and User Mandates coming into effect. SECAS report to the Panel and the Board on a monthly basis via the Operations and Management Report, which sets out the activities undertaken within the reporting period and the associated costs. The Board are also provided with quarterly work packages for approval, in advance of activities being undertaken to ensure full control of costs.

The SECCo Board continue to have oversight of several contractual arrangements, including with four Independent Chairs for the relevant Sub-committees, as well as the User Competent Independent Organisation to undertake security and privacy assessments of Parties. The past year has seen an increase in requests seen throughout the year to our legal advisors, whom we have an ongoing arrangement in place.

At the beginning of the year there were 233 Parties to the Code which increased to 286, representing 226 Voting Groups, by the end of March 2018. With the introduction of DCC User mandates for Suppliers and Distribution Network Operators at the end of 2016, this year has seen a significant increase in Parties commencing the User Entry Process. As a result, the Panel has been focusing on supporting Parties through this process, with particular effort in ensuring the Security Assessment process is as efficient as possible. With the first use of a shared service provider in this period, the Panel have continued to review the processes and regulation to attempt to keep this complex framework fit for purpose.

A handwritten signature in black ink, appearing to read 'Peter Davies'.

Peter Davies
Director & Chairman
2 July 2018

SMART ENERGY CODE COMPANY LIMITED

DIRECTORS' REPORT

INTRODUCTION

The Directors present their report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31st March 2018.

PRINCIPAL ACTIVITIES

SECCo was established on behalf of Parties to the Smart Energy Code (SEC) in order to assist the SEC Panel in meeting its responsibilities to ensure that the objectives of the SEC are achieved. The SEC is the legal agreement that sets out the rights and obligations between the holder of the DCC Licence¹ and the organisations that wish to use the services that the DCC provides. This is a multi-party framework for Great Britain, comprising the DCC licensee and organisations that hold energy licences (Electricity Suppliers, Gas Suppliers, Electricity Distribution Businesses and Gas Network Operators); as well as other businesses engaged in commercial activities connected with the supply of energy.

The Company operates as the corporate vehicle that assists the SEC Panel in the exercise of its functions and powers, including entering into contracts with third party providers.

The running costs and expenses of the Company are met by the DCC in accordance with the provisions of the SEC (Section C8.1). The principal contract SECCo holds is with Gemserv Limited for the provision of the code administration and secretariat services.

RESULTS AND DIVIDENDS

The Company is run on a 'break-even' basis. The Company therefore makes neither a profit nor a loss, with any surplus being offset with amounts due from the DCC, in the following financial year. The Directors do not intend to declare a dividend.

SHARE ISSUES

All parties that accede to the SEC are offered the option to become a shareholder in SECCo Limited. 66 new shares were issued during the year. The total number of shareholders increased from 198 to 264 in the year.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company was incorporated in March 2013 and over the last year has focused on ensuring the appropriate contractual arrangements are in place to ensure the SEC requirements are effectively and efficiently delivered. This has included working with the Independent Chairs in place for a number of the Sub-Committees and maintaining oversight of the User Competent Independent Organisation.

¹ Granted under section 6(1A) of the Electricity Act and section 7AB(2) of the Gas Act

SMART ENERGY CODE COMPANY LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The Directors who served during the year were as follows:

	DATE OF APPOINTMENT	DATE OF RESIGNATION
Peter Davies	02.03.14	—
Michael Gibson	23.09.14	—
Eric Graham	23.09.13	23.09.17
Paul Russell Hawkins	12.06.15	17.07.17
David Lane	23.09.13	—
Hugh Mullens	23.09.14	—
David Ross Scott	17.04.14	23.09.17
Simon Trivella	23.09.13	—
Michael Eric Woodhall	11.09.15	23.09.17
Hilary Chapman	23.09.16	17.07.17
Ashley Pocock	23.09.17	—
Leigh Page	23.09.17	—
Gary Cottrell	23.09.17	—
Karen Lee	23.09.17	—
Helen Fleming	17.07.17	—

PAYMENT OF COMMERCIAL DEBTS

The Company maintains a policy of paying its suppliers in accordance with agreed credit terms.

CORPORATE GOVERNANCE

The Company believes in complying with the principles of good corporate governance and this statement describes how these principles have been applied.

Directors

The Directors supervise the management of the company. The Board meets frequently throughout the year and Directors may attend in person or by teleconference. The Board has reserved certain items for its review and approval, including the annual accounts, significant capital expenditure and services agreements. The annual budget is approved by the Board members sitting as the SEC Panel in consultation with all the SEC Parties. Other than the independent Chairman all Directors are representative of SEC Parties and accordingly are not remunerated apart from reimbursement of expenses.

SMART ENERGY CODE COMPANY LIMITED

DIRECTORS' REPORT (continued)

Internal Financial Controls

The Company has established a system of internal financial control which is designed to provide reasonable but not absolute assurance that the company's assets are safeguarded from misstatement or loss. The key procedures are:

1 *Control environment*

There are clear responsibilities and accountabilities within a defined organisational structure.

2 *Control procedures*

There are comprehensive policies and procedures which cover authorisation, recording of data and physical security, along with segregation of duty procedures are in line with companies of this size and complexity.

3 *Information and financial reporting systems*

There are planning procedures in place, which include detailed operational budgets for the year ahead. These budgets are approved by the Board and actual results are monitored regularly in comparison with budgets and forecasts.

AUDITORS

Grant Thornton UK LLP were appointed as auditors to Smart Energy Code Company Limited. A resolution proposing their appointment will be put forward at a General Meeting.

SMART ENERGY CODE COMPANY LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors 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 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.

In preparing this report, the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006.

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

Director
2 July 2018

Independent auditor's report to the members of Smart Energy Code Company Limited

Opinion

We have audited the financial statements of Smart Energy Code Company Limited (the 'company') for the year ended 31 March 2018 which comprise the profit and loss account, the balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

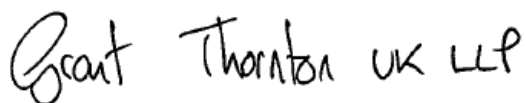
As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

A handwritten signature in black ink that reads 'Grant Thornton UK LLP'.

David Newstead

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Cambridge

2 July 2018

SMART ENERGY CODE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2018

	NOTE	<u>2018</u> £'000	<u>2017</u> £'000
TURNOVER	1	6,840	5,531
Administrative Expenses		<u>(6,840)</u>	<u>(5,531)</u>
OPERATING PROFIT/LOSS	2	-	-
Interest receivable and similar income		<u>-</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Tax on profit on ordinary activities	4	-	-
RESULT FOR THE YEAR		<u>-</u>	<u>-</u>

All amounts relate to continuing operations

The notes on pages 15 to 17 form part of these financial statements

SMART ENERGY CODE COMPANY LIMITED
BALANCE SHEET
FOR THE YEAR ENDED 31st MARCH 2018

	NOTES	<u>2018</u> £'000	<u>2017</u> £'000
FIXED ASSETS			
Property, Plant & Equipment	5	-	1
CURRENT ASSETS			
Debtors falling due within one year	6	1,497	1,180
Cash at bank and in hand		<u>936</u>	<u>2,192</u>
		2,433	3,372
CREDITORS			
Amounts falling due within one year	7	<u>(2,433)</u>	<u>(3,372)</u>
NET CURRENT ASSETS		<u>-</u>	<u>-</u>
TOTAL ASSETS LESS LIABILITIES		<u>-</u>	<u>-</u>
CAPITAL AND RESERVES			
Share capital	8	-	-
Profit and loss account		-	-
EQUITY SHAREHOLDERS' FUNDS		<u>-</u>	<u>-</u>

The financial statements have been prepared in accordance with the special provisions of part 15 of the Companies Act 2006 relating to small companies and in accordance with FRS 102 Section 1A. The financial statements were approved by the Board on 2nd July 2018 and signed on its behalf by:



Peter Davies
 Director & Chairman
 Company Number 08430267

The notes on pages 15 to 17 form part of these financial statements

**SMART ENERGY CODE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018**

1 ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year are set out below:

(A) BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland including Section 1A. The shareholders fund the Company in accordance with the provisions of the SEC and the Company operates with the intention of breaking even.

(B) GOING CONCERN

The directors are of the view that the company will have adequate resources to continue operation existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

(C) CASH FLOW STATEMENT

The financial statements do not include a cash flow statement because the Company, as a small reporting entity, is exempt from the requirement to prepare such a statement under FRS 102 Section 1A.

(D) TURNOVER

Turnover represents the amount chargeable for the year to SEC Parties under the terms of the SEC agreement. Turnover is stated net of VAT.

(E) FINANCIAL INSTRUMENTS

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors. Both are measured at the undiscounted amount of cash expected to be paid or received.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging:

	2018	2017
	<u>£'000</u>	<u>£'000</u>
Auditor's remuneration		
– Audit services	5	5
– Tax services	<u>1</u>	<u>1</u>

3 DIRECTORS

The Company has one employee. The average number of directors during the year was:

<u>2018</u>	<u>2017</u>
<u>10</u>	<u>10</u>

Apart from the Directors there were no other employees. The total amount of Directors' remuneration was £147k (2017: £139k), this was made up of a salary of £127k and national insurance of £20k.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2018</u> £'000	<u>2017</u> £'000
Analysis of charge for the year		
Current tax:		
Corporation tax on profit for the year	–	–
Tax under-provided in prior years	–	–
	<u>–</u>	<u>–</u>
Total current tax charge	<u>–</u>	<u>–</u>

5 FIXED ASSETS

	£'000
As at 1 April 2017	2
Additions	-
As at 31 March 2018	<u>2</u>
As at 1 April 2017	1
Charge for the Year	1
As at 31 March 2018	<u>2</u>
Net book value	<u>0</u>

6 DEBTORS

	<u>2018</u> £'000	<u>2017</u> £'000
Trade debtors	1,497	724
Prepayments	-	2
Other debtors	-	454
	<u>1,497</u>	<u>1,180</u>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2018</u> £'000	<u>2017</u> £'000
Trade creditors	635	590
Other taxation and social security	6	6
Accruals and deferred income	1,739	2,686
VAT Payable	53	90
	<u>2,433</u>	<u>3,372</u>

8 SHARE CAPITAL

	<u>2018</u> £	<u>2017</u> £
Authorised		
264 (2017: 198) Ordinary shares of £1 each	264	198
Allotted		
264 (2017: 198) Ordinary shares allotted during the year of £1 each	264	198

66 Ordinary shares of £1 each were issued at par during the year.
All parties that accede to the SEC are offered the option to become a shareholder in SECCo Limited.

8 PARENT COMPANY

There is no ultimate parent company.