

RETAIL ENERGY CODE COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

RETAIL ENERGY CODE COMPANY LIMITED

COMPANY INFORMATION

Directors	C Anastasi (Director and Chair) R V Anderson R Awatar (appointed 18 May 2021) H Charlton (appointed 18 May 2021) S Mulinganie T A Pitcher R M Pomroy A G Travell K R Woollard
Company secretary	B F O'Shea
Registered number	10989875
Registered office	130 Old Street London EC1V 9BD
Independent auditors	Menzies LLP Centrum House, 36 Station Rd, Egham TW20 9LF

RETAIL ENERGY CODE COMPANY LIMITED

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RETAIL ENERGY CODE COMPANY LIMITED

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.

Directors' responsibilities statement

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.

Principal activity

The principal activity of the company during the year was to facilitate the development of the Retail Energy Code (REC), procure a suite of services providers to enable the future delivery of the governance arrangements contained in the REC in 2021 and build a solid foundation for the future to enable it to deliver REC objectives and manage its service providers in an effective and efficient manner. The REC is a dual fuel code designated by Ofgem in February 2019 and will set out the governance and processes to enable the operation of faster and more reliable arrangements for consumers to switch their energy suppliers. The Retail Energy Code Company (RECCo) is the corporate vehicle for ensuring the proper, effective, and efficient implementation and ongoing management of the Retail Energy Code (REC). The costs of RECCo are borne by licenced energy suppliers in proportion to their market share.

Directors

The directors who served during the year with exceptions noted below were:

C Anastasi
R V Anderson
R Awatar (appointed 18 May 2021)
H Charlton (appointed 18 May 2021)
S Mulinganie
T A Pitcher
R M Pomroy
A G Travell
K R Woollard

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Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Menzies LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

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

This report was approved by the board on 07 July 2021 and signed on its behalf.

C Anastasi
Director

T A Pitcher
Director

RETAIL ENERGY CODE COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RETAIL ENERGY CODE COMPANY LIMITED

Opinion

We have audited the financial statements of Retail Energy Code Company Limited (the 'Company') for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the related notes, 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 2021 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company'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.

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

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 Auditors' 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

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RETAIL ENERGY CODE COMPANY LIMITED (CONTINUED)

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.

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; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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.

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; 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' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 1, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RETAIL ENERGY CODE COMPANY LIMITED (CONTINUED)

Auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We determined that the most significant laws and regulation was Companies Act 2006 and the REC.
- We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- We understood how the Company is complying with those legal and regulatory frameworks by, making inquiries to management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes.
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations. The assessment did not identify any issues in this area.
- We assessed the susceptibility of the Company financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
 - Challenging assumptions and judgments made by management in its significant accounting estimates; and
 - Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.
 - Testing expenditure transactions for evidence of authorisation and obtaining signed agreements where applicable.
 - Testing revenue and rebate calculations for a sample of members with reference to market share data and obtaining third party confirmation of market share data.
- As a result of the above procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:
 - Posting of unauthorised expenditure.
 - Contracts with suppliers that are not subject to a tendering process.

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Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>.

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Janice Matthews FCA
Menzies LLP

Statutory Auditors
Centrum House,
36 Station Rd,
Egham
TW209LF

Date:

RETAIL ENERGY CODE COMPANY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	2021 £	2020 £
Turnover	8,049,263	2,875,231
Gross profit	8,049,263	2,875,231
Administrative expenses	(8,049,467)	(2,876,791)
Operating loss	(204)	(1,560)
Interest receivable and similar income	204	1,560
Profit before tax	-	-
Tax on profit	(39)	(15)
Loss for the financial year	(39)	(15)

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2021 (2020:£NIL).

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**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

	Note	2021 £	2020 £
Current assets			
Debtors: amounts falling due within one year	5	657,914	340,816
Cash at bank and in hand		4,037,316	1,755,988
		<u>4,695,230</u>	<u>2,096,804</u>
Creditors: amounts falling due within one year	6	(4,695,366)	(2,096,920)
Net current liabilities		(136)	(116)
Net liabilities		<u>(136)</u>	<u>(116)</u>
Capital and reserves			
Called up share capital		94	75
Profit and loss account		(230)	(191)
		<u>(136)</u>	<u>(116)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

C Anastasi
Director

T A Pitcher
Director

The notes on pages 12 to 14 form part of these financial statements.

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. General information

Retail Energy Code Company Limited is a private company, limited by shares, registered in England and Wales, registration number 10989875. The principal place of business is 130 Old Street, London, EC1A 9BD.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Going concern

The emergence and spread of COVID-19 in 2020 carrying through into 2021, the associated social distancing measures and imposed travel restrictions have significantly impacted businesses globally at the time at which these accounts are being filed.

The Company is continuing to carry out its activities whilst the directors work remotely to minimise the impact on planned projects as much as possible. In response to the pandemic and uncertainty, the directors have taken measures in order to safeguard cash flow and members that they believe should enable them to continue in operational existence.

At the time of approval of these financial statements the directors believe that members will continue to pay their contributions as they fall due and that this mitigates the uncertainty related to the aforementioned conditions that may cast doubt on the Company's ability to continue as a going concern.

Therefore, it is the directors' opinion that the going concern basis of preparation continues to be appropriate.

2.3 Revenue

Income represents amounts charged to licenced energy suppliers who have acceded to the Retail Energy Code. In accordance with the provisions set out in the REC, RECCo shall be entitled to recover, all the reasonable costs and expenses RECCo properly incurs pursuant to the REC and each energy supplier shall be liable to fund the costs incurred by RECCo in respect of each financial year in proportion to their market share. Where an energy supplier has been invoiced on account during the year for a sum greater than their share of the recoverable costs, a rebate is included in creditors as other creditors, and where an energy suppliers share of recoverable costs exceeds the amount invoiced on account in the year the balance is included in debtors as accrued income. Revenue is recognised net of VAT.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.4 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

2.5 Debtors

Trade debtors are amounts due from energy suppliers in respect of their share of cost. Short term debtors are measured at transaction price, less any impairment.

2.6 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.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

3. Auditors' remuneration

	2021 £	2020 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	10,050	9,750

4. Employees

The average monthly number of employees, including directors, during the year was 7 (2020 - 7).

5. Debtors

	2021 £	2020 £
Trade debtors	657,820	340,741
Called up share capital not paid	94	75
	<u>657,914</u>	<u>340,816</u>

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6. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	328,607	342,104
Corporation tax	39	15
Other taxation and social security	320,758	42,353
Other creditors	1,491,210	1,463,596
Accruals	2,554,752	248,852
	<u>4,695,366</u>	<u>2,096,920</u>

7. Share Capital

	2021 £	2020 £
Allotted, called up and unpaid share capital		
94 (2020 - 75) Ordinary shares of £1.00 each	<u>94</u>	<u>75</u>

During the year the Company issued 19 Ordinary £1 shares.

8. Related party transactions

During the year, the Company invoiced its shareholders to the value of £7,457,742 (2020: £3,046,387) based on the agreed budget. At the year end, an amount of £408,842 (2020: £268,468) was due from shareholders and is included within trade debtors. At the year end, a rebate of £1,067,524 (2020: £1,037,241) was due to the shareholders and this is included within other creditors.