Data Communications Company

Smart DCC Ltd

Annual Report and Regulatory Accounts

for the period 7 August 2013 to 31 March 2014

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Chairman's statement

I am delighted to present the Chairman's statement for the first annual report of Smart DCC Limited. Our company has made good progress in its first year in breaking new ground in the domestic energy sector.

Smart metering will be the biggest step change in retail energy since the industry was privatised more than 25 years ago. It will provide clear benefits for consumers, allowing them to better manage their energy consumption, and therefore their bills, whilst acting as a catalyst for change and reform across the sector as a whole. The national roll-out programme is a huge logistical and technical challenge but the Board is determined that Smart DCC Limited will play its part to ensure that this programme meets its milestones in a cost efficient and effective manner. We value the trust and faith that has been placed in us and we are committed to meeting our responsibilities and achieving our aspirations.

Since the formation of the Company in 2013 it has made a good start towards meeting the objectives of the Smart Meter Communication Licence. Mobilisation of the Company was successfully completed in November 2013. Since then our executive team has focused on setting up a world-class programme delivery operation and leading its Service Providers to complete the design for the DCC Service against the tight timelines that the smart meter programme requires.

I am particularly pleased with the constructive and effective working relationships the Company has developed with its customers in the energy industry and with other organisations involved in the Smart Meters delivery programme, in particular the Department of Energy and Climate Change (DECC) and the Office of Gas and Electricity Markets (Ofgem).

In the short-term the Company's priority will continue to be delivering the programme through the build and test phases towards live operation by the end of 2015. The progress made in the regulatory period ending 31 March 2014 will stand us in good stead for the future, but the Board does not underestimate the scale of the challenge to deliver a live DCC Service that is sustainably supporting the mass roll-out of smart meters. We also hugely value the work of the staff team under the excellent leadership of our Managing Director, Jonathan Simcock. I would like to put on record my thanks to all of them for the quality of their work, their commitment and dedication.

Richard McCarthy CBE
Chairman

Smart DCC Limited
29 July 2014

Managing Director's statement

The rollout of smart meters for gas and electricity across Great Britain will put consumers in control of their energy consumption and their energy bills in a way that has simply not been possible in the past. It will remove the need for manual meter reading and give consumers real time information about their usage and costs. Better information will make it easier for consumers to shop around for the best deal and smart meters will open the door to smarter homes, smarter appliances and smarter living.

This technical step-change offers energy suppliers the opportunity to transform their relationship with their customers and save money in managing their meters. They and others will be able to introduce new innovative services for consumers. Smart meters will also lead to further transformation of the energy markets, increasing competition and simplifying wasteful processes.

But smart metering also represents a national infrastructure programme of significant scale and complexity. A large number of parties are involved and delivery of the programme has to be coordinated between Government, the energy sector and its supply chain. We are at the heart of this programme.

As a new legal entity, licensed by DECC and regulated by Ofgem, our role is to provide the new, secure, national telecommunications and data management infrastructure without which smart meters will not work. Delivering through our Service Providers, we will develop this infrastructure by the end of 2015 and use it to support the industry's installation of over 50 million meters by the end of the decade.

This unprecedented challenge will require a delivery organisation of exceptional capability in programme management, technical leadership and operational experience. It will take a relentless determination to navigate the inevitable issues that come with a major infrastructure programme coupled with the openness and even-handedness that the energy sector will rightly demand of us.

I am proud of the progress that we have made since the Licence was awarded in September. We have met all our milestones and developed a strong delivery culture.

These are early days for Smart DCC Limited, but my leadership team and I are determined to provide the energy sector with the data and communications infrastructure it needs to provide consumers with a 21st century service of which we can all be proud.

Jonathan Simcock
Managing Director

Smart DCC Limited
29 July 2014

Strategic report

Introduction

Smart DCC Limited (the 'Company'), a wholly owned subsidiary of Capita plc ('Capita'), was awarded the Smart Meter Communication Licence (the 'Licence') by the Department of Energy and Climate Change (DECC) on 23 September 2013. The Company is a special purpose vehicle created exclusively for the purpose of carrying out the **Authorised Business**[1] of the Licence.

The Authorised Business consists of the **Mandatory Business** and the **Permitted Business.**

The Mandatory Business is one that we *must* undertake and it consists of the provision of the Data and Communications Service which connects the business systems of the users of the service with communication hubs at their customers' premises to support smart metering in Great Britain. This is referred to as the DCC Service.

The Permitted Business is one that we *may* undertake and it includes the provision of services which may be delivered through the DCC Service infrastructure, but are not related to energy supply.

We operate exclusively in Great Britain.

Our special position in the Energy Supply industry

We occupy a unique and exclusive position in Great Britain's energy market because all domestic energy suppliers will be required, as a condition of their energy supply licences, to use DCC Services. With this unique positioning comes rigorous regulation and governance.

The regulations under which smart meters are introduced and operated in the energy market are contained in the **Smart Energy Code** (SEC). The SEC is a multi-party agreement which defines the rights and obligations of the Company, energy suppliers, network operators, and other relevant parties involved in the end-to-end management of smart metering in Great Britain.

By 2018 at the latest, the DCC Service will be governed under the SEC through the **SEC Panel**, which is an independently chaired body with representatives from the Company, energy suppliers, network operators and consumer groups. The SEC Panel is supported in its functions by the Smart Energy Code Administrator and Secretariat (SECAS).

Until that point, during the implementation phase, transitional governance arrangements have been put in place by DECC to co-ordinate joint industry activity, including the setup of the DCC service. Decisions are made and progress is reported through a number of bodies,such as steering groups, programme boards and specialist forums for technical, security and regulatory matters.

These bodies are chaired by DECC and attended by industry representatives and us.

We are regulated by Ofgem, whose role it is to ensure that we meet our **General Objectives** and deliver Authorised Business in a manner that complies with the Licence obligations.

[1] These terms have a specific meaning defined in the Smart Meter Communication Licence available at www.smartdcc.co.uk/about-us/dcc-licence

Our strategic objectives

Our strategic objectives are laid out in the Licence. These are described in an **Interim General Objective**, a **First Enduring General Objective** and a **Second Enduring General Objective**. These objectives guide our activities and priorities.

The Interim General Objective is for the Company to implement the DCC service. The Licence requires the implementation to be:

- Full;
- Timely;
- Efficient;
- Economical; and
- Secure.

The First Enduring General Objective covers the operation and ongoing development of the DCC service, which must be:

- Efficient;
- Economical;
- Co-ordinated; and
- Secure.

Finally, the Second Enduring General Objective requires the Company to deliver Mandatory Business in a manner that is most likely to facilitate:

- Competition amongst energy suppliers;
- Innovation in the design and operation of energy networks; and
- Reduction in charges to energy users of the services through development of **Value Added Services**.

Our operating model

We are resourced by our parent company, Capita, through an internal trading arrangement.

We manage the implementation and operation of the DCC Service through our **External Service Providers**. The most significant of these are the Communication Service Providers (CSPs), a Data Service Provider (DSP) and a Smart Metering Key Infrastructure (SMKI) Service Provider.

The CSPs provide a wide area network for communications between the DSP and the communication hubs at energy consumers' premises. They also provide the communication hubs for the energy suppliers to install.

The DSP brings the information technology which provides access control, scheduling and translation of messages from the business systems of energy suppliers, network operators and authorised third parties and the communications hubs in consumers' premises over the networks provided by the CSPs. The DSP is also responsible for system integration of the service.

The SMKI Service Provider provides the Public Key Infrastructure, which is a vital part of ensuring that the DCC service is secure. Public Key Infrastructure is a set of policies, processes, procedures and technology that provides a secure technical and legal infrastructure for controlling the creation, issuing, distribution and use of digital certificates.

The funds required to cover our operating costs and to pay the External Service Providers are recovered from Service Users through **Service Charges** ('Charges') that are governed by the SEC. As a result the Company has minimal capital requirements.

Delivering shareholder value

Our costs equal our revenues and hence we generate nil profit. We do not pay dividends.

We deliver value for the Capita shareholder through the **Baseline Margin** which is collected from Service Users and remitted to Capita. This margin may be varied by Ofgem based on the growth and development of the business.

Business development and growth will be sustained by a relentless focus on delivery.

Delivery in accordance with the Licence

We are regulated by Ofgem to ensure that we deliver services in accordance with the Licence obligations. These include an implementation performance regime in which performance is judged against delivery milestones. In time an operational performance regime will be developed for inclusion in the Licence.

Delivery in accordance with the SEC

We must deliver services in accordance with the requirements laid out in the SEC and its supporting subsidiary documentation. This will be governed through the SEC Panel.

Ultimately, however, shareholder value will be supported by delivering to a broad range of stakeholders.

Delivery for the consumer

By supporting the nationwide provision of smart meters, we will enable energy suppliers to deliver additional value for energy consumers.

Smart metering puts the consumer at the heart of the energy industry, providing them with transparency of their energy consumption in monetary terms, in real time. This will allow them to save energy and cost, as well as remove the requirement for estimated bills or visits from a meter reader. Switching suppliers will also be much easier allowing consumers to shop around for the best deal.

In time the DCC Service infrastructure will enable a market in which technology supports smart appliances that use energy at the most economic rates.

Delivery for Service Users

Our most immediate stakeholders are our Service Users; energy suppliers, network operators and authorised third parties.

- **Energy suppliers**
  Through the DCC Service and their own investments in smart meter systems and equipment, energy suppliers can transform their relationship with their customers and save money in the management of their meters.

- **Network operators**
  The data that network operators will be able to access will help them understand the service usage on their network at the local level and to respond to supply issues. The DCC Service will also support network operators as they work towards smart grids which will support a more sustainable energy supply system.

- **Authorised third parties**
  Consumers will have the option to allow other organisations to have access to the data from their smart meter to provide them with valuable products and services. For example, switching sites could use accurate information on the amount of energy used to advise consumers on the best tariff and energy supplier.

Delivery for the energy market as a whole

We will be an important component of a more consumer focused, competitive and cost effective energy industry.

The introduction of smart meters, underpinned by the DCC Service, has the potential to make retail energy markets work better for consumers than they currently do. In particular the industry processes through which consumers can change their energy supplier can be substantially simplified leading to much faster switching.

The DCC Service, with appropriate regulatory reform can facilitate electricity demand-side response so that consumers can choose to change the amount of electricity they take off the grid at peak times. This change in customer behaviour could be used to provide flexibility in the energy system to counteract intermittency in renewable generation.

Delivery for Great Britain

In the longer term the DCC service will provide opportunities to access a secure, national, resilient data and communications infrastructure that can be used by other industry sectors for the benefit of the whole country.

Our financial performance

Revenue

Revenue is derived from Charges to Service Users for provision of the DCC Service. Charges are based on a monthly fixed service charge per meter, which was set at the beginning of the period in our 2013/14 Charging Statement (the 'Statement') in accordance with the Charging Methodology outlined in the SEC. The Statement was published in November and was based on budgeted costs, which included a prudent estimate for cash flow purposes. For the 2013/14 period the prudent estimate was set at £1.3m. This was necessary for ensuring sufficient operating liquidity for the business, and minimising the risk of amendments to Charges during the period. Liquidity risk and the measures in place for mitigation are further explained in the Notes to the financial statements.

Charges to Service Users in the period totalled £19.5m. Charges were set five months in advance of costs being incurred and allowed for uncertainties relating to advance charging, timing of cash inflow and outflow, and change in timing of activities.

Revenue equals the total costs incurred and is in line with our operating model .

The variance between charges and revenue in our Statement of Profit or Loss and Other Comprehensive income is reflected as deferred revenue on our Statement of Financial Position. Our revenue recognition policy is described in the Notes to the financial statements.

Cost of sales

Cost of sales consists of **External Costs** and **Pass-Through Costs**.

External Costs are those that we have incurred economically and efficiently in procuring **Fundamental Service Capability**. Costs that are charged by the CSPs and the DSP fall under this category. During the period £0.6m of External Costs were incurred due to impact assessments carried out by the DSP and CSPs. These were carried out to determine the impact on their costs, and hence contract terms, of the change in timescales in the publication of the Great Britain Companion Specification (GBCS) by DECC. This Specification describes the detailed requirements for communications between smart meters in consumers' homes and the DCC Service infrastructure. It is based on internationally recognised communication protocols.

Pass-Through Costs represent charges from the Smart Energy Code Company Ltd (SECCo Ltd) for purposes associated with the governance and administration of the SEC. An estimated annual charge is set in January of each year and invoiced to the Company on a monthly basis. At the end of the year a credit or debit note is issued based on the actual cost. The charge for the period was £1.2m.

Administrative expenses and finance costs

Administrative expenses of £11.1m include costs that we have incurred economically and efficiently for the purpose of providing Mandatory Business Services, primarily operational costs charged by Capita such as staff costs, rent, rates, and service charges. Staff costs represent 42% of administrative expenses in the period (£4.7m). These costs are classified as **Internal Costs** in the Licence. £1.8m of administrative expenses represents the **Baseline Margin**, which is an amount set in the Licence that can be recognised by the Company. The Margin can only be varied by Ofgem through the **Baseline Margin Performance Adjustment**.

Finance costs of £0.4m were incurred in the period. 50% of this was a working capital charge from Capita Business Services Ltd (CBSL), and the balance represents costs for having in place financing agreements with Capita to ensure financial security. These costs are also classified as Internal Costs in the Licence.

Comparison to budget submitted in Licence Application Business Plan

In total we incurred £13.2m of costs, which were 11% lower than costs in our **Licence Application Business Plan** (LABP) of £14.8m.

The External Cost variance of £0.6m is explained within the 'Cost of sales' section. The change in timescales in the publication of GBCS resulted in the need for impact assessments to be carried out by the Service Providers and hence a cost to be recognised in the 2013/14 period. In the LABP External Costs were only forecast to be incurred from 2014/15 onwards.

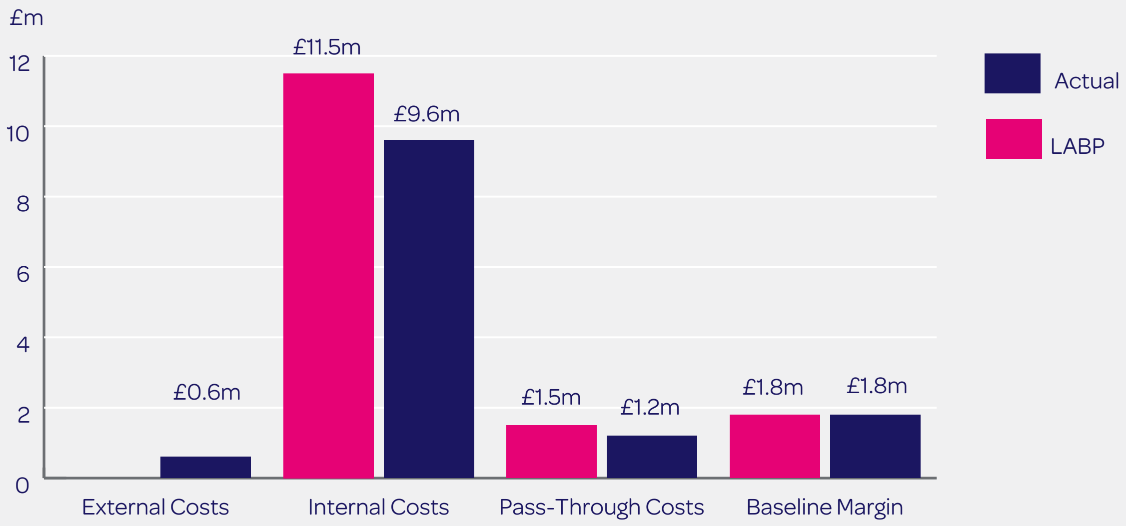
The variance in Internal Costs was primarily driven by a change in our procurement strategy for the Company's billing system, impacting the timing of IT costs. In our LABP we included costs for sourcing billing software customised to our needs in the 2013/14 period. However, following a review of what would be appropriate for the business and would provide the best value we have decided to develop a system using existing software. Costs in relation to this development are expected to arise in the 2014/15 and 2015/16 financial years.

Pass-Through Costs were estimated at £1.5m for 2013/14 but the actual charge from SECCo Ltd amounted to £1.2m. The Baseline Margin recognised in the period of £1.8m is equal to the fixed margin stipulated in absolute rather than percentage terms in the Licence.

At the end of the period we had a cash balance of £6.2m. Our primary cash inflow is from Service Users for charges invoiced to them on a monthly basis in arrears. In the period £18.7m was received from Service Users. The majority of cash outflows were payments made to Capita for Internal Costs and Baseline Margin. The remaining payments were made to SECCo Ltd and HMRC.

The closing cash balance provided appropriate cash cover for the liabilities due as at 31 March 2014.

Comparison of 2013/14 Actual Costs to LABP



Our operational performance

We were awarded the Licence on the 23 September 2013. Mobilisation was completed in November 2013, and included the following activities:

- Setup of the Company Board of directors (the 'Board') including appointment of two independent non-executive directors;
- Recruitment of the senior management team and staff;
- Setup of corporate policies and functions; and
- Implementation of our charging policy and publication of charging statements.

We have set up and operationalised the programme structure, governance mechanisms, programme processes and the Programme Management Office. This included:

- Assurance and approval of the baseline Integrated Solution Delivery Plan for the service;
- Implementation of processes and mechanisms for delivery and commercial management of Service Providers; and
- Completion of a number of acceleration events to launch the DCC Programme.

Responsibility for completing the DCC service design was transferred from DECC to the Company at Licence Award. We have led the finalisation activity and delivered the following outcomes:

- Setup and operation of design governance, management and assurance processes;
- Engagement of Service Users in the DCC service design through user forums and consultation;
- Alignment of DCC service design with DECC design artefacts and the SEC; and
- Assurance and approval of DCC service design documentation including interface specifications and codes of connection.

We have built effective working relationships with customers in the energy industry and the wider smart metering environment. In particular this has involved:

- Participation on the SEC Panel and relevant sub-committees; and
- Setup and operation of an industry partnership function and management of relationships with energy suppliers, network operators and authorised third parties.

We have established our working relationship with Ofgem and set up our regulatory function to ensure ongoing compliance with the Licence and SEC requirements. This has meant:

- Establishment of governance and engagement processes with Ofgem;
- Discharge of Licence obligations including production of Licence deliverables and appointment of the Compliance Officer (refer to the Corporate governance statement for a description of the role of the Compliance Officer);
- Preparation for regulatory year 2013/14 price control activities; and
- Preparation of our responses to DECC, Ofgem and SEC consultations.

Key Performance Indicators (KPIs)

During the period we have focussed on financial KPIs to monitor financial stability, and progress on meeting Implementation Milestones specified in the Licence.

We are required to provide assurance of financial stability under the terms of the Licence, as this underpins the Company's ability to carry out Authorised Business. The key metrics that are reviewed by the Board with respect to liquidity are the **cash ratio** (ratio of cash and cash equivalents to current liabilities), **debtor days** (the average number of days debtors take to pay), and **cash conversion cycle** (average number of days between outlay of cash and cash recovery). The Board also reviews the quarterly cash flow forecast.

Cash ratio

To ensure that we are able to make payments for liabilities due in full we aim for a minimum cash ratio of one. This is achieved by accurate cost forecasting and ensuring that Charges are set at an appropriate level to ensure adequate cash levels are maintained. At the end of the year the cash ratio was 1.4.

Debtor days

Service Users are required to pay invoices in accordance with payment terms set out in the SEC, being the later of five working days from the date of invoice and eight working days following the end of the month to which the invoice relates. This is closely monitored for both liquidity and compliance purposes. Average debtor days did not increase above the expected level of five days during the period.

Cash conversion cycle

After receipt of cash from Service Users we aim for payments to suppliers to be made within their contractual terms, which can range up to 30 days. The average cash conversion cycle during the period was 24 days.

Implementation Milestones

The Board also reviews progress on meeting Implementation Milestones (IMs), which are set out in the Licence and spread across four years from the award of the Licence. In this period we delivered everything required in meeting the six IMs for the 2013/14 period. These were as follows:

- IM1: Completion of Licensee Mobilisation
- IM2: Submission of Integrated Solution Delivery Plan
- IM3: Establishment of Service Design Authority
- IM4: Approval of the Test Strategy
- IM5: Submission of DSP Interface Specifications
- IM6: Submission of the Intimate Communications Hub Interface Specification (ICHIS).

Collectively these milestones represent the substantial completion of the high level technical design for the DCC infrastructure within 160 days of Licence Award. This is a significant achievement which has been achieved through excellent collaboration and teamwork with the Service Providers.

Final completion of design continues to be hampered by the delay in the publication of GBCS. A complete and stable GBCS will allow us to achieve the forthcoming IMs which mark the beginning of testing and then live operation of the DCC Service.

As the business continues to develop in size and complexity so will the financial and non-financial KPIs on areas such as liquidity, financial and operational performance, relationship management with stakeholders, employee resources, and compliance with our Licence obligations.

Future developments

The Government's vision is for every home in Great Britain to have smart energy meters.

To achieve this DECC is leading the Smart Metering Implementation Programme under which an estimated 53 million smart meters will be installed in approximately 30 million domestic properties and non-domestic sites by 2020.

In the short term, our priority will be managing the transition of the programme from the design into the build and testing phases. We will continue to engage in the transitional governance arrangements of the Government's smart meter programme and drive progress towards Initial Live Operation by the last quarter of 2015.

Once initial live operation is achieved, energy suppliers will lead the mass rollout of smart meters, including the engagement with consumers and installation of meters and communications hubs.

Principal risks and uncertainties

Our risk management strategy consists of identifying and managing risks to objectives across the full range of our operations. Strategic risks that have been identified are reviewed regularly by the Board.

The most significant strategic risks are summarised in the table below:

Risk	Impact on the Company	Assessment of change in risk since inception	Mitigation of risk
An operationally sustainable solution cannot be delivered according to schedule	The Company is currently in a programme phase of solution delivery, with the delivery of a sustainable solution being the fundamental driver to success. In addition to commercial penalties, failure to deliver would have a significant adverse reputational impact.	There has been a delay to the release of GBCS (an external dependency outside the scope of the Company), which has led to a change in the planned date for Initial Live Operation to December 2015.	The Company is structured to support both the programme and the enduring phases of service delivery. A fully resourced programme management function is in place to oversee the programme phase. Stakeholders are consulted on a regular basis through dedicated industry, regulatory and commercial teams to ensure that issues are identified and addressed.
Dependence on Service Providers	The Company's success is dependent on the achievements of its Service Providers. If a Service provider fails to deliver then the Company may not meet its objectives.	There has been no significant change in the nature of the dependencies since Licence Award.	Dedicated commercial and programme resources are in place to manage the contractual relationships with Service Providers.
Unexpected change to the political or regulatory environment	Over the life of the programme, and the subsequent enduring operation, there could be changes to the business context of the Smart Metering Implementation Programme. These may arise from changes to Government policy, public or industry pressure.	There has been no significant change in the political or regulatory environment since Licence Award.	Dedicated industry and regulatory teams are in place. Smart Metering fits in with wider stated policy goals of the main political parties.
The Company's financial position	There is a risk that the regulator could judge that costs have been incurred inappropriately with financial and reputational consequences for the Company.	There has been no significant change since Licence Award.	The requirement for economic and efficient expenditure is regularly enforced through the senior management team.
Non-compliance with Licence requirements	The Company provides services due to its position as the Smart Meter Communication Licence holder, and as such, has a commitment to meeting all requirements of the Licence.	As time develops and there is continuing engagement with the regulator, the Company has been able to develop its understanding of the regulators expectations and requirements. No additional areas of risk have been identified.	The Company is committed to developing a Business Management System, Internal Control environment and Risk Management strategy that has appropriate controls in place to ensure compliance with Licence provisions.

Corporate and social responsibility

Information regarding environmental matters, employees, and social, community, and human rights issues has not been included in this report as they are not necessary for the understanding of the development, performance, or position of our business in this reporting period. In general the Company follows the policies of the parent company in these areas.

Going concern basis

Refer to the Notes to the financial statements for a description of how we manage financial risks, in particular liquidity to ensure adequate resources for the continuation of the business. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. At the same time as the approval and signing of this annual report they have approved a certificate of financial resources, as required by the Licence, which confirms that the directors have a reasonable expectation that the Company will have sufficient financial resources and financial facilities available itself to carry on the Authorised Business for a period of 12 months from the date of the certificate. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

On behalf of the Board,

Richard McCarthy CBE
Chairman

29 July 2014

Corporate governance statement

The Company is required by the Licence to include within both its Statutory annual report and its Regulatory annual report, a Corporate governance statement which describes how the Main principles of the UK Corporate Governance Code (the 'Code') have been applied, and is comparable to the statement a quoted company is required to prepare. We have applied the principles of the Code applicable to a company outside of the FTSE 350.

The Company is committed to the principles of corporate governance contained in the Code that was issued in 2012 by the Financial Reporting Council. As a subsidiary of Capita, the Company operates according to the corporate governance framework of Capita, and maintains its own governance arrangements where necessary.

For a short period of time from incorporation date the Company was not in compliance with the provisions of the Code whilst the Board, Audit Committee, and Remuneration Committee were established. Throughout the remaining period to 31 March 2014 the Company has been in compliance with the provisions set out in the Code, except for the following matters:

Code Provision	Area of non-compliance	Position at 31 March 2014
A.4.2	The non-executive directors have not met without the Chairman present to appraise the Chairman's performance and on such other occasions as are deemed appropriate.	A meeting is scheduled for July 2014 and will be held at least annually going forward.
B.2 (1-4)	The Company does not have a Nomination Committee for Board appointments.	Board appointments are conducted in accordance with Capita policy and Licence requirements. Due to the nature and size of the business a Nomination Committee would not be appropriate.
B.3.2	The terms and conditions of appointment of non-executive directors have not been made available for inspection.	Terms and conditions of appointment will be made available at the registered office.
C.3.1	The Audit Committee has four members, two of whom are not independent.	The Audit Committee has the minimum number of Independent non-executive directors required under C.3.1, one of whom is the Chairman. The make-up of the Committee is suitable for the nature and size of the business, and will be reviewed on a regular basis.
C.3.3	The terms of reference for the Audit Committee are not available.	Draft terms of reference are to be presented at the Board meeting on 1 July 2014 for approval.
D.2.1	The Remuneration Committee has three members, one of whom is not independent.	The Remuneration Committee has the minimum number of Independent non-executive directors required under D.2.1, one of whom is the Chairman. The make-up of the Committee is suitable for the nature and size of the business, and will be reviewed on a regular basis.
D.2.1	The terms of reference for the Remuneration Committee are not available.	Draft terms of reference are to be presented at the Board meeting on 1 July 2014 for approval.

With regards to disclosures within this statement Ofgem has granted consent for exclusion of the following areas:

- Evaluation of the Board, Code provisions B.6.1 to B.6.3;
- Re-election of the Board, Code provisions B.7.1 to B.7.2;
- The Level and Components of Remuneration, Code provisions D.1.1 to D.1.5; and
- Relations with shareholders, Code provisions under Section E .

The Board

The Board is responsible for monitoring the effectiveness of the day to day operation and management of the Company's compliance with the Licence, including ensuring that the independence requirements are met. The Company is governed by a Board of five directors, of whom four are non-executive directors and, of these, two are considered to be **Sufficiently Independent** as defined by the Licence. Meetings are chaired by the Chairman, who sets the agenda, and convene on at least a quarterly basis.

The following matters are reserved for the Board:

- Providing leadership for the Company within a framework of effective controls which will enable risk to be assessed, monitored and managed;
- Approving the Company's internal control and risk management systems;
- Setting strategic aims for the Company, and ensuring that it has the necessary financial and human resources to meet its objectives;
- Reviewing the Company's financial stability and governance arrangements;
- Reviewing management performance and providing oversight of the Company's values and standards;
- Reviewing the Company's compliance report as required by the Licence and annual report produced by the Compliance Officer;
- Reviewing and approving certificates for Ofgem, ensuring that the Company is compliant with its Licence and that it has the financial and operating resources to deliver Authorised Business activities; and
- Approving the Company's Statutory and Regulatory annual report.

The Board sets the tone for the Company and the atmosphere within which the senior management team operates. The Board therefore ensures that the way in which it conducts itself, its attitude to ethical matters, its definition of success and how its risk appetite is defined are all clearly communicated to management.

The senior management team is required to provide such information to the Board as needed to enable it to exercise its judgement over these matters.

The Company's operating model is to maintain its own financial operations, management and reporting functions, with additional financial system and administrative support provided by Capita through an internal trading arrangement. Operational and financial performance is reviewed on a monthly basis.

Company secretarial support, provided by Capita, is available to directors as required.

Board appointments

The initial appointments were managed through Capita's appointment process, subject to the Licence requirement that at least two of the persons at any time appointed as directors must be Sufficiently Independent from the Company and any affiliates or related parties. The arrangement ensures that the Board has the appropriate balance of skills, experience, independence, and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively. Terms of service are limited to six years, subject to one re-appointment for an individual, providing that they continue to meet the independence requirements of the Licence.

Board members receive an induction on joining the Board and have the opportunity to discuss with the Chairman any training and development needs. The Board is aware that it needs to continually monitor and approve performance and recognises this can be achieved through a Board evaluation, conducted on an annual basis, the format of which is determined by the Board.

Directors and their attendance at Company Board meetings

The directors of the Company and their attendance at Board meetings, expressed as a number of meetings attended out of a number eligible to attend, are shown below.

Name	Attendance
Richard McCarthy (Chairman and Non-executive Director)	4 of 4
David Crawford (Non-executive Director, resigned 1/10/2013)	1 of 1
Jonathan Simcock (Executive Director)	4 of 4
Gordon Hurst (Non-executive Director)	3 of 4
Phil Male (Independent non-executive Director)	3 of 4
William Rickett (Independent non-executive Director)	4 of 4
Capita Corporate Director Limited	N/A

Remuneration

Variable compensation elements are reviewed and approved by the Remuneration Committee, which consists of Mr Rickett (Chairman), Mr Male and Mr McCarthy.

The remuneration of the independent non-executive directors consists of fees and reasonable expenses, in accordance with the Licence requirement. The remaining non-executive directors are employees of Capita, and do not receive additional remuneration for their roles on the Board. The remuneration of executive directors is set by Capita.

Compliance Officer

As per condition 12 of the Licence, the Company has appointed a Compliance Officer (Deloitte LLP). The role of the Compliance Officer is to:

- Provide relevant advice and information to facilitate the Company's compliance with the Licence's arrangements for the Licensee's independence (Chapter 3 conditions);
- Monitor the effectiveness of the Company's practices, procedures and systems in accordance with the Compliance Statement required under Part C of Condition 10 (Protection of Confidential Information) and provide relevant advice and information;
- Advise whether, to the extent that the implementation of the above practices, procedures and systems requires the co-operation of any other person, they are designed so as reasonably to allow the required co-operation;
- Investigate any complaint or representation that is made and recommend remedial actions where required; and
- Produce an annual report that will be issued to the Company's Board setting out an opinion on the Company's compliance for the period and summarising the Compliance Officer's activities during the period.

Risk management and internal control

The Board is responsible for determining the nature and extent of the significant risks that are appropriate for the operations of the Company, the internal control system that mitigate these risks, and for reviewing the effectiveness of this system. The system is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives and is not absolute assurance against material misstatement or loss.

In December 2013 the Company published both a Risk Management Strategy and an Internal Control Document (available on our website www.smartdcc.co.uk). The Risk Management Strategy includes the ongoing process for identifying, evaluating, and managing the significant risks faced by the Company.

Risks to programme delivery, meeting Licence obligations, and other governance requirements are reviewed by the Board regularly. A process of risk review has been in place since Licence Award and up to the date of approval of the annual report. It has evolved over the period to include a specific review of risks considered strategic to the Company and the delivery of the programme. It is anticipated that ongoing developments will be made to the Risk Management Strategy as the Company moves from a programme to a service delivery environment.

A review of the risk management and internal control system was conducted on 1 July 2014 by the Audit Committee and no significant failings or weaknesses were identified.

The Board notes that, due to the start-up nature of the operations of the Company, there has not been a single internal control framework in place but one that has evolved and matured as the programme has added operational capability. It is anticipated that the internal control framework will continue to develop during the early years of the Licence, as the business changes from programme delivery to service delivery.

Audit Committee report

The purpose of the Audit Committee (the 'Committee') is to assist the Board in the effective discharge of its responsibilities for financial and regulatory reporting and for internal control and risk management. The Committee acts independently of the executive management of the Company, and seeks to safeguard the interests of the Company by:

- Monitoring the integrity of the financial statements of the Company (including the Statutory and Regulatory annual report) and reviewing any significant financial reporting judgements contained within them;
- Reviewing the Company's financial controls, internal controls and risk management systems;
- Monitoring and reviewing the effectiveness of the Company's internal assurance activities. The Company relies on the Internal Audit function of Capita;
- Making recommendations to the Company's Board in relation to the appointment, re-appointment and removal of the Statutory auditor (the 'auditor') and approving the remuneration and terms of engagement of the auditor;
- Reviewing and monitoring the auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- Reporting to the Board on how it has discharged its responsibilities.

The Committee consists of William Rickett (Chairman), Gordon Hurst (Non-executive Director), Phil Male (Independent non-executive Director) and Richard McCarthy (Non-executive Director).

Committee meetings

In the first months of the Company's existence, the Board took direct responsibility for appointing the auditor and establishing the Company's finance function and its risk management and internal control systems. The Committee met formally for the first time on 1 July 2014 to review the Company's draft annual report and accounts, its internal controls and risk management systems and its compliance with its Licence and other regulatory requirements. It will meet again in the autumn and at least twice a year thereafter.

Meetings are planned around the financial calendar of the Company and the following activities will be undertaken:

Internal controls and risk

- Review and monitor the internal controls that are operated by management to ensure the integrity of information reported to shareholders and other key stakeholders;
- Review the risk management framework to ensure it supports the development of the business;
- Meet with the Head of Risk and Internal Control to discuss key risks within the business and its management; and
- Review the annual report from the Compliance Officer which provides an opinion on the Company's compliance with Licence Conditions 9, 10, and 11.

External auditor

- Consider and approve the audit approach and the scope of the audit to be undertaken by the auditor;
- Meet the auditor independently of the Executive Director;
- Receive the report from the auditor on the audit findings;
- Consider the level of non-audit services being provided by the auditor to ensure that the objectivity and independence of the auditor is safeguarded; and

- Review and approve the management representation letter required by the auditor.

Accounting and financial reporting

- Review the annual report and accounts, including the significant accounting policies, and make recommendations to ensure the accounts give a fair, balanced and clear presentation of the performance of the Company; and
- Review the disclosures on internal controls, risk management and principal risks and uncertainties within the annual report and accounts.

Significant issues related to the financial statements considered by the Audit Committee

The significant issues discussed by the Committee were the existence and accuracy of costs incurred by the Company, and the state of the Company's compliance with its Licence and other regulatory requirements. The Committee concluded that there had been no material misstatement of costs, and there had been no material breaches of compliance with the Licence and other regulatory requirements.

As a matter of course, the Committee will consider all issues raised by the auditor in its report on audit findings. It will also review any items that individually breach the audit differences threshold set by the auditor. For any such items it will assess their relative impact on the reported statements and decide whether or not they should be adjusted to ensure the report and accounts give a fair, balanced and clear presentation of the Company's performance.

The Committee will also consider the following:

- Areas of judgement, such as provisions and accruals;
- Revenue recognition and deferred revenue;
- Cash flow and liquidity; and
- Working capital.

The Committee will review disclosures around any such material areas and make enquires of the Finance Director and management as appropriate to gain an understanding of the amounts recorded and disclosures made.

Statutory auditor

The Committee provides a forum for reporting by the auditor, and it advises the Board on the appointment, independence and objectivity of the auditor and on the remuneration for statutory audit, regulatory audit, and non-audit work. It also discusses the nature, scope, and timing of such work. The Committee annually performs an independent assessment of the suitability and performance of the auditor in making its recommendation to the Board for their re-appointment.

The first review of the performance of the auditor was carried out at the meeting on 1 July 2014, when the Committee considered the performance of the auditor to be satisfactory.

Auditor independence

The Committee is committed to ensuring appropriate independence in its relationship with the auditor and the key safeguards are:

- The Finance Director monitors the independence of the auditor as part of the assessment of the auditor's effectiveness and reports to the Committee;
- The Finance Director routinely benchmarks the level of the audit fee against other comparable companies to ensure ongoing objectivity in the audit process and reports results to the Committee; and
- The Finance Director monitors the level and nature of non-audit fees. Specific assignments are discussed in advance with the auditor and flagged for the approval of the Committee as appropriate. The Committee reviews non-audit fees of this nature and considers implications for the objectivity and independence of the relationship with the auditor.

Risk management and internal control

The Committee is responsible for reviewing the effectiveness of the Company's system of internal control, and providing their view to the Board. The Board has established a clear organisational structure with defined authority levels. The day to day running of the business is delegated to the Executive Director of the Company. The Executive Director meets the Company's operational and financial management teams every week. The Executive Director also reports key financial and operational measures at Capita's monthly operating board meetings.

The risk management and internal control system has been significantly developed in this first year and was reviewed for effectiveness at the Committee's meeting on 1 July 2014. At this meeting, the Committee also reviewed the Company's reporting obligations in accordance with the Licence and received a report on how these have been met.

The Company does not have an independent internal audit function, but is subject to the internal audit scope of Capita.

William Rickett
Chairman of the Audit Committee

29 July 2014

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and the auditor's report for the period from 7 August 2013 to 31 March 2014. The Corporate governance statement set out on pages 15 to 18 forms part of this report.

An indication of likely future developments in the business of the company is included in the Strategic report. Information about the use of financial instruments by the company is given in note 2 of the financial statements.

Directors

The directors who served throughout the period, except as noted, were as follows:

Richard McCarthy	(Chairman, appointed 01/10/2013)
David Crawford	(appointed 07/08/2013, resigned 1/10/2013)
Gordon Hurst	(appointed 14/08/2013)
Phil Male	(appointed 11/09/2013)
Jonathan Simcock	(appointed 11/09/2013)
William Rickett	(appointed 11/09/2013)
Capita Corporate Director Limited	(appointed 07/08/2013)

Dividend

The directors do not recommend the payment of a dividend.

Political contributions

The Company made no political donations or incurred any political expenditure during the period.

Auditors

Each of the persons who is a director at the date of approval of this directors' report confirm that:

- There is no relevant audit information of which the Company's auditors are unaware; and
- Each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

KPMG Audit Plc has notified the Company that they are not seeking reappointment. This is to facilitate the orderly wind down of the business of KPMG Audit Plc. It is proposed that KPMG LLP be put forward as the auditor of the Company at the forthcoming Board Meeting.

On behalf of the Board,

Richard McCarthy CBE
Chairman

29 July 2014
17 Rochester Row, London, SW1P 1QT

Statement of Directors' responsibilities

The directors are responsible for preparing the annual 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statements

We confirm that to the best of our knowledge:

1. the financial statements are prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company;

2. the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principle risks and uncertainties that they face; and

3. the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Richard McCarthy CBE
Chairman

29 July 2014

Financial statements

Independent auditor's report to Smart DCC Limited and to the Gas and Electricity Markets Authority ('The Regulator')

We have audited the Regulatory Financial Statements of Smart DCC Limited ('the Company'), set out on pages 28 to 38 which comprise: the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes to the Regulatory Financial Statements. These Regulatory Financial Statements have been prepared under the accounting policies set out therein.

This report is made, on terms that have been agreed, solely to the Company and the Regulator in order to meet the requirements of Standard Condition 30 of the Company's Regulatory Licence. Our audit work has been undertaken so that we might state to the Company and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Company's Regulatory Licence to procure such a report and (b) to facilitate the carrying out by the Regulator of its regulatory functions, 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 Regulator, for our audit work, for this report, or for the opinions we have formed. We will accept such responsibility to the Regulator on condition that the Regulator agrees in writing to the Regulator's Contract by signing the Regulator's Contract.

Basis of preparation

The Regulatory Financial Statements have been prepared under the historical cost convention and in accordance with Standard Condition 30 of the Regulatory Licence and the accounting policies set out in the statement of accounting policies.

The Regulatory Financial Statements are separate from the Statutory Financial Statements of the Company. Condition 30 of the Regulatory Licence requires the Regulatory Financial Statements to be prepared on a consistent basis where possible and have the same content and same format as the most recent or concurrent statutory Financial Statements. The Regulatory Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('EU-IFRS') and Condition 30 of the Regulatory Licence. Financial information other than that prepared wholly on the basis of United Kingdom Generally Accepted Accounting Practice ('UK GAAP') or EU-IFRS may not necessarily represent a true and fair view of the financial performance or financial position of the Company as shown in financial statements prepared in accordance with the Companies Act 2006.

Our opinion on the Regulatory Financial Statements is separate from our opinion on the Statutory Financial Statements of the Company on which we report, which are prepared for a different purpose. Our audit report in relation to the Statutory Financial Statements of the Company (our "statutory" audit) was made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our statutory audit work was undertaken so that we might state to the Company those matters which we are required to state to them in a statutory auditors' report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Company's members, as a body, for our statutory audit work, for our statutory audit report, or for the opinions we have formed in respect of that statutory audit.

Respective responsibilities of the Regulator, the directors and auditor

The nature, form and content of Regulatory Financial Statements are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

As described in the Statement of Directors' Responsibilities on page 23, the Company's directors are responsible for the preparation of the Regulatory Financial Statements in accordance with Condition 30 of the Regulatory Licence.

Our responsibility is to audit the Regulatory Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland), except as stated in the "Scope of the audit of the Regulatory Financial Statements", below and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities'. Those International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Regulatory Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Regulatory Financial Statements sufficient to give reasonable assurance that the Regulatory Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the Regulatory Financial Statements.

In addition, we read all the financial and non-financial information contained with the Regulatory Financial Statements to identify material inconsistencies with the audited Regulatory Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report. The other information comprises the Strategic Review, Corporate Governance Statement and Report of the Directors.

Opinion

In our opinion the Regulatory Financial Statements of the Company for the period from 7 August 2013 (date of incorporation) to 31 March 2014 have been properly prepared, in accordance with Condition 30 of the Regulatory Licence and the accounting policies set out on pages 31 to 38 of the Regulatory Financial Statements.

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor.

Chartered Accountants. 15 Canada Square,
Canary Wharf, London, E14 5GL

29 July 2014

Statement of Profit or Loss and Other Comprehensive Income

	Note	Period from 7 August 2013 to 31 March 2014 £'000
Revenue	3	13,204
Cost of sales		(1,758)
Gross profit		**11,446**
Administrative expenses		(11,058)
Operating profit		**388**
Finance costs		(388)
Profit before tax		-
Tax	7	-
Profit for the period		**-**
Other comprehensive income for the period		**-**
Total comprehensive income for the period attributable to the owners of the Company		**-**

Notes on pages 31 to 38 form an integral part of these financial statements.

Statement of Financial Position

		31 March 2014
	Note	£'000
Current assets		
Trade and other receivables	8	4,374
Cash and bank balances		6,195
		10,569
Total assets		**10,569**
Current liabilities		
Trade and other payables	9	4,272
Deferred revenue		6,297
		10,569
Total liabilities		**10,569**
Net assets		**-**
Equity		
Share capital	10	-
Retained earnings		-
Equity attributable to the owners of the Company		**-**
Total equity		**-**

Notes on pages 31 to 38 form an integral part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 29 July 2014. They were signed on 29 July 2014 on its behalf by:

Richard McCarthy CBE, Chairman

Company registered number: 8641679

Statement of Changes in Equity

	Share Capital	Retained Earnings	Total Equity
	£'000	£'000	£'000
Balance at 7 August 2013	-	-	-
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	-	-
Balance at 31 March 2014	-	-	-

Notes on pages 31 to 38 form an integral part of these financial statements.

Statement of Cash Flows

		Period from 7 August 2013 to 31 March 2014
	Note	£'000
Net cash flows from operating activities	12	6,560
Net cash flows used in investing activities		-
Net cash flows from financing activities		(365)
Net increase in cash and cash equivalents		**6,195**
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		6,195

Cash and cash equivalents at the end of the period are available for use by the Company.

Notes to the financial statements

1. General Information

Smart DCC Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 17 Rochester Row, London, SW1P 1QT. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 5 to 13.

These financial statements are presented in pounds sterling which is the Company's functional currency.

2. Significant accounting policies

Basis of accounting

The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs').

The financial statements have been prepared on the historical cost basis. Historical cost is based on the fair value of the consideration given in exchange for goods and services. The principle accounting policies adopted are set out below.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis of accounting of preparation for the financial statements. Further detail is contained in the Strategic report on pages 5 to 13.

Revenue recognition and deferred revenue

Revenue is measured at the fair value of the consideration received or receivable. It represents amounts invoiced to Service Users for services provided by the Company in accordance with the Charging Methodology specified by the SEC. The maximum amount of revenue that can be recognised is equal to total costs incurred, defined as Allowed Revenue in the Licence. Any amounts invoiced in excess of costs incurred are recognised as deferred revenue.

Taxation

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Financial Instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

3. Revenue

An analysis of the Company's revenue is as follows:

	Period from 7 August 2013 to 31 March 2014
Continuing operations	£'000
Rendering of services	13,204

4. Operating segments

Segmental revenue and results (Mandatory Business Services – Core Communication)

All revenue, result, assets and cash flows arise from the provision of Core Communication Services under the Mandatory Business of the Company.

Geographical information (external customers)

The Company's revenue has all arisen from the UK for services provided to UK energy suppliers.

Information about major customers

Included in revenues arising from Mandatory Business Services are revenues of approximately £11.2 million, which arose from charges to the six largest energy companies in the UK. No other single customer contributed 10% or more to the Company's revenue.

5. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Period from 7 August 2013 to 31 March 2014
	£'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	33
Total audit fees	**33**
Fees payable to the Company's auditor for other services to the Company - Other assurance services	12
Total non-audit fees	**12**

6. Staff costs

Staff is legally employed by Capita Business Services Ltd (CBSL) for the benefit of the Company. Staff costs incurred by CBSL on behalf of the Company are recharged to the Company on a monthly basis. This includes pension contributions made by CBSL for employees enrolled in the Capita plc defined benefit pension scheme. No costs associated with the administration of the scheme are charged to the Company.

The average monthly number of employees (including directors) was:

	Period from 7 August 2013 to 31 March 2014
Corporate management	2
Industry and regulation	4
Finance	9
Commercial	5
Design and assurance	17
Operations	5
Security	4
Programme management	12
	58

6. Staff costs (continued)

Their aggregate remuneration comprised:

	Period from 7 August 2013 to 31 March 2014
	£'000
Wages and salaries	4,362
Social security costs	237
Other pension costs	42
	4,641

7. Tax

	Period from 7 August 2013 to 31 March 2014
	£'000
Corporation tax:	
Current year tax expense	-
Deferred tax expense	-
	-

The Company has nil taxable profit, and hence nil tax at the UK corporation rate of 20%. No tax amounts have been recognised directly in equity.

8. Trade and other receivables

	2014
	£'000
Trade receivables due from Service Users	4,004
Prepayments	370
	4,374

Trade receivables disclosed are classified as loans and receivables and are therefore measured at amortised cost. The average credit period taken on sales of service is five days from receipt of invoice. Interest is charged at the base lending rate of the Bank of England on a daily basis if payment is not received by the due date. The due date is the later of five working days following receipt of invoice and eight working days following the end of the month.

Under Section J of the SEC, Service Users have to provide Credit Support in the form of a bank guarantee, a letter of credit, or a cash deposit. The value of Credit Support has to be equal to or greater than the Users credit cover requirement, which is calculated on a weekly basis as specified in the SEC. If a User fails to pay their invoice by the due date and a notice has been issued, the Company can claim unpaid amounts plus interest from the Credit Support provided.

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

9. Trade and other payables

	2014
	£'000
Cash deposits due to Service Users	344
Accruals	1,876
Other payables	2,052
	4,272

Trade creditors comprise of amounts held as cash deposits from Service Users for Credit Support. Accruals reflect amounts outstanding for ongoing costs which were invoiced subsequent to year end, and other payables represent amounts payable for VAT.

The directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

10. Share capital

	2014
	£'000
Authorised, issued and fully paid:	
1 ordinary share of £1 each	-

The Company has one class of ordinary shares which carry no right to fixed income.

11. Financial instruments

Categories of financial instruments	2014
	£'000
Financial assets	
Loans and receivables	
Cash and bank balances	6,195
Trade and other receivables	4,374
	10,569
Financial liabilities	
Amortised cost	
Trade and other payables	4,272
Deferred revenue	6,297
	10,569

The directors consider that the carrying amount of all financial assets and liabilities as shown in the table above approximately equal to their fair value.

Financial risk management

Capital risk

The Company manages its capital to ensure that it is able to support the business and continue as a going concern. The Company's capital consists of cash, which is managed to ensure there is sufficient operating liquidity at all times. The Company is not subject to any externally imposed capital requirements.

Credit risk

Credit risk is the risk of financial loss to the Company as a result of a counterparty defaulting on its contractual obligations. The Company trades only with recognised, creditworthy third parties. It is a requirement of Section J of the SEC that all Service Users provide Credit Support in the form of a bank guarantee, letter of credit, or a cash deposit. The level of Credit Support required is determined by the following formula:

Service User Value at Risk (VaR) x Service User Credit Cover factor

The Credit Cover factor is determined on the basis of recognised credit ratings from independent rating agencies, or on the basis of credit assessment scores from independent credit assessment agencies. The requirement is reviewed on a weekly basis by the Company.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. Cash balances are held with Lloyds Bank plc.

No trade receivables were past due.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's policy is to hold cash at a level sufficient to ensure that the Company has available funds to meet its medium term payment obligations. The Company does not have external financing, and therefore includes a prudent estimate in Charges to allow for timing differences between receipts and payments.

Management monitor the risk of having a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's creditors (e.g. accounts payable, tax payments) and projected cash receipts from operations.

The Company also has access to financial support, if required, through agreements with its parent company, worth a total value of £15m.

12. Notes to the cash flow statement

	2014
	£'000
Profit for the period	-
Adjust for:	
Finance costs	388
Increase in receivables	(4,374)
Increase in payables	10,569
Adjust for finance cost payable	(23)
Net cash from operating activities	**6,560**
Net cash used in financing activities	(365)

13. Related party transactions

During the period the immediate parent company, CBSL, invoiced the Company £10.5m for administration expenses paid on behalf of the Company. At the balance sheet date an amount of £5,000 was owing to the immediate parent company. This is not secured and will be settled in cash.

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	Period from 7 August 2013 to 31 March 2014
	£'000
Salaries, fees, bonuses, and benefits in kind	177

The directors of the Company are considered to be the key management personnel.

14. Ultimate parent company

The Company is a subsidiary undertaking of Capita Business Services Ltd. The ultimate parent company is Capita plc, incorporated in the UK.