

Company registration number: 10989875

ANNUAL REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2023

RETAIL ENERGY CODE
COMPANY LIMITED

MENZIES
BRIGHTER THINKING

RETAIL ENERGY CODE COMPANY LIMITED

COMPANY INFORMATION

Directors	C Anastasi R Awatar H Charlton R M Stewart D J Wylie P A Hallas
Company secretary	B F O'Shea
Registered number	10989875
Registered office	27 Old Gloucester Street London WC1N 3AX
Independent auditors	Menzies LLP Chartered Accountants Centrum House 36 Station Road Egham Surrey TW20 9LF

RETAIL ENERGY CODE COMPANY LIMITED

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RETAIL ENERGY CODE COMPANY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023

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 designed to 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 two years. It has become clear that a strong consumer focus, balanced with sustainable and efficient market and business practices are integral to the success of a robust market. RECCo, in its role 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.

The period from 01 April 2022 to 31 March 2023 was an extremely challenging one for all sectors of the 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. During the financial year there were several fundamental step-changes in the RECCo operating environment. These happened alongside us growing our human capital resource capacity and capability to match our delivery obligations. In Summer 2022, RECCo took on responsibility for the recently developed Central Switching Service to support faster and more reliable switching. This had a consequential impact on several of our other services including the deployment of enhanced gas and electricity registration enquiry services. The year also saw the introduction of the Market-wide Half Hourly Settlement (MHHS) programme that will have a material impact on the retail energy market and consumers, and for which we have an obligation to deliver a key element.

In 2022, Ofgem as part of its programme to stabilise the energy market, introduced the Market Stabilisation Charge. This new scheme was introduced via the REC and RECCo was required to design, build, implement and mobilise an administration scheme to enable the exchange of Market Stabilisation Charges between gaining and losing energy suppliers.

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.

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 2022-23 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 2022-23 REC Annual report is published on www.retailenergycode.co.uk

Financial Review

Turnover for the year to 31 March 2023 was £21.5m (2022: £18.4m) and this matches our costs for the year. This income is made up of £20.8m recoverable as charges from energy suppliers proportional to their market share and £0.7m 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 2023 to continue to reflect an energy market undergoing significant change. Consequently, our 2022-23 Budget included a prudent assessment of likely costs, striking the right balance between what we needed to address current challenges, while preparing for what is needed in the future as set out in the approved strategy. Our 2022-23 Budget reflected a cost estimate of £29.9m.

RETAIL ENERGY CODE COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Through a combination of focussing on the key deliverables for the year, actively ensuring we achieve best value for the REC funding parties and charging for access to our services we will be returning c.£9.4m to energy suppliers as a reduction against their 2023/24 charges.

The rebate reflects a combination of underspend on costs coupled with additional income generated in the year from user pays charges. Key underspends include minimal bad and doubtful debts through active credit control, rephrasing of non-urgent projects, engagement with HMRC to allow for VAT recovery on switching programme costs, recovery of service credits and late delivery payments from service providers and wherever possible, commitments were delivered through internal resource rather than bought in services, in particular the process of assuming responsibility for the CSS and its subsequent integration into REC governance. None of the contingency included in the 2022-23 budget was spent.

Where we have inherited services and systems thereby inhibiting our ability to competitively procure e.g. Gas Enquiry Service and Green Deal Central Charging, we have engaged with the service providers to develop strategies to restructure the delivery capability to enable cost savings for the future. This has allowed for significant cost reduction in those services for 2023-24 onwards.

We do not show the charges levied under the Market Stabilisation Charge we administer as turnover. 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.

Principal Risks and Uncertainties

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

RETAIL ENERGY CODE COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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 and signed on its behalf.

D J Wylie
Director

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David Wylie
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Date: 10 August 2023

RETAIL ENERGY CODE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

The directors present their report and the financial statements for the year ended 31 March 2023.

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 invested in the development of services, systems and processes to ensure readiness for the go-live of energy industry faster switching services in July 2022 and the subsequent early life support for those services. The ongoing development of the energy market during the year saw the introduction 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 Market Stabilisation Charge scheme, an Ofgem led initiative designed to introduce stability in the retail market.

Directors

The directors who served during the year were:

C Anastasi
R Awatar
H Charlton
R M Stewart
D J Wylie
P A Hallas

RETAIL ENERGY CODE COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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.

Auditors

Under section 487(2) of the Companies Act 2006, Menzies LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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

DocuSigned by:
Dr Chris Anastasi
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.....
Dr C Anastasi
Director

Date: 10 August 2023

DocuSigned by:
David Wylie
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.....
D J Wylie
Director

Date: 10 August 2023

RETAIL ENERGY CODE COMPANY LIMITED

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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 2023, 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 2023 and of its profit 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. 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.

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.

RETAIL ENERGY CODE COMPANY LIMITED

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

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.

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:

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Janice Matthews FCA
Menzies LLP

Chartered Accountants
Centrum House
36 Station Road
Egham
Surrey
TW20 9LF

Date: 14-Aug-23 | 17:20 BST

RETAIL ENERGY CODE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

		2023 £	2022 £
Turnover	3	21,562,514	18,377,632
Gross profit		21,562,514	18,377,632
Administrative expenses		(21,577,022)	(18,377,654)
Operating loss		(14,508)	(22)
Interest receivable and similar income	6	17,912	22
Profit before tax		3,404	-
Tax on profit		(3,403)	(2,319)
Profit/(loss) for the financial year		1	(2,319)

There were no recognised gains and losses for 2023 or 2022 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2023 (2022:£NIL).

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

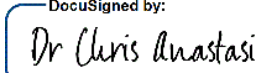
RETAIL ENERGY CODE COMPANY LIMITED

REGISTERED NUMBER:10989875

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

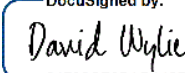
	Note	2023 £	2022 £
Current assets			
Debtors: amounts falling due within one year	8	96,203	42,326
Cash at bank and in hand	9	34,306,335	10,310,779
		<u>34,402,538</u>	<u>10,353,105</u>
Creditors: amounts falling due within one year	10	(34,404,992)	(10,355,560)
Net current liabilities		<u>(2,454)</u>	<u>(2,455)</u>
Total assets less current liabilities		<u>(2,454)</u>	<u>(2,455)</u>
Net liabilities		<u>(2,454)</u>	<u>(2,455)</u>
Capital and reserves			
Called up share capital	11	94	94
Profit and loss account		(2,548)	(2,549)
		<u>(2,454)</u>	<u>(2,455)</u>

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

DocuSigned by:

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C Anastasi
Director

Date: 10 Augst 2023

DocuSigned by:

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D J Wylie
Director

Date: 10 August 2023

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	-	1	1
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 CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2021	94	(230)	(136)
Comprehensive income for the year			
Loss for the year	-	(2,319)	(2,319)
At 31 March 2022	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 CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	2023 £	2022 £
Cash flows from operating activities		
Profit for the financial year	1	(2,319)
Adjustments for:		
Interest received	(17,912)	(22)
Taxation charge	3,403	2,319
(Increase)/decrease in debtors	(53,877)	615,588
Increase in creditors	24,048,348	5,657,875
Corporation tax (paid)/received	(2,319)	-
Net cash generated from operating activities	23,977,644	6,273,441
Cash flows from investing activities		
Interest received	17,912	22
Net cash from investing activities	17,912	22
Net increase in cash and cash equivalents	23,995,556	6,273,463
Cash and cash equivalents at beginning of year	10,310,779	4,037,316
Cash and cash equivalents at the end of year	34,306,335	10,310,779
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	34,306,335	10,310,779
	34,306,335	10,310,779

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 2023

	At 1 April 2022 £	Cash flows £	At 31 March 2023 £
Cash at bank and in hand	10,310,779	23,995,556	34,306,335
	10,310,779	23,995,556	34,306,335

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 2023

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 licensed energy suppliers, licensed 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 2023

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 plan is a salary sacrifice scheme and all pension contributions, including any employee salary sacrifice, are considered employers contributions. 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.

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

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, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

3. Turnover

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

	2023 £	2022 £
Retail Energy Code charges	20,828,891	18,377,632
Other services	733,623	-
	<u>21,562,514</u>	<u>18,377,632</u>

All turnover arose within the United Kingdom.

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

	2023 £	2022 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	15,740	11,000
Fees payable to the Company's auditors for accounts preparation	2,100	1,800
	<u>17,840</u>	<u>12,800</u>

4. Employees

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

	2023 £	2022 £
Wages and salaries	1,859,946	1,116,390
Social security costs	206,450	88,598
Cost of defined contribution scheme	195,453	65,585
	<u>2,261,849</u>	<u>1,270,573</u>

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

	2023 No.	2022 No.
Employees	<u>27</u>	<u>12</u>

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

5. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	202,150	218,100
	<u>202,150</u>	<u>218,100</u>

The highest paid director received remuneration of £85,750 (2022 - £124,500).

6. Interest receivable

	2023 £	2022 £
Other interest receivable	17,912	22
	<u>17,912</u>	<u>22</u>

7. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	3,403	2,319
	<u>3,403</u>	<u>2,319</u>
Total current tax	<u>3,403</u>	<u>2,319</u>

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is £3,404 (2022 - £2,319) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	<u>3,404</u>	<u>-</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	647	-
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,756	1,290
Staff pension costs	-	1,882
Fixed asset timing differences	-	(857)
Non-trade investment income	-	4
Total tax charge for the year	<u>3,403</u>	<u>2,319</u>

Factors that may affect future tax charges

8. Debtors

	2023 £	2022 £
Trade debtors	74,509	21,832
Called up share capital not paid	94	94
Prepayments and accrued income	21,600	20,400
	<u>96,203</u>	<u>42,326</u>

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

9. Cash and cash equivalents

	2023 £	2022 £
Cash at bank and in hand	34,306,335	10,310,779
	34,306,335	10,310,779

Included in cash at bank is £22,207,502 (2022: £Nil) 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. An equivalent value creditor balance is shown in Other Creditors in note 10.

10. Creditors: Amounts falling due within one year

	2023 £	2022 £
Trade creditors	934,478	2,432,346
Corporation tax	3,442	2,358
Other taxation and social security	507,185	312,150
Other creditors	31,663,073	4,259,176
Accruals and deferred income	1,296,814	3,349,530
	34,404,992	10,355,560

Other Creditors includes £9,436,727 (2022: £4,249,270) due to Energy Suppliers as a rebate against their 2022-23 charges and £22,207,502 (2022: £nil) due to losing Energy Suppliers under the Market Stabilisation Charge scheme.

11. Share capital

	2023 £	2022 £
Allotted, called up and unpaid share capital		
94 (2022 - 94) Ordinary shares of £1.00 each	94	94

RETAIL ENERGY CODE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

12. Commitments under operating leases

At 31 March 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Not later than 1 year	106,740	92,545
Later than 1 year and not later than 5 years	715	955
	<u>107,455</u>	<u>93,500</u>

13. Related party transactions

During the year, the Company invoiced its shareholders to the value of £19,776,509 (2022: £15,274,861) based on the agreed budget. At the year end, an amount of £Nil (2022: (£31,085)) was due to shareholders and is included within trade debtors. At the year end, a rebate of £7,504,717 (2022: £2,563,343) was due to the shareholders and this is included within other creditors. At the year end, a Market Stabilisation Charges of £15,441,423 (2022: £Nil) was due to the shareholders and this is included within other creditors.