

**SMART ENERGY CODE COMPANY LIMITED**  
**Company Number 08430267**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2017**

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

### DIRECTORS

Peter Davies	Director & Chairman
Michael Gibson	Director
Eric Graham	Director
Paul Russell Hawkins	Director
David Lane	Director
Hilary Chapman	Director
Hugh Mullens	Director
David Ross Scott	Director
Simon Trivella	Director
Michael Eric Woodhall	Director

### COMPANY SECRETARY

Alys Garrett

### 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  
202 Silbury Boulevard  
Central Milton Keynes  
MK9 1LW

### BANKERS

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

### COMPANY REGISTRATION NUMBER

08430267

### Contact Details

Email: [secas@gemserv.com](mailto:secas@gemserv.com)

Website: [smartenergycodecompany.co.uk](http://smartenergycodecompany.co.uk)

## SMART ENERGY CODE COMPANY LIMITED CHAIRMAN'S STATEMENT

### Introduction

During 2016/17 the Smart Energy Code (SEC) content has continued to evolve, as the Smart Metering Implementation Programme is transitioning to the Enduring Governance arrangements under the SEC Panel. This Smart Energy Code Company (SECCo) Annual Report covers the period from April 2016 to March 2017 which has seen significant development in the Code content itself, as well as a ramp up of services over the year as we moved closer to Live Operations and Mass Rollout.

Throughout the year, 14 versions of the SEC were implemented, one of which included the initial designation of the Technical Specifications in preparation for Release 1.2 of the DCC Systems in November 2016. We also saw the first versions of the SEC being implemented incorporating amendments driven from industry-raised Modification Proposals. Since the initial switch on of additional Modification Pathways in February 2016, the Panel have accepted over 30 Modification Proposals into the process, with the majority now continuing through the Refinement Process. In developing the modification solutions with the Working Groups, SECAS have engaged technical experts, sought input from the relevant Sub-Committees and liaised with the DCC to obtain the impact assessments for amendments to the DCC Systems. Towards the latter months of the year, the Panel have turned their attention to the process for implementing approved Modification Proposals and the enduring Release Management arrangements that will be required.

In March 2016, the Panel agreed their annual budget of £6.703m for the year to 31<sup>st</sup> March 2017. The total income received was £7.350m of which £5.531m 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 £1.819m will be retained by SECCo and offset against subsequent expenditure.

The SEC Panel and the Sub-Committees have met regularly throughout the year and on an ad-hoc basis when required. Throughout the year, there has been a significant increase in the number of meetings administered, including Working Group meetings in support of the Modification Process and an increase in the number of Security Sub-Committees in support of the Security Assessment Process. I am grateful to all of those who have supported the operation of the Panel and the Sub-Committees throughout the year to ensure that the governance of the SEC has continued to operate effectively during this period. In particular, I would like to mention the commitment and contribution made by the membership of the Testing Advisory Group and the Security Sub-Committee who have met often at short notice to ensure the appropriate assurance is given to those Panel decisions associated with the DCC go live process and the User Entry Process.

SECAS have continued to provide an appropriate resourcing profile, strengthening the team where required to support the heightened activity due to live services being in operation and the higher than anticipated number of Modification proposals raised. SECAS report to the Panel and the Board on a monthly basis via the Operations and Management Report, setting out the activities undertaken within the reporting period and the associated costs. The Board are also provided with quarterly work packages for approval, with input provided from the Sub-Committees, in advance of activities being undertaken to ensure full control of costs.

## **SMART ENERGY CODE COMPANY LIMITED CHAIRMAN'S STATEMENT (continued)**

The Panel commissioned an annual Customer Satisfaction Survey, as set out within the SECAS contract; giving an opportunity for Parties to provide feedback on a number of essential services as well as focus areas prevalent at the time of undertaking the survey, e.g. the support provided by SECAS in relation to the Security Assessment Process. The survey was undertaken in June 2016, with the results achieved in line with the contractual requirements. For the first time, the Board have also supported a Cross-Code Administrator Survey, undertaken by Ofgem as part of its final proposals coming out from the Code Governance Review Part 3. The reports and results were published in April 2017.

As well as the SECAS contract, the Board have continued their oversight of a number of contractual arrangements, including with the Independent Chairs for the relevant Sub-Committees and the User Competent Independent Organisation to undertake security and privacy assessments of Parties. We also have an ongoing arrangement in place with legal advisors, with an increase in requests seen throughout the year in relation to legal text drafting in support of the Modification Process.

At the beginning of the year, there were 161 Parties to the Code which increased to 233 Parties, representing 189 Voting Groups, by the end of March 2017. Throughout the year, as Parties have been undertaking User Entry activities, the Party Support element of the SECAS service has significantly increased. SECAS have worked closely with the DCC Industry Partnership team, as well as BEIS and Ofgem to ensure policy intent is achieved, when issues and queries have been raised from Parties. The Panel have had oversight of these activities, ensuring they are kept up to date with industry progress any issues or concerns.

In addition to the education and engagement events held throughout the year, the SEC Panel-hosted Party Engagement Day was held in July 2016. Over 60 delegates attended the day which included presentations from BEIS, DCC, Ofgem, Citizens Advice, Smart Energy GB and SECAS. I look forward to welcoming Parties to this year's event on 13<sup>th</sup> July 2017.

Throughout the year, the Panel have also supported a number of projects. This has involved continued support to the Ofgem Smarter Markets Programme, with the Panel providing industry expertise, to support the Blueprint Specification Phase moving to the Detailed Design Phase towards the latter end of the year. The support provided included business process modellers to document the development of processes through the blueprint phase. Also involving a business process modelling aspect, the Technical Architecture and Business Architecture Sub-Committee commenced the development of the Business Architecture Document to fulfil a new requirement designated in the SEC.

Looking to the next year, the Panel and the Board will continue to support the services and operations that have been established, working closely with the industry and the DCC to support industry-led change and release management. The year will be significant for the programme, as the industry begin to make full use of the DCC with the first devices being installed and continued preparation for adopting SMETS1 Devices and Dual-Band Communications Hubs. Party engagement will continue to be key, with DCC User mandates approaching and as we move into the rollout phase of the programme.



Peter Davies  
Director & Chairman  
9 June 2017

## 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 31<sup>st</sup> March 2017.

#### 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 Licence<sup>1</sup> 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.

Shareholders of the Company fund the running costs of the Company. 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. 81 new shares were issued during the year. The total number of shareholders increased from 117 to 198 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.

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<sup>1</sup> 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:

	<b>DATE OF APPOINTMENT</b>	<b>DATE OF RESIGNATION</b>
Peter Davies	02.03.14	—
Michael Gibson	23.09.14	—
Eric Graham	23.09.13	—
Paul Russell Hawkins	12.06.15	—
David Lane	23.09.13	—
Hugh Mullens	23.09.14	—
David Ross Scott	17.04.14	—
Simon Trivella	23.09.13	—
Michael Eric Woodhall	11.09.15	—
Hilary Chapman	23.09.16	

**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).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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.

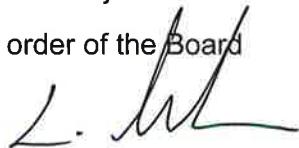
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

#### STATEMENT OF DISCLOSURE TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

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

By order of the Board



Simon Trivella  
Director  
9 June 2017

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMART ENERGY CODE COMPANY LIMITED

We have audited the financial statements of Smart Energy Code Company Limited for the year ended 31 March 2017 which comprise the balance sheet, the profit and loss account, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 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.

### **Opinion 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.
- 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 any material misstatements in the Strategic Report and Directors' Report.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the Directors' Report.

*Grant Thornton UK LLP*

**David Newstead**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Milton Keynes

9 June 2017

**SMART ENERGY CODE COMPANY LIMITED  
 PROFIT AND LOSS ACCOUNT  
 FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2017**

	NOTE	<u>2017</u> £'000	<u>2016</u> £'000
<b>TURNOVER</b>	1	5,531	2,686
Cost of sales		<u>(5,504)</u>	<u>(2,567)</u>
<b>GROSS PROFIT</b>		26	19
Administrative Expenses		<u>(26)</u>	<u>(19)</u>
<b>OPERATING PROFIT/LOSS</b>	2	-	-
Interest receivable and similar income		<u>-</u>	<u>-</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		-	-
Tax on profit on ordinary activities	4	<u>-</u>	<u>-</u>
<b>RESULT FOR THE YEAR</b>		<u><u>-</u></u>	<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 31<sup>st</sup> MARCH 2017**

	NOTES	<u>2017</u> £'000	<u>2016</u> £'000
<b>FIXED ASSETS</b>			
Property, Plant & Equipment	5	1	-
<b>CURRENT ASSETS</b>			
Debtors falling due within one year	6	1,180	387
Cash at bank and in hand		<u>2,192</u>	<u>749</u>
		3,372	1,136
<b>CREDITORS</b>			
Amounts falling due within one year	7	<u>(3,372)</u>	<u>(1,136)</u>
<b>NET CURRENT ASSETS</b>		<u>-</u>	<u>-</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>-</u>	<u>-</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	8	-	-
Profit and loss account		-	-
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<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 9<sup>th</sup> June 2017 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 31<sup>st</sup> MARCH 2017**

**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:

	<b>2017</b>	<b>2016</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Auditor's remuneration		
– Audit services	5	5
– Tax services	1	1
	1	1

### 3 DIRECTORS

The Company has no employees. The average number of directors during the year was:

	<u>2017</u>	<u>2016</u>
	10	10

Apart from the Directors there were no other employees. The total amount of Directors' remuneration was £139k (2014: £6k), this was made up of a salary of £123k and national insurance of £16k.

### 4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2017</u> £'000	<u>2016</u> £'000
<b>Analysis of charge for the year</b>		
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 2016	-
Additions	2
<b>As at 31 March 2017</b>	<u><b>2</b></u>
As at 1 April 2016	-
Charge for the year	1
<b>As at 31 March 2017</b>	<u><b>1</b></u>
<b>Net book value</b>	<u><b>1</b></u>



## 6 DEBTORS

	<u>2017</u> £'000	<u>2016</u> £'000
Trade debtors	724	24
Prepayment	2	2
Other debtor	454	236
VAT reclaimable	-	147
	<u>1,180</u>	<u>387</u>

## 7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2017</u> £'000	<u>2016</u> £'000
Trade creditors	590	418
Other taxation and social security	6	6
Accruals and deferred income	2,686	712
VAT Payable	90	-
	<u>3,372</u>	<u>1136</u>

## 8 SHARE CAPITAL

	<u>2017</u> £	<u>2016</u> £
<b>Authorised</b>		
198 Ordinary shares of £1 each	198	117
<b>Allotted</b>		
198 Ordinary shares allotted during the year of £1 each	198	117

81 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.

