Data Communications Company

Smart DCC Ltd

Annual Report and Regulatory Accounts

for the year ended 31 March 2015

DCC Public

Contents

Chairman's statement

Last year, in our first annual report, I explained the role of Smart DCC Ltd (DCC) and our determination to make a success of the roll out of gas and electricity smart meters, with all the benefits they will bring to energy consumers and the sector as a whole.

Our first year was dominated by the building up of the Company, the mobilisation of the smart meter programme and the development of the technical specification for the meters.

Our second year has seen the completion of the specification for the meters, the consequential changes to the rest of the programme, and the resetting of the timeline and budgets to take account of these changes. In parallel, progress has been made with the physical delivery of the communications infrastructure on the ground and, following the General Election, the new Government has confirmed its commitment to continuing with the smart meter programme.

This progress will stand us in good stead but the Board does not underestimate the scale of the challenge to deliver a live DCC service that sustainably supports the mass roll out of smart meters. Under the firm leadership of Jonathan Simcock, our Managing Director, the Company has continued to build its capability, so as to be better placed to deliver its commitments successfully. I would like to thank Jonathan and all our staff for their efforts over the last year and my Board colleagues for their commitment and insight.

The programme demands on DCC are no less challenging. However, I believe that this pressure and complexity has been balanced by a growing maturity, confidence and impact. I look forward to the year ahead.

Richard McCarthy CBE
Chairman

6th July 2015

Managing Director's statement

Licensed by the Department of Energy and Climate Change (DECC) and regulated by Ofgem, our role is to provide the secure, national communications and data management infrastructure without which smart meters will not work.

Delivering through our Service Providers, we will implement this infrastructure in Summer 2016 and use it to support the industry's installation of over 50 million meters by the end of the decade. During the year ending March 2015 we have made significant progress towards implementation of our services. The build of the communications infrastructure is progressing according to plan and the key systems are being readied for integration testing.

This progress has been made in parallel with the successful re-setting of the delivery programme onto a more sustainable and resilient plan. This plan is now supported by a pragmatic delivery strategy which is more responsive to the complex, interdependent environment in which we are operating.

Significant challenges lie ahead as the programme transitions through testing phases into live operations, however I am confident that we are better placed to navigate these to deliver a high-quality service that meets the needs and aspirations of the consumer and energy industry.

My leadership team and I are determined to provide the energy sector with the data and communications infrastructure to give consumers a 21st century service of which we can all be proud.

Jonathan Simcock
Managing Director

6th July 2015

Strategic report

Who we are and how we operate

The Government's vision is for every home in GB to have a smart energy meter. To achieve this DECC has created the Smart Metering Implementation Programme (SMIP), which calls on the energy suppliers to lead the rollout of an estimated 50 million smart electricity and gas meters to domestic and small non-domestic properties in GB by 2020.

DCC's role is to provide the end-to-end service between the smart meter in the home and the energy suppliers. We will achieve this by designing, building and operating the shared data management systems and communications network necessary to deliver a reliable, secure and fair environment for the energy industry to work with. This will be done through contracts with our Service Providers: the Data Service Provider (DSP) CGI, our Communication Service Providers (CSPs) Arqiva and Telefónica, and other providers of critical services.

We operate under the Smart Meter Communication Licence, granted to us by the Secretary of State for Energy and Climate Change on 23rd September 2013. We are regulated by Ofgem to ensure that we deliver services in accordance with our Licence obligations, with a particular focus on achieving milestones and controlling costs. This is a critical business relationship and consequently we meet Ofgem regularly and welcome their input to ensure we meet our goal of providing value for money for the consumer.

Our focus is on delivering the best long-term value for energy companies and their customers

We are a unique player in the transformation of the GB energy market. We are delivering a critical platform on behalf of the energy industry that will secure the implementation and roll-out of smart meters, whilst at the same time bringing focus and capability to the future development and improvement of our services.

We are committed to ensuring the benefits of smart metering are realised, and that the investment in our services will provide value for money for consumers and the energy industry.

How does the market operate?

Smart meters will operate under regulations contained in the Smart Energy Code (SEC), a multiparty contract which sets out the terms for the provision of our services. Any entity that wishes to use our service is required to become a party to the SEC and comply with its provisions.

How do we add value to our stakeholders?

Our aim is to engage with all of our stakeholders to deliver the programme within the required timescales at an economic and efficient cost. This means working closely with industry, the Government and the regulator.

Value for the consumer

We are committed to providing value for the ultimate consumers.

In the long-term, smart metering will provide consumers with transparency of their energy consumption in monetary terms and in real time. This will allow them to save energy and money, as well as remove the requirement for estimated bills or visits from a meter reader. Switching suppliers will also be much easier and faster, allowing consumers to shop around for the best deal.

The services we provide, with appropriate regulatory reform, will provide consumers with more control over how much energy they use and at what times of the day. This change in consumer behaviour will give the operators of the electricity system more flexibility to manage the variations in supply caused by intermittent renewable generation.

Value for Users of our services

- **Energy suppliers**
  Through the service we provide and their own investments in smart metering systems, energy suppliers can transform their relationship with their customers and save money in the management of their meters.

- **Network operators**
  Our service will 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, energy switching sites could use accurate information on the amount of energy used to advise consumers on the best tariff and energy supplier.

Delivery for Great Britain

In the longer term our services will provide opportunities to access a secure, national data and communications infrastructure designed specifically for an increasingly smarter world that can be used by other industry sectors for the benefit of the whole country.

What is our business strategy?

Our development activities are driven by three strategic priorities. We aim to:

- achieve a full, timely, efficient, economic, and secure implementation of the SMIP;
- design, build and operate an efficient, economical, coordinated and secure system to provide our core service; and
- deliver services that are most likely to facilitate:

  - effective competition amongst energy suppliers;
  - innovation in the design and operation of Energy Networks; and
  - a reduction in charges to energy users of the services through the development of value added services.

How does our business model help us to achieve our strategic priorities?

We will deliver our strategic priorities through our efficient and goal focused business model. The priorities of this model are:

Strong leadership and management

Our strategy and business model are driven by our Board, working in partnership with the senior management team, who are best placed to understand the risks and challenges that face our business and how best to mitigate and manage them. We believe that management set the tone for the rest of the Company and recognise that their knowledge and understanding is absolutely key to shaping the skillset of the rest of the workforce.

Sourcing the best resources and capability

Our business and service can only be as good as the people we employ. We are therefore resolute in nurturing the best talent. We do this through continuous learning and training, regularly inviting guests from industry and other businesses to participate in workshops and presentations to keep our teams fully up-to-date with current developments and issues.

Development of important external relationships

We recognise that maintaining strong relationships with industry, the regulator and Government is the best way for us to deliver maximum efficiency for the consumer. One way we achieve this is through our commitment to the Smart Metering Delivery Group (SMDG). The SMDG is a senior operational level forum that allows key stakeholders to work in partnership to drive forward the delivery of the smart meter programme. In addition, our regular Industry Days are a vital mechanism through which we brief our stakeholders across industry. Five Industry Days were held this year and we intend to hold sessions at least quarterly in the forthcoming year.

Extensive governance and risk management

We recognise that controlling risk to acceptable levels is central to our success. The Board is responsible for determining the nature and extent of significant risks, as well as the internal control systems to mitigate them. We maintain a strong focus on risk management as we understand that this drives our strategic decision making process. The risk management process is led in the first instance by the Board who ensure that our governance, processes, controls and risk management strategies are effective. As a subsidiary of Capita plc (Capita) we also have an annual review of our internal controls by the Capita Group Internal Audit function.

What have we achieved in the year to March 2015?

We are under way with the solution build and testing phase of the SMIP which follows on from the success of the earlier mobilisation and design phases. The network rollout by the DSP and CSPs is progressing well. With the fit-out of data centres and the opening of our service desk, our delivery timetable remains on track following the re-setting of the delivery programme onto a more stable and resilient timetable.

Re-setting the delivery programme

During the year we obtained updated versions of specifications required to finalise the design of the service, the most critical being the Great Britain Companion Specification (GBCS). This is a set of detailed requirements for communication between us and the devices in consumers' premises. We have been working closely with our stakeholders to review the specification and to identify potential amendments and improvements. Collaboration in the review and development of the GBCS has been essential in closing functionality gaps and reducing ambiguity.

To further assure the stability and completeness of the GBCS we have put in train a new testing initiative, GBCS Interface Testing. Our aim is to test that the specification is fit for purpose and minimise the risk of the specification being interpreted differently by manufacturers and suppliers resulting in smart meters failing to function as required. This in turn will minimise the risk to industry when implementing the specification in millions of devices.

Phase 1 of GBCS Interface Testing was conducted between August and December 2014, using an automated testing and proving mechanism, delivered through a software-based solution. Phase 2 of GBCS Interface Testing started in January 2015 and will continue throughout the Summer of 2015. The result of the testing to date has been an increased level of confidence in the maturity of the GBCS and the stability of the end-to-end smart metering system design prior to the start of Systems Integration Testing.

To ensure the delivery plan represented a resilient and sustainable solution we conducted a re-planning exercise and issued a consultation proposing options for an amended date for services to go live. Responses to the consultation overwhelmingly stated a preference for a plan with sufficient contingency to mitigate against any further programme risks and delays that may occur. This resulted in the re-baselining of the delivery plan with a new live date of April 2016, revised from our initial estimate of December 2015. As it is vital that we deliver a plan in which all parties have confidence, the Secretary of State has confirmed the revised programme timeline and made available up to a maximum of six months of contingency which will be governed by DECC.

Service Desk

In January 2015 we officially opened our service desk, a first line support network for the services that we offer. It will be a 24/7 business to business communications channel for our Service Users (energy suppliers, network operators and authorised third parties) to relay incidents directly to us, irrespective of whether they were reported by consumers, or detected by Service Users themselves. Until services go live the service desk is responsible for managing orders for connections to the network, arranging site surveys and supporting the order process for communications hubs.

The service desk has successfully gained ISO 27001 Certificate of Registration and the team will continue to grow through the rest of 2015 and into 2016 as further services and technologies are adopted.

Ofgem's Price Control assessment

In each regulatory year, Ofgem conduct a price control assessment. The primary purpose of the assessment is to ensure that we have incurred costs in the previous regulatory year in an economic and efficient manner. Close scrutiny of our costs and associated revenues in this way provides comfort to our stakeholders that they are receiving the best value for money.

In July 2014 we submitted our first price control report for the 2013/14 regulatory year. Ofgem's assessment resulted in £0.1m of unacceptable costs and a decision that one Implementation Milestone was not met, reducing our Baseline Margin by £0.3m in 2014/15 regulatory year. A total of £0.4m will be passed back to Service Users through a reduction in charges for the 2015/16 regulatory year.

The implementation of and adherence to a new price control regime has been a steep learning curve and we are committed to the continuous development of our capability in this area to be consistent with good regulatory practice.

Non-financial key performance indicators

Implementation Milestones

The primary measure of our non-financial performance in any given year is our performance against Implementation Milestones (IMs) which are outlined in our Licence.
Each regulatory year, Ofgem measures our performance against IMs, which can affect the value of the Baseline Margin earned during the implementation period.

In February 2015, Ofgem determined that we achieved five out of the six IMs that fell in the period ended 31st March 2014. It was determined that IM5: Submission of the DSP Interface Specifications was not achieved. This resulted in a reduction in the Baseline Margin of £0.3m in the year ended 31st March 2015.

In the year ended 31st March 2015, we were required to achieve the following IMs:

- IM7: Approval of the Service Management System
- IM8: DSP Ready for Systems Integration Testing with Licensee
- IM9: DSP and CSP Ready for Systems Integration Testing with Licensee
- IM10: Completion of Systems Integration Testing

In November 2014, we achieved IM7: Approval of the Service Management System which was assured by our independent performance auditor (Gemserve).

Following on from significant engagement and mutual agreement with DECC we have undertaken a consultation on amending the IMs which were due in this period so as to align them with the new dates for the delivery programme. The consultation was issued on 8th May 2015, and closed on 5th June. Responses are currently being considered and we anticipate a decision will be made in due course. We anticipate that new IMs will be in the Licence by the time Ofgem makes its final decision in relation to our performance for the year ended 31st March 2015.

The Government has consulted on including provisions in the Licence for potential further reviews of the IMs, which is a proposal we support.

Our financial performance

Overview

We operate on a £nil profit model where our revenues are exactly equal to our costs. Our charges to Service Users are structured in such a way that we receive funds that are sufficient to cover our anticipated costs for the year, plus a contingent amount, known as the prudent estimate. At the end of the year, amounts that we have charged to our Service Users in the year but have not spent are reflected as deferred revenue in our Statement of Financial Position. With this in mind, expenditure is the primary driver of our financial performance.

The way in which our Service Users and other stakeholders get comfort from this arrangement is through Ofgem's annual Price Control Assessment as noted on page 12.

Expenditure

In our second year of operation there has been a significant increase in our reported expenditure compared to the prior period. Table 1 provides a summary of this comparison.

	£m 2015	£m 2014	£m variance
Cost of sales	71.3	1.8	69.5
Administrative expenses	22.2	11.0	11.2
Financing costs	0.4	0.4	-
Total	93.9	13.2	80.7

Table 1

86% of the increase in total expenditure relates to cost of sales, which represents charges from our DSP and CSPs, other key Service Providers and administration fees from the Smart Energy Code Company Ltd (SECCo Ltd). Table 2 provides a detailed breakdown of cost of sales.

Charges from DSP and CSPs

	£m 2015	£m 2014	£m Increase
Charges from DSP and CSPs	61.2	0.6	60.6
Charges from other Service Providers	5.4	-	5.4
Charges from SECCO Ltd	4.7	1.2	3.5
	71.3	1.8	69.5

Table 2

Charges from the DSP and CSPs are reflective of the achievement they have made in completing their relevant contractual milestones, but also represent the impact of change on the activities they are carrying out.

76% of the charges (£53.9m) are accrued amounts due to the DSP and CSPs for achieving several key milestones in the year. As defined in their contracts, payments for the milestones are spread over the contract term. In accordance with note 2 of our financial statements 'Significant accounting policies' on page 35, the full value of the milestone is recognised in the year the milestone is achieved.

Of the £53.9m, £3.0m is due within 12 months of our year end. The remaining balance is due after 12 months of our year end and hence is recognised as a non-current liability in our Statement of Financial Position. A corresponding non-current asset is also recognised to reflect amounts that are due from Service Users in future years to enable us to make the milestone payments due at 31st March 2015.

The remaining £7.3m of charges from the DSP and CSPs are for incentive payments in line with their contracts (£1.2m) and charges related to carrying out approved changes to their solutions and the assessment of the impact of potential further changes (£6.1m).

Charges from other Service Providers

These charges relate to critical services required for implementation of the SMIP, provided by other key Service Providers. £3.9m was spent in the year on the set up of the Smart Metering Key Infrastructure and the Parse and Correlate service. Together, these two services will ensure effective and secure communication between Service Users and smart metering devices. A further £1.2m was spent on the set up of the service desk and the development of the billing system.

Charges from SECCO Ltd

The charge from the administrator of the SEC totalled £4.7m in the year, in line with our expectations.

Administration expenses
24% of our expenditure relates to administrative expenditure, which includes payroll costs (61%), accommodation costs (5%) and Baseline Margin (13%).

Of the £11.2m increase from prior year, £3.0m is attributable to a full year's worth of costs compared to the eight month period we were in operation in the prior year. The remaining increase is due to a doubling in our payroll costs as our resource levels have grown to support our increasing activity to ensure successful and timely progression of the SMIP. To facilitate our growing team and our increasing engagement with our stakeholders we relocated to new offices in March 2015, having been previously based in temporary offices. The change in offices, which has meant that we could meet our independent assurance requirement for the effective separation of space and activities, has contributed to a small increase in accommodation related costs this year.

Our Baseline Margin is a fixed amount specified in our Licence, adjusted for the outcome of our Price Control Assessment for the 2013/14 regulatory year.

Comparison to the 2014/15 Charging Statement
Charges to Service Users are based on a fixed service charge per meter, set at the beginning of the period in our Charging Statement. Charges to Service Users for the year must be prudent and sufficient to cover our budgeted costs for the period necessary to ensure we have adequate cash for our operational purposes, which is a Licence requirement.

An overview of the variance between actual costs incurred for the year and those included in the Charging Statement for the same period is shown in Figure 1:

Figure 1 shows that we billed our Service Users £44.8m compared to a Charging Statement estimate of £43.8m. The £1.0m difference is due to an increase in the actual number of meters on which a fixed charge has been applied compared to the number of meters anticipated in our Charging Statement.

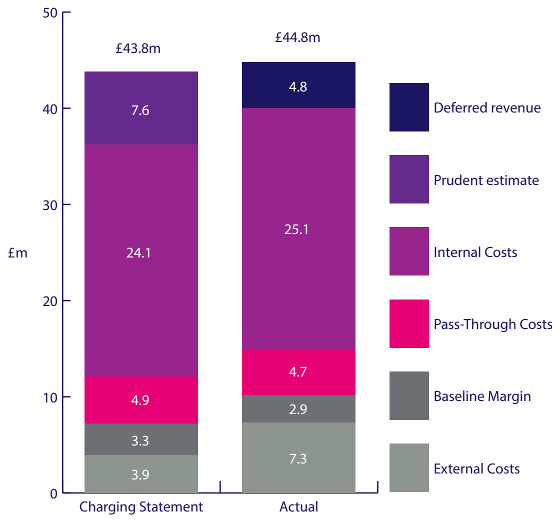

Figure 1

Note: Per the Charging Statement, External Costs refer to amounts charged by CSPs and DSPs only. For comparison purposes, £5.3m of costs classified as cost of sales in the financial statements (costs from other Service Providers) have been classified as Internal Costs on the chart shown above. Milestone payments due after 31st March 2015 (£53.9m) have been excluded; our Service Users will be charged for these amounts in future years.

Against the total estimated costs in the Charging Statement for the year of £36.2m (excluding the prudent estimate) we have incurred £40.0m. This increase of £3.8m has been funded by the prudent estimate. The difference between the costs incurred and the amount we charged to Service Users has been deferred to the Statement of Financial Position (£4.8m).

The key driver of the variance between charges and costs incurred is attributable to the increase in External Costs as a result of contract changes and impact assessments relating to changes in the GBCS and other SEC documents (as noted on pages 11 and 12); an increase of £3.4m from that estimated in the Charging Statement for the same year.

At the beginning of the year we had brought forward, unspent funds of £6.3m. Including the amount unspent in the 2014/15 regulatory year we have £11.1m of funds deferred for expenditure in the next regulatory year. As we move into the 2015/16 regulatory year, it is anticipated that these funds will be fully utilised to fund our activities as we enter a phase of increased technical change with our DSPs, CSPs and other key Service Providers.

The reduction in the Baseline Margin is a result of Ofgem's assessment of how we met our Implementation Milestones in regulatory year 2013/14 as noted on page 12.

At the end of the year we have a closing cash position of £18.1m. £11.1m of this represents funds deferred for use in the 2015/16 regulatory year. The balance of £7.0m is required to cover our current liabilities.

Financial Key Performance Indicators (KPIs)

During the period we have focussed on financial KPIs to monitor financial stability, and progress on meeting IMs specified in the Licence. We are required to provide assurance of financial stability under the terms of the Licence, as this underpins our ability to continue in operation. 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.

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 to Service Users are set at an appropriate level to ensure adequate cash levels are maintained. At the end of the year the cash ratio was 1.3 (2014: 1.4).

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 year.

After receipt of cash from parties we aim for payments to our suppliers to be made within their contractual terms, which can range up to 30 days. The average cash conversion cycle during the year was 21 days (2014: 24 days).

Future developments

Our priority is managing the implementation of the service by April 2016 and the scaling of operations to support the mass rollout of meters to domestic properties and non-domestic sites by 2020.

Alongside this, we are undertaking preparatory work on a portfolio of new programmes which will maximise the number of consumers who stand to benefit from smart meters and radically change the way consumers interact with their energy supplier. These include:

- delivery of a programme to enrol and adopt SMETS1 meters into the DCC service;
- introduction of a dual band communications hub which will increase the range of the Home Area Network; and
- implementation and operation of a Centralised Registration Service which will enable delivery of reliable next-day switching; in support of this, Ofgem has developed a five-stage plan to develop a next-day switching blueprint, designed through a process of extensive collaboration with stakeholders.

We will undertake these programmes of work without loss of focus on the core programme delivery.

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 table 3 below:

Risk	Assessment of change in risk since inception	Mitigation of risk
Solution Delivery		
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 replan exercise undertaken during the year which has moved the date for Initial Live Operation from December 2015 to April 2016. This timeline provides more confidence in achieving delivery.	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, finance and commercial teams to ensure that issues are identified and addressed.
Third Party Dependence		
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 during the year.	Dedicated commercial and programme resources are in place to manage the contractual relationships with Service Providers. The Company continues to invest in maintaining strong collaborative relationships with Service Providers.
Regulation		
Over the life of the programme, and the subsequent enduring operation there may be changes to the business context of the SMIP. These may arise from changes to Government policy.	There has been no significant change in the political or regulatory environment during the year.	Dedicated industry and regulatory teams are in place.
Financial exposure		
There is a risk that the regulator could judge that costs have been incurred inappropriately with financial and reputational consequences for the Company.	The Company has had its first Price Control Assessment and has a better understanding of the regulator's position and requirements.	Regular reinforcement of economic and efficient requirements by the Senior Management team & the Board. Robust change control and benchmarking processes. Ongoing engagement with regulator.
Licence Compliance		
The Company provides services due to its position as the Licence holder and, as such, has a commitment to meeting all requirements of the Licence. If breaches of the Licence occur then sanctions, including the removal of the Licence could be enforced by the regulator.	Through ongoing engagement, 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 has developed an Internal Control environment and Risk Management strategy that includes controls to ensure compliance with Licence provisions. Ongoing review of controls and reporting to the Board of any exceptions identified.

Table 3

Employees, environmental and social issues

At the end of the year, the number of employees of the Company in continuing operations (including directors and senior managers) was as follows:

	Directors	Senior Management	Employees
Male	5	3	73
Female	-	-	50

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.

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. As well as the approval of this annual report the Board have also 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 to itself to carry on operations 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

6th July 2015

Corporate governance statement

Compliance with the code

The Company is required by its Licence to include within both its Statutory and Regulatory annual reports, 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.

As a subsidiary of Capita the Company operates according to the corporate governance framework of Capita and maintains its own governance arrangements where necessary.

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

- Re-election of the Board, Code provisions B.7.1 to B.7.2.

Ofgem has also granted consent for the following exclusions:

- Greenhouse gas emissions disclosure in the Directors' report.
- The Company's capital structure in the Directors' report.
- The Directors' remuneration report (in its entirety).

The Company is not compliant with the following areas of the Corporate Governance Code:

Code Provision	Area of non-compliance
B.2 (1-4)	The Company has not appointed a nomination committee as Board appointments are conducted in accordance with Capita policy and Licence conditions.
C.3.1	The Audit Committee has four members, two of which are independent (the minimum number required under the Code) and one of whom is not a director. The make-up of the Committee is considered suitable for the nature and size of the business and will be reviewed on a regular basis.
D.2.1	The Chairman of the Board is also Chairman of the Remuneration Committee. The Remuneration Committee was formally constituted within the year and due to the early stages of the Company, the arrangement is considered suitable for the nature and size of the business. The arrangement will be reviewed on a regular basis.
E.2 (1-4)	The Company does not hold General Meetings since the Company has only one shareholder, Capita.

Table 4

Leadership

The Role of 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 and one corporate director. (The corporate director resigned on 27th May 2015.) Four of the directors are non-executive directors and two directors 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.

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 in the next table. (Jonathan Simcock and Stephen Sharp are not members of the Audit Committee and the Remuneration Committee.)

Name	Board meetings	Audit Committee	Remuneration Committee
Richard McCarthy (Chairman and Non-executive Director)	6 of 6	2 of 2	2 of 2
Jonathan Simcock (Executive Director)	6 of 6	N/A	N/A
Gordon Hurst (resigned 28/02/15) (Non-executive Director)	5 of 6	0 of 2	0 of 1
Phil Male (Independent non-executive Director)	6 of 6	2 of 2	2 of 2
William Rickett (Independent non-executive Director)	6 of 6	2 of 2	2 of 2
Capita Corporate Director Limited (resigned 27/05/2015)	N/A	N/A	N/A
Stephen Sharp (appointed 28/01/15) (Non-executive Director)	1 of 1	N/A	N/A

Table 5

Insurance

The Company has arranged appropriate indemnity insurance cover for its directors and officers.

Division of Responsibilities

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 via meetings.

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.

In accordance with provision A.3.1 of the Code, the Chairman was sufficiently independent upon his appointment, having never held the role of chief executive of the Company.

Non-Executive Directors

Mr Male has been appointed as the Senior Independent Non-Executive Director and is available to serve as an intermediary for those directors who do not wish to approach the Chairman directly.

Effectiveness

Composition of the Board

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.

Appointments to the Board

The Code provisions B.2 (1-4) require the Company to have a Nomination Committee in place to lead the process for all Board Appointments. The Company does not comply with these provisions of the Code. Board appointments are conducted in accordance with Capita policy and Licence requirements. Due to the size and nature of the Company, the appointment of a Nomination Committee would not be appropriate. Stephen Sharp was appointed to the Board on 28th January 2015; his appointment was conducted in accordance with Capita policy.

Commitment

In the absence of a Nomination Committee, the Capita appointment process ensures that the Chairman and Executive Director have the appropriate availability to undertake their respective roles satisfactorily. The appointment process also ensures that the Executive Director has not taken on more than one non-executive directorship or chairmanship of a FTSE 100 company.

The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office.

Development

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.

Information and Support

All the Company's Directors are able to obtain independent professional advice at the Company's expense and have access to the services of the Company Secretary. This ensures that the Board have sufficient resources available to undertake their duties satisfactorily.

Evaluation of the Board

A meeting was held on 1st October 2014 between the Senior Independent Non-Executive Director, the Non-Executive Director and the Chairman. Amongst other matters, the performance of the Executive Director was discussed and deemed satisfactory.

Prior to the meeting held on 1st October 2014, a Board Evaluation Questionnaire was circulated to all directors which, amongst other matters, included a section on the performance of the Chairman. An executive summary of the findings was provided to all directors at a subsequent Board meeting. The performance of the Chairman and the Board was deemed as being satisfactory in accordance with Code provision B.6.1.

Accountability

Financial and Business Reporting

The directors are responsible for the preparation of the annual report and accounts and have done so on the basis that the Company is a going concern. In this respect, the Company does not have any material uncertainties to the Company's ability to continue over a period of at least twelve months from the date of approval of the financial statements. As part of the annual report, the directors are also required to provide commentary on the Company's business model and strategy. Further information to this effect can be found in the Statement of Directors' Responsibilities on page 28 and in the Strategic Report (pages 9 to 17).

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 during the year and at the date of approval of the annual report. It includes 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 1st July 2014 by the Audit Committee and no significant failings or weaknesses were identified.

The Board note that due to the start-up nature of the operations of the Company, there has not been a uniform and consistent 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

The Board has appointed an Audit Committee to oversee the relationship with the Company's auditor, in addition to advising the Board on risk management and internal control. Provision C.3.1 of the Code requires the Audit Committee to consist of at least two independent non-executive directors. The Company's Audit Committee has four members, two of whom are independent and one of whom is the Chairman. The make-up of the Committee is considered to be suitable for the size and nature of the Company. The adequacy of this arrangement continues to be reviewed on an ongoing basis.

Full details of the Committee's duties are detailed in the Audit Committee Report on page 24.

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;
- Monitor the effectiveness of the Company's practices, procedures and systems in accordance with the Compliance Statement required under Part C of Licence 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 year and summarising the Compliance Officer's activities during the year.

On 27th May 2015, Deloitte LLP published the 'Independent Compliance Officer's Annual Report to the Licensee's Directors'. The report concluded that in all material aspects, the Company had complied with all relevant Licence Conditions for the year ended 31st March 2015.

Remuneration

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

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. Stephen Sharp was appointed as a non-executive director in the year; as an employee of Capita he does not receive any additional remuneration for undertaking this role.

The terms of reference for the Remuneration Committee can be found on the Company's website (www.smartdcc.co.uk/about-dcc/governance/) in compliance with Code provision D.2.1.

Relations with shareholders

Section E of the Code requires the Company to demonstrate that there has been a satisfactory dialogue maintained with shareholders during the year. The Company has only one shareholder (Capita), and as a result, does not hold Annual General Meetings or undertake shareholder voting. However a Capita representative is present on the Board and consequently, an ongoing dialogue is maintained with Capita through Board meetings. More informal communication with Capita is undertaken on an ad hoc basis when it is required.

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 reports) 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 is chaired by William Rickett (Independent Non-Executive Director) and its other members are Nicholas Bedford (Non-executive member of the audit committee) appointed on 27th May 2015 by reason of his relevant finance experience, Phil Male (Independent Non-executive Director) and Richard McCarthy (Non-Executive Director). Gordon Hurst (Non-Executive Director) resigned on 28th February 2015.

Committee meetings

During the year the Committee met formally on 24th June 2015 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. The Committee also met on 10th December 2014 to review the external audit strategy, internal audit report and the status of the evolution of the internal control framework. The terms of reference for the Audit Committee can be found on the Company's website (www.smartdcc.co.uk/about-dcc/governance/) in compliance with provision C.3.3 of the Corporate Governance Code.

Meetings continue to be planned around the financial calendar of the Company to undertake the following activities:

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 understandable presentation of the performance of the Company; and
- Review the disclosures on internal controls, risk management and principal risks and uncertainties within the 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, the accounting treatment for contractual milestones 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 or 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 understandable 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 performance of the auditor was reviewed at the meeting on 24th June 2015, 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 was reviewed for effectiveness at the Committee's meeting on 1st 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. One audit review was conducted during the year, with no significant issues raised.

William Rickett CB
Chairman of the Audit Committee

6th July 2015

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 year ended 31st March 2015. The corporate governance statement set out on pages 19 to 23 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 year except as noted were as follows:

Richard McCarthy CBE
Gordon Hurst (resigned 28/02/2015)
Phil Male
Jonathan Simcock
William Rickett CB
Capita Corporate Director Limited (resigned 27/05/2015)
Stephen Sharp (appointed 28/01/2015)

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 year.

Auditors

Each of the persons who are 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.

On behalf of the Board,

Richard McCarthy CBE
Chairman

6th July 2015
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 their profit or loss of the Company for that year. 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 reasonably 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect 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 principal 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

6th July 2015

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 32 to 44 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 28, 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 Report, Corporate Governance Statement and Report of the Directors.

Opinion

In our opinion the Regulatory Financial Statements of the Company for the year ended 31st March 2015 have been properly prepared, in accordance with Condition 30 of the Regulatory Licence and the accounting policies set out on pages 35 to 36 of the Regulatory Financial Statements.

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

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

13th July 2015

Statement of Profit or Loss and Other Comprehensive Income

	Note	Year Ended 31 March 2015	Period from 7 August 2013 - 31 March 2014
		£'000	£'000
Revenue	3	93,931	13,204
Cost of sales		(71,258)	(1,758)
Gross profit		**22,673**	**11,446**
Administrative expenses		(22,259)	(11,058)
Operating profit		**414**	**388**
Interest received		34	-
Finance costs		(448)	(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 35 to 44 form an integral part of these financial statements

Statement of Financial Position

	Note	31 March 2015	31 March 2014
		£'000	£'000
Non-current assets	8	**50,941**	**-**
Current assets			
Trade and other receivables	9	7,006	4,374
Cash and bank balances		18,099	6,195
		25,105	**10,569**
Total assets		**76,046**	**10,569**
Current liabilities			
Trade and other payables	10	14,019	4,272
Deferred revenue		11,086	6,297
		25,105	**10,569**
Non-current liabilities	8	**50,941**	**-**
Total liabilities		**76,046**	**10,569**
Net assets		**-**	**-**
Equity			
Share capital	12	-	-
Retained earnings		-	-
Equity attributable to the owners of the Company		**-**	**-**
Total equity		**-**	**-**

Notes on pages 35 to 44 form an integral part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 24th June 2015. They were signed on 6th July 2015 on its behalf by:

Richard McCarthy CBE, Chairman
Smart DCC Limited Company registered number: 8641679

Statement of Changes in Equity

	Share Capital	Retained Earnings	Total Equity
	£'000	£'000	£'000
Balance at 1 April 2014	-	-	-
Profit for the period	-	-	-
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	-	-
Balance at 31 March 2015	-	-	-

Notes on pages 35 to 44 form an integral part of these financial statements.

Statement of Cash Flows

	Note	Year Ended 31 March 2015	Period from 7 August 2013 - 31 March 2014
		£'000	£'000
Net cash from operating activities	14	12,341	6,560
Net cash from investing activities		-	-
Net cash from financing activities		(437)	(365)
Net increase in cash and cash equivalents		**11,904**	**6,195**
Cash and cash equivalents at beginning of year		6,195	-
Cash and cash equivalents at end of year		**18,099**	**6,195**

Cash and cash equivalents at the end of the year 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 9 to 17.

These financial statements are presented in pounds sterling which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2. Significant accounting policies

Basis of accounting

The Company's 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 9 to 17.

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. Revenue also includes amounts receivable from Service Users that will be used to pay Service Providers in respect of contractual milestones that had been achieved at the date of the Statement of Financial Position. The maximum amount of revenue that can be recognised is equal to total costs incurred. Any amounts invoiced in excess of costs incurred are recognised as deferred revenue.

Taxation

Tax is recognised in the Statement of Profit or Loss 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.

Recognition of costs for contractual milestones

Amounts due to Service Providers in respect of contractual milestones are recognised when milestones have been fully achieved. The cost and revenue associated with each milestone is therefore recognised to the extent that milestones have been achieved.

Milestones that had been achieved at the date of the Statement of Financial Position, but have not been paid are recognised as a liability; initially at fair value, and then subsequently at amortised cost. Amounts due within 12 months of the date of the Statement of Financial Position are recognised as a current liability. Amounts due after 12 months are recognised as a non-current liability.

Milestone liabilities are recoverable through future charges to Service Users and therefore a corresponding asset is recognised on the Statement of Financial Position.

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 (including non-current assets), cash and cash equivalents, and trade and other payables (including non-current liabilities).

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.

Standards issued but not yet adopted

IFRS 15 is a new standard effective for annual reporting periods beginning on or after 1st January 2017 with early adoption permitted; however the Company has not applied this standard in preparing these financial statements.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

3. Revenue

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

	Year Ended 31 March 2015	Period from 7 August 2013 - 31 March 2014
	£'000	£'000
Continuing operations		
Milestones recoverable	53,919	-
Charges to Service Users	40,012	13,204
	93,931	**13,204**

Milestones recoverable represent amounts due from Service Users that will be used to pay Service Providers in respect of contractual milestones that had been achieved at the date of the Statement of Financial Position. £53.9m has been recognised in cost of sales to reflect the payment due to the Service Providers. The amount is composed of milestone payments due in less than one year from the date of the Statement of Financial Position (£3.0m) and milestones due after one year (£50.9m) Amounts due in respect of milestones are recoverable over a period of years up until the end of the contract term with our Service Providers.

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 £31.0m, 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:

	Year Ended 31 March 2015	Period from 7 August 2013 - 31 March 2014
	£'000	£'000
Fees payable to the Company's auditor for the audit of		
- The Company's annual accounts	36	33
Total audit fees	**36**	**33**
Fees payable to the company's auditor for other services to the company		
- Other assurance services	30	12
- Other advisory services	3	-
Total non-audit fees	**33**	**12**

Total fees of £69,000 were paid to the auditor for the year to March 2015 (2014: £45,000)

6. Staff costs

Staff are legally employed by Capita Business Services Limited ('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 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:

	Year Ended 31 March 2015	Period from 7 August 2013 - 31 March 2014
Corporate management	3	2
Industry and regulation	12	4
Finance	18	9
Commercial	7	5
Design and assurance	29	17
Operations	11	5
Security	5	4
Programme management	21	12
	106	**58**

6. Staff costs (continued)

Their aggregate remuneration comprised:

	Year Ended 31 March 2015	Period from 7 August 2013 - 31 March 2014
	£'000	£'000
Wages and salaries	13,130	4,362
Severance pay	27	-
Social security costs	663	237
Other pension costs	130	42
	13,950	**4,641**

7. Tax

	Year Ended 31 March 2015	Period from 7 August 2013 - 31 March 2014
	£'000	£'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. Non-current assets and liabilities

Included in both non-current assets and non-current liabilities are amounts of £50.9m, representing amounts due from Service Users and due to Service Providers respectively.

At 31st March 2015 our Service Providers had achieved several contractual milestones. Payments against these milestones are due over the term of the contracts with the Service Providers. As the milestones have been achieved the Company has a contractual obligation for payment, and hence a non-current liability of £50.9m has been recognised, representing amounts payable after 31st March 2016.

These amounts will be recoverable from Service Users and therefore, a corresponding amount of £50.9m has been recognised as a non-current asset.

The milestones are recoverable over a maximum period of 12 years, up to the end of the contract term with Service Providers.

9. Trade and other receivables

	2015	2014
	£'000	£'000
Trade receivables due from Service Users	3,741	4,004
Unbilled revenue in respect of milestones	2,978	-
Prepayments	287	370
	7,006	**4,374**

Trade receivables represent amounts due from Service Users that were earned in March, but had not been invoiced at the date of the Statement of Financial Position. They 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.

Unbilled revenue of £3.0m is amounts that are to be recovered in the next year from Service Users in respect of milestone payments due on contracts with Service Providers. The amount due to the Service Providers is recognised in trade payables (see note 10).

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

10. Trade and other payables

	2015	2014
	£'000	£'000
Trade payables due to Service Users	471	344
Accruals	6,633	1,876
Milestones due in less than one year	2,978	-
Other payables	3,903	2,052
Interest payable	34	-
	14,019	**4,272**

Trade payables comprise of amounts held as cash deposits from Service Users for Credit Support.

Milestones due in less than one year are amounts that are due to be paid in the next year to Service Providers in respect of milestone payments due on contracts. These amounts will be recoverable from Service Users and therefore a corresponding amount of £3.0m has been recognised in trade and other receivables (see note 9).

Accruals reflect amounts outstanding for costs which were invoiced subsequent to year end.

Other payables represent amounts payable for VAT, plus invoices due to our immediate parent company in respect of services rendered.

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

11. Off balance sheet arrangements

At the date of the Statement of Financial Position, the Company had unrecognised, future liabilities of £91.9m. This represents payments that will become due to Service Providers on the condition that they meet several, future contractual milestones. The milestones are spread over the term of the contracts with the Service Providers and none had been achieved at 31st March 2015. See note 2 of the Company's accounting policies in respect of milestones.

The Company is also contractually obliged to pay operational charges to Service Providers once services go live. However these amounts are subject to contract changes and cannot be reliably estimated at the date of the Statement of Financial Position.

12. Share capital

	2015	2014
	£'000	£'000
Authorised, issued and fully paid up:		
1 ordinary share of £1 each	-	-

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

13. Financial instruments

Categories of financial instruments		
	2015	2014
	£'000	£'000
Financial assets		
Loans and receivables		
Non-current assets	50,941	-
Cash and bank balances	18,099	6,195
Trade and other receivables	7,006	4,374
	76,046	**10,569**
Financial liabilities		
Amortised cost		
Non-current liabilities	50,941	-
Trade and other payables	14,019	4,272
Deferred revenue	11,086	6,297
	76,046	**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.

13. Financial instruments (continued)

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.

14. Notes to the cash flow statement

	Year Ended 31 March 2015	Period from 7 August 2013 - 31 March 2014
	£'000	£'000
Profit for the year Adjust for:	-	-
Finance costs	414	388
Increase in receivables	(2,632)	(4,374)
Increase in payables	14,536	10,569
Finance cost payable	23	(23)
Net cash from operating activities	**12,341**	**6,560**
Net cash used in financing activities	(437)	(365)

Receivables and payables are those classified as being current and due for settlement within 12 months of the date of the Statement of Financial Position.

15. Related party transactions

During the year the immediate parent company, CBSL, invoiced the Company £22.1m (2014: £10.5m) for administration expenses paid on behalf of the Company. At the balance sheet date an amount of £2.6m (2014: £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:

	Year Ended 31 March 2015	Period from 7 August 2013 - 31 March 2014
	£'000	£'000
Salaries, fees, bonuses, and benefits in kind	415	177

Included in the amount shown above is £330,000 in respect of qualifying services for the highest paid director; £322,500 was paid as salary, bonus, benefits and £7,500 was paid in pension contributions.

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

16. 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.