

Company registration number: 10989875

ANNUAL REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2024

RETAIL ENERGY CODE
COMPANY LIMITED

MENZIES
BRIGHTER THINKING

RETAIL ENERGY CODE COMPANY LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|---|
| Directors | C Anastasi R Awatar H Charlton R M Rotko D J Wylie P A Hallas I A Haigh (appointed 1 August 2023) |
| Company secretary | B F O'Shea |
| Registered number | 10989875 |
| Registered office | 27 Old Gloucester Street London WC1N 3AX |
| Independent auditors | Menzies LLP Chartered Accountants & Statutory Auditor Magna House 18-32 London Road Staines-Upon-Thames TW18 4BP |

RETAIL ENERGY CODE COMPANY LIMITED

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RETAIL ENERGY CODE COMPANY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2024

Business Review

The Retail Energy Code Company Ltd ('RECCo') was established as the corporate vehicle for ensuring the proper, effective, and efficient implementation and ongoing management of the Retail Energy Code (the REC). The REC is a set of detailed rules and governance arrangements which ensure the effective and efficient operation of the competitive GB retail energy supply market.

The retail energy supply market has undergone significant change over the last three years. It has become clear that a strong consumer focus, balanced with sustainable and efficient market and business practices are integral to its success.. RECCo, acting as intelligent customer on behalf of the market participants procures, manages, and transforms a suite of central services, systems and processes. In doing so we need to strike the right balance between what is needed to address today's challenges, while preparing for what is needed in the future.

RECCo is a not-for-profit organisation and in each financial year our income must match our costs. Prior to the start of each financial year we agree a budget with industry, which is a good faith estimate of the costs that are anticipated to be incurred in delivering the Strategy and Forward Work Plan. Where the costs incurred are less than our good faith estimate we return the surplus to the funding parties as a rebate against their charges for the subsequent year. As part of our 2024-25 Budget process we received direct feedback from REC Parties on how we can enhance our future budget development and consultation process. The REC Board was fully supportive of these suggestions, and we are dedicated to implementing them in our future budget cycles.

The 12-month period to 31 March 2024 was a challenging one for all sectors of the energy industry. We experienced that directly as we supported REC Parties and Users with wider market challenges arising from the cost-of-living crisis and the introduction of retail specific programmes and initiatives. Alongside continuing to develop the RECCo operating environment and grow our human capital resource capacity and capability to match our delivery obligations, we delivered several foundational step changes for the future. The 2023-24 financial year marked our first full year operating the complete suite of REC Services, a pivotal step in our journey.

Throughout 2023-24 we have actively prioritised engaging with REC Parties and other stakeholders, valuing their expertise to help evaluate performance of the REC Services we deliver. Overall, we received a positive reception of our services and invaluable feedback on areas for improvement. This is a key driver in our 2024-27 Forward Work Plan, with a focus on enhancing REC operations, change management, performance assurance, and technology enablement.

As part of our commitment to industry to support them in their requirements to combat energy theft and address its economic and safety issues we delivered the Theft Estimation Methodology project, a data driven best estimate of the likely value of energy theft per annum in the UK. To introduce simplification and efficiency in the complex arrangements for metering we delivered a consolidated single Metering Codes of Practice replacing the previous disaggregated four metering codes.

In 2023-24, as in previous years, we were called upon to deliver industry-critical new governance, processes, systems, and charging arrangements at a pace that aligns with government policy for the benefit of consumers and industry. In March 2024, we reached a significant milestone with the retirement of the Market Stabilisation Charge (MSC) arrangements under the REC. Ofgem established this scheme to manage the risks caused by wholesale market volatility, which could result in high consumer costs if suppliers failed in the market. We continue to work closely with Ofgem and stakeholders to deliver new initiatives that address emerging issues, specifically, a new Prepayment Method Levelisation Reconciliation Scheme, which went live on 1st April 2024, successfully delivered within the set timeframe and budget. The scheme will positively impact some of our society's most vulnerable consumers and address fuel poverty by ensuring that prepayment meter customers pay no more than direct debit customers for their standing charges. Overall, the Prepayment Method Levelisation Reconciliation Scheme applies to 39.95 million electricity and gas meters in the UK.

As part of our commitment to industry to support them in their requirements to combat energy theft and address its economic and safety issues we commenced work on the refinement and enhancement of the Theft Detection Incentivisation Scheme, and that work will complete in 2024-25, as well as establishing an enhanced marketing service to further promote the Energy Theft Tip Off Service which allows the public to report instances of suspected energy theft.

Looking to future developments of our services, in 2023-24 we delivered business cases to support the evolution of the REC Code Manager Services and the procurement strategy to safeguard the future of the Energy Enquiry Services. Those business cases provide the foundation for further work to be delivered in 2024-25 and beyond.

RETAIL ENERGY CODE COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

The REC requires the Board to produce an Annual Report for each financial year. The Annual Report, includes full details of RECCo's performance during 2023-24 including performance of the Code Manager, the operation of the REC Change Process, the risks identified by the Performance Assurance Board, progress against delivery of the budget and forward work plan and strategy and operational issues that have been identified as requiring, or otherwise expected to contribute to, improvements in RECCo's delivery of REC Services to REC Service Users.

The 2023-24 REC Annual report is published on www.retailenergycode.co.uk

Financial Review

Turnover for the year to 31 March 2024 was £38.4m (2023: £21.5m) and this matches our costs for the year. The increase year on year reflects the full year impact of the Gas Enquiry Service which went live in July 2022 and the transfer of responsibility for funding of the Central Registration Service ('CRS') to RECCo from 01 April 2023. This income is made up of £37.6m recoverable as charges from energy suppliers proportional to their market share and £0.8m recoverable as user pays charges levied to REC service users in accordance with the Charging Methodology set out in the REC.

RECCo expected the year to 31 March 2024 to continue to reflect an energy market undergoing significant change. Consequently, our 2023-24 Budget, our first full year of delivering the full suite of REC Services, included a prudent assessment of likely costs, striking the right balance between what we needed to address current challenges, while preparing for what was needed in the future as set out in the approved strategy. Our 2023-24 Budget reflected a cost estimate of £50.5m.

Through a combination of focussing on the key deliverables for the year, actively ensuring we achieved best value for the REC funding parties and charging for access to our services we will be returning c.£9.8m to energy suppliers as a reduction against their 2024/25 charges. In addition, a further c£3m is recoverable from Smart DCC reflecting the expected underspend against the CRS budget for 2023-24. In accordance with the Smart Licence cost recovery principles this potential underspend will be subject to Ofgem price control review in 2024-25 and then returned to RECCo as an adjustment to the CRS charges in 2025-26 which will be passed onto REC Parties at that time. This is reflected on our Balance Sheet for the first time as both a long-term asset and long term liability.

These rebates are the result of meticulous credit control, strategic project phasing and effective service provider management. Key activities which contributed to the underspends included securing cost savings in delivering our services and projects; ensuring that all Non-REC Parties using the REC Services were charged for their usage; re-prioritising non-urgent project delivery; recovering approximately c£0.5m of service credits from service providers for non-adherence to performance requirements; aligning recruitment with the maturing nature of our services and organisation; and implementing active credit control to minimise bad debts.

In response to new regulatory requirements, we utilised an element of the Contingency Allowance. This included funding to implement the new REC obligation of the Prepayment Method Levelisation Reconciliation Scheme by developing and deploying the associated Reconciliation Operator scheme. It also included funding to assess and consider Ofgem's proposal on whether the governance and operational delivery of the Central Registration Service (CRS) service should be transferred to the REC and RECCo or remain with Smart DCC under their existing licence.

We do not include within our turnover or costs the charges levied under the Market Stabilisation Charge which we administer. As part of the scheme, RECCo was required to identify all change of supply events in each week and their associated energy volumes. Where Ofgem notified that a Market Stabilisation Charge was payable for that week we applied the charge to the energy volume and raised invoices to the gaining suppliers. On payment of the invoices, we allocated the cash received proportional to the losses incurred by suppliers and we remitted the monies, in a timely manner, to those losing suppliers. The income generated did not form part of the REC charging regime. Consequently, we did not recognise any receipts or payments in RECCo's financial accounts in relation to the Market Stabilisation Charge, however, we did recognise all costs incurred in administering the scheme which are recoverable through the REC charges. The same accounting approach will apply to the Prepayment Method Levelisation Reconciliation Scheme in future years.

Principal Risk and Uncertainties

The Board has established a corporate governance structure which incorporates key elements of the UK Corporate

RETAIL ENERGY CODE COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

Governance Code. This includes a segregation of duties between the Non-Executive Board and the executive management team as well as the establishment of key sub-committees including a Nominations Committee, Remuneration Committee, Ethics Committee, Finance and Audit Committee and a Risk Committee.

The Board has a clear risk management strategy consistent with best practice. As part of its strategy, it regularly assesses business risk by requiring the executive team to maintain risk registers for each material project and a consolidated company risk register incorporating material project risks and corporate risks. The Risk Committee carry out a full review of the corporate risk register at least twice a year and the Board review the key risks at each Board meeting. Risks are categorised by corporate function and cover strategy, transformation, operations, financial and commercial and people capital. Risks are scored, on a scale of 1-5, both pre- and post-mitigation for Likelihood and Impact. Any risks with a pre-mitigation risk score more than 11 is reported to the Board at each meeting.

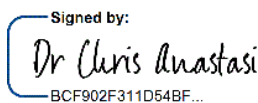
Longer-term risks facing the business are regularly assessed against the Strategy and Forward Work Plan which is reviewed on an annual basis and modified to reflect significant changes in the operating and regulatory environment.

The REC Performance Assurance Board, supported by the Code Manager, ensures that all Parties and Service Providers are fulfilling their role in the market processes governed by the REC and meeting the expectations of stakeholders. The scope of the REC Performance Assurance Framework (PAF) is very broad, with Ofgem confirming during its development that it may extend to all services and processes defined in and governed by the REC. The PAF, is delivered using a methodological and evidence-based approach to assessing the potential likelihood and impact of each market risk and is data driven. Key elements of the PAF include Risk Monitoring, Direct Assurance and Market Entry; Qualification and Metering.

Key Performance Indicator

Due to the nature of RECCo's activities, the directors consider there to be no key performance indicator to report.

This report was approved by the board on 14 August 2024 and signed on its behalf.

Signed by:

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Dr C Anastasi
Director

Date: 14-Aug-24 | 21:40 BST

Signed by:

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P Hallas
Director

Date: 15-Aug-24 | 20:28 BST

RETAIL ENERGY CODE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024

The directors present their report and the financial statements for the year ended 31 March 2024.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 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 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 Retail Energy Code (REC) is a dual fuel code designated by Ofgem in February 2019 and sets 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 REC. RECCo is a non-profit making company and its costs are recovered mainly from licensed energy suppliers and electricity distribution businesses, in accordance with the funding and charging methodology arrangements set out in the REC.

The principal activity of the company during the year was to facilitate the ongoing development of the REC and procure and deliver a suite of central market services to support industry participants in the effective and efficient discharge of their regulatory obligations as set out in the REC. During the year the company continued to invest in the development of services, systems, and processes to deliver the services set out in the REC necessary for the effective operation of the retail energy market including the industry faster switching services which went live in July 2022. RECCo continued to support the ongoing development of the Market-wide Half Hourly Settlement (MHHS) programme which will have a material impact on the retail energy market and consumers, and for which RECCo have an obligation to deliver a key element. The company also invested in the design, build, implementation and operation of the Prepayment Method Levelisation Reconciliation Scheme which went live on 01 April 2024, an Ofgem led initiative designed to introduce common energy tariff charges across prepayment and direct debit customers .

Directors

The directors who served during the year were:

C Anastasi
R Awatar
H Charlton
R M Rotko
D J Wylie
P A Hallas
I A Haigh (appointed 1 August 2023)

RETAIL ENERGY CODE COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

Disclosure of information to auditors

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

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.

This report was approved by the board on 14 August 2024 and signed on its behalf.

Signed by:
Dr Chris Anastasi
BCF902F311D54BF...

.....
Dr C Anastasi
Director

Date: 14-Aug-24 | 21:40 BST

Signed by:
Paul Hallas
B07A8D0FBF184A6...

.....
P Hallas
Director

Date: 15-Aug-24 | 20:28 BST

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 2024, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity 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 2024 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 directors' 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 other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

RETAIL ENERGY CODE COMPANY LIMITED



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

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 Strategic report and the 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 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 Strategic report or 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 4, 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.

RETAIL ENERGY CODE COMPANY LIMITED

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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 Auditors' 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 extent to which our procedures 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, employment law 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. 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 unusual journal entries
- Posting of unauthorised expenditure
- Incorrectly capitalising expenditure

Audit procedures performed 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 and high-risk keywords; and
- Testing expenditure transactions for evidence of authorisation and obtaining signed agreement where applicable.

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 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 Auditors' report.

RETAIL ENERGY CODE COMPANY LIMITED

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

Use of our report

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 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, as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

634F24DE92A4471...

Janice Matthews FCA

Menzies LLP

Chartered Accountants

Statutory Auditor

Magna House

18-32 London Road

Staines-Upon-Thames

TW18 4BP

Date:

16-Aug-24 | 13:10 BST

RETAIL ENERGY CODE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

| | | 2024 £ | 2023 £ |
|--|---|---------------------|--------------|
| Turnover | 3 | 38,406,044 | 21,562,514 |
| Gross profit | | 38,406,044 | 21,562,514 |
| Administrative expenses | | (38,489,648) | (21,577,022) |
| Operating loss | | (83,604) | (14,508) |
| Interest receivable and similar income | 7 | 106,998 | 17,912 |
| Profit before tax | | 23,394 | 3,404 |
| Tax on profit | 8 | (23,394) | (3,403) |
| Profit for the financial year | | - | 1 |

There were no recognised gains and losses for 2024 or 2023 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2024 (2023:£NIL).

The notes on pages 16 to 22 form part of these financial statements.

RETAIL ENERGY CODE COMPANY LIMITED

REGISTERED NUMBER:10989875

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

| | Note | 2024 £ | 2023 £ |
|--|------|-------------------|-------------------|
| Long term assets | | | |
| Debtors due after more than 1 year | 9 | 3,461,500 | - |
| | | <u>3,461,500</u> | <u>-</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 9 | 5,770,030 | 96,203 |
| Cash at bank and in hand | 10 | 15,123,754 | 34,306,335 |
| Total current assets | | <u>20,893,784</u> | <u>34,402,538</u> |
| Creditors: amounts falling due within one year | 11 | (20,896,239) | (34,404,992) |
| Net current liabilities | | <u>(2,455)</u> | <u>(2,454)</u> |
| Total assets less current liabilities | | <u>3,459,045</u> | <u>(2,454)</u> |
| Trade creditors >1 yr | 12 | (3,461,500) | - |
| Net liabilities | | <u>(2,455)</u> | <u>(2,454)</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 94 | 94 |
| Profit and loss account | | (2,549) | (2,548) |
| | | <u>(2,455)</u> | <u>(2,454)</u> |

The financial statements were approved and authorised for issue by the board on 14 August 2024 and were signed on its behalf on

Signed by:
Dr Chris Anastasi
BCF902F311D54BF...

.....
C Anastasi
Director 14-Aug-24 | 21:40 BST

Signed by:
Paul Hallas
B07A8D0FBF184A6...

.....
P Hallas
Director 15-Aug-24 | 20:28 BST

The notes on pages 16 to 22 form part of these financial statements.

RETAIL ENERGY CODE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2024

| | Called up share capital | Profit and loss account | Total equity |
|--|----------------------------|----------------------------|----------------|
| | £ | £ | £ |
| At 1 April 2023 | 94 | (2,548) | (2,454) |
| Comprehensive income for the year | | | |
| Result for the year | - | - | - |
| At 31 March 2024 | 94 | (2,549) | (2,455) |

The notes on pages 16 to 22 form part of these financial statements.

RETAIL ENERGY CODE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

| | Called up share capital | Profit and loss account | Total equity |
|--|----------------------------|----------------------------|----------------|
| | £ | £ | £ |
| At 1 April 2022 | 94 | (2,549) | (2,455) |
| Comprehensive income for the year | | | |
| Profit for the year | - | - | - |
| At 31 March 2023 | 94 | (2,548) | (2,454) |

The notes on pages 16 to 22 form part of these financial statements.

RETAIL ENERGY CODE COMPANY LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

| | 2024 £ | 2023 £ |
|---|--------------------------|--------------------------|
| Cash flows from operating activities | | |
| Profit for the financial year | 23,394 | 3,404 |
| Adjustments for: | | |
| Interest received | (106,998) | (17,912) |
| (Increase) in debtors | (9,135,328) | (53,877) |
| (Decrease)/increase in creditors | (10,069,234) | 24,048,348 |
| Corporation tax (paid) | (1,413) | (2,319) |
| Net cash generated from operating activities | <u>(19,289,579)</u> | <u>23,977,644</u> |
| Cash flows from investing activities | | |
| Interest received | 106,998 | 17,912 |
| Net cash from investing activities | <u>106,998</u> | <u>17,912</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(19,182,581)</u> | <u>23,995,556</u> |
| Cash and cash equivalents at beginning of year | 34,306,335 | 10,310,779 |
| Cash and cash equivalents at the end of year | <u><u>15,123,754</u></u> | <u><u>34,306,335</u></u> |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 15,123,754 | 34,306,335 |
| | <u><u>15,123,754</u></u> | <u><u>34,306,335</u></u> |

The notes on pages 16 to 22 form part of these financial statements.

RETAIL ENERGY CODE COMPANY LIMITED

ANALYSIS OF NET DEBT FOR THE YEAR ENDED 31 MARCH 2024

| | At 1 April 2023 £ | Cash flows £ | At 31 March 2024 £ |
|--------------------------|----------------------------------|-------------------------|-----------------------------------|
| Cash at bank and in hand | 34,306,335 | (19,182,581) | 15,123,754 |
| | 34,306,335 | (19,182,581) | 15,123,754 |

The notes on pages 16 to 22 form part of these financial statements.

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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 27 Old Gloucester Street, London England, WC1N 3AX.

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 Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The following principal accounting policies have been applied:

2.2 Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Revenue

Income represents amounts charged to licenced energy suppliers, licenced electricity distribution business who have acceded to the Retail Energy Code and charges to other energy industry participants in accordance with the REC charging methodology and RECCo Charging Statement. 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. 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 except to the extent those costs are recovered from electricity distribution companies and other industry entities in accordance with the REC charging methodology and RECCo Charging Statement. 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.

We do not show the charges levied under the Market Stabilisation Charge scheme we administer as revenue. As part of the scheme, RECCo is required to identify all change of supply events in each week and their associated energy volumes. Where Ofgem notify that a Market Stabilisation Charge is payable for that week we apply the charge to the energy volume and raise invoices to the gaining suppliers. On payment of the invoices, we allocate the cash received proportional to the losses incurred by suppliers and we remit the monies, in a timely manner, to those losing suppliers. The income generated does not form part of the REC charging regime. Consequently, we do not recognise any receipts or payments in RECCo's financial accounts in relation to the Market Stabilisation Charge, however, we do recognise all costs incurred in administering the scheme which are recoverable through the REC charges.

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

2. Accounting policies (continued)

2.4 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.5 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.

2.6 Debtors

Trade debtors are amounts due from customers in respect of invoices issued for their share of the RECCo costs or REC services provided. Short term debtors are measured at transaction price, less any impairment.

Long term debtors are amounts recoverable from the Smart DCC which will be recovered as a reduction against the service charges in 2025/26.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.8 Financial instruments

Financial instruments are recognised in the Company's Statement of financial position when the Company becomes party to the contractual provisions of the instrument.

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

3. Turnover

An analysis of turnover by class of business is as follows:

| | 2024 £ | 2023 £ |
|----------------------------|-------------------|-------------------|
| Retail Energy Code charges | 37,625,104 | 20,828,891 |
| Other services | 780,940 | 733,623 |
| | <u>38,406,044</u> | <u>21,562,514</u> |

All turnover arose within the United Kingdom.

4. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors:

| | 2024 £ | 2023 £ |
|---|---------------|---------------|
| Fees payable to the Company's auditor for the audit of the Company's financial statements | <u>14,740</u> | <u>15,740</u> |
| Statutory accounts preparation services | <u>2,310</u> | <u>2,100</u> |

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

5. Employees

Staff costs, including directors' remuneration, were as follows:

| | 2024 £ | 2023 £ |
|-------------------------------------|------------------|------------------|
| Wages and salaries | 2,850,508 | 1,859,946 |
| Social security costs | 336,595 | 206,450 |
| Cost of defined contribution scheme | 405,528 | 195,453 |
| | <u>3,592,631</u> | <u>2,261,849</u> |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2024 No. | 2023 No. |
|-----------|-------------|-------------|
| Employees | <u>39</u> | <u>27</u> |

6. Directors' remuneration

| | 2024 £ | 2023 £ |
|-----------------------|----------------|----------------|
| Directors' emoluments | 242,793 | 202,150 |
| | <u>242,793</u> | <u>202,150</u> |

The highest paid director received remuneration of £108,000 (2023 - £85,750).

7. Interest receivable

| | 2024 £ | 2023 £ |
|---------------------------|----------------|---------------|
| Other interest receivable | 106,998 | 17,912 |
| | <u>106,998</u> | <u>17,912</u> |

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

8. Taxation

| | 2024 £ | 2023 £ |
|-------------------------------------|---------------|--------------|
| Corporation tax | | |
| Current tax on profits for the year | 23,394 | 3,403 |
| | <u>23,394</u> | <u>3,403</u> |
| Total current tax | <u>23,394</u> | <u>3,403</u> |

Factors affecting tax charge for the year

The tax assessed for the year is £23,394 (2023 - £3,403) the standard rate of corporation tax in the UK of 19% (2023 - 19%). The differences are explained below:

| | 2024 £ | 2023 £ |
|--|---------------|--------------|
| Profit on ordinary activities before tax | 23,394 | 3,404 |
| | <u>23,394</u> | <u>3,404</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2023 - 19%) | 4,445 | 647 |
| Effects of: | | |
| Allowable expenses | (4,445) | (647) |
| Interest income | 23,394 | 3,403 |
| Total tax charge for the year | <u>23,394</u> | <u>3,403</u> |

Factors that may affect future tax charges

9. Debtors

| | 2024 £ | 2023 £ |
|-------------------------------------|------------------|-----------|
| Due after more than one year | | |
| Other debtors | 3,461,500 | - |
| | <u>3,461,500</u> | <u>-</u> |

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

9. Debtors (continued)

Other Debtors due after more than one year reflects the underspend on the Central Switching Service in the year to 31 March 2024 which is recoverable from DCC and will be recovered through a reduction in their charges in 2025/26.

| | 2024 £ | 2023 £ |
|----------------------------------|------------------|---------------|
| Due within one year | | |
| Trade debtors | 5,469,178 | 74,509 |
| Called up share capital not paid | 94 | 94 |
| Prepayments and accrued income | 300,758 | 21,600 |
| | <u>5,770,030</u> | <u>96,203</u> |

10. Cash and cash equivalents

| | 2024 £ | 2023 £ |
|--------------------------|-------------------|-------------------|
| Cash at bank and in hand | 15,123,754 | 34,306,335 |
| | <u>15,123,754</u> | <u>34,306,335</u> |

Included in cash at bank is £NIL (2023: £22,207,502) in respect of Market Stabilisation Charges received from gaining energy Suppliers under the scheme. This money will be paid to losing energy Suppliers after the year end. Included in the trade debtors balance is £5,442,480 due from Market Stabilisation debtors. An equivalent value creditors balance is shown in Other Creditors in note 11.

11. Creditors: Amounts falling due within one year

| | 2024 £ | 2023 £ |
|------------------------------------|-------------------|-------------------|
| Trade creditors | 1,061,026 | 934,478 |
| Corporation tax | 25,423 | 3,442 |
| Other taxation and social security | 650,104 | 507,185 |
| Other creditors | 15,317,229 | 31,663,073 |
| Accruals and deferred income | 3,842,457 | 1,296,814 |
| | <u>20,896,239</u> | <u>34,404,992</u> |

Other Creditors includes £9,840,956 (2023 : £9,436,727) due to Energy Suppliers as a rebate against their 2024-25 charges and £5,442,480 (2023: £22,207,502) due to losing Energy Suppliers under the Market Stabilisation Charge Scheme.

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

12. Creditors: Amounts falling due after more than one year

| | 2024 £ | 2023 £ |
|-----------------|------------------|-----------|
| Other creditors | 3,461,500 | - |
| | <u>3,461,500</u> | <u>-</u> |

Other Creditors falling due more than one year reflects the underspend incurred in the year to 31 March 2024 on the Central Switching Service which will be returned to REC parties as a reduction against their costs in 2025/26.

13. Share capital

| | 2024 £ | 2023 £ |
|---|-----------|-----------|
| Allotted, called up and unpaid share capital | | |
| 94 (2023 - 94) Ordinary shares of £1.00 each | 94 | 94 |
| | <u>94</u> | <u>94</u> |

14. Commitments under operating leases

At 31 March 2024 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | 2024 £ | 2023 £ |
|--|----------------|----------------|
| Not later than 1 year | 112,817 | 106,740 |
| Later than 1 year and not later than 5 years | 118,658 | 715 |
| | <u>231,475</u> | <u>107,455</u> |

15. Related party transactions

During the year, the Company invoiced its shareholders to the value of £31,761,176 (2023: £19,776,509) based on the agreed budget. At the year end, an amount of £898,343 (2023: (£NIL)) was due from shareholders and is included within trade debtors. At the year end, a rebate of £7,394,757 (2023: £7,504,717) was due to the shareholders and this is included within other creditors. At the year end, a Market Stabilisation Charges of £898,343 (2023: £15,441,423) was due to the shareholders and this is included within other creditors.